

UBS Investment Funds ICVC Final Report and Accounts

For the year ended 31 December 2009



Contents

Introduction and Authorised Corporate Directors' report	2	UBS Global Optimal Fund	131
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 2009	3	UBS Global Optimal Thirds Fund	147
Statement of Authorised Corporate Director's responsibilities	4	UBS Inflation Linked Bond UK Plus Fund	163
Risk profile	5	UBS Long Dated Corporate Bond UK Plus Fund	183
Independent auditors' report to the members of the UBS Investment Funds ICVC	7	UBS Long Dated Fixed Interest UK Plus Fund	205
Aggregated financial statements for UBS Investment Funds ICVC	9	UBS Managed Fund	225
UBS Alpha Choice Fund	19	UBS Medium Term Fixed Interest Fund	235
UBS Broad Bond Market UK Plus Fund	43	UBS UK Equity Income Fund	249
UBS Corporate Bond UK Plus Fund	65	UBS UK Select Fund	267
UBS Fixed Interest UK Plus Fund	93	UBS UK Smaller Companies Fund	283
UBS Global Emerging Markets Equity Fund	113	UBS US Equity Fund	299
		Details of the company and other information	315

Introduction and Authorised Corporate Directors' Report

I am pleased to present the report and accounts for the UBS Investment Funds ICVC covering the year ended 31 December 2009.

Performance review

2009 started with similar levels of volatility experienced in the latter part of 2008. Markets and investors were still grappling with the momentous events following the collapse of Lehman Brothers and subsequent severe distress in the global banking system. The stimulus packages announced by central governments globally, coupled with aggressive interest rate cuts, were still in their infancy with little evidence that they were supportive in reducing the length and aggressiveness of the downturn.

Data from around the world seems to confirm that the global economic recession hit the bottom in the second quarter of 2009. Markets now appear to be more focused on recovery from here on in, but after being surprised to the upside from the economic data through the summer, September data was somewhat mixed relative to expectations. Much of the upward surprises had come from manufacturing, helped out by inventories and a partial resumption of world trade.

Negative surprises in the labour market are leading to questions about the sustainability of any economic recovery. Equity markets are running with the inventory-led recovery story, but bond markets remain focused on the risks to longer-term nominal growth should consumers prove to be slow in picking themselves up again. Meanwhile, the central banks are stressing the need to keep interest rates low for a long time but at the same time hinting that when rates do start to rise, they will rise faster than expected. This highlights the balance they must keep between near-term growth prospects and longer-term inflation concerns.

Even with the market rally experienced from mid-March through to the end of the reporting period, we believe equity markets continue to offer good stock-picking opportunities and UBS's proven disciplined and consistent investment style, can take advantage of these opportunities.

Post Balance Sheet Event – termination of Funds

The UBS Medium Term Fixed Interest Fund was terminated on 10 February 2010 and the UBS Alpha Choice Fund was terminated on 22 March 2010 following FSA approval.

I 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.



Graham Kane
Chairman



D Carter
Director

UBS Global Asset Management Funds Ltd
27 April 2010

Statement of 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 2009

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 income 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 Services 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 income 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 income 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.

The Royal Bank of Scotland plc
The Broadstone
50 South Gyle Crescent
Edinburgh
EH12 9UZ

27 April 2010

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.

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.

The levels of risk taken by the Manager of the Funds are monitored using our own proprietary risk systems, Risk Capital Allocation System, Global Equity Risk Management System or Fixed Income Risk Management System, and conventional statistical techniques, together with software such as that provided by BARRA and JP Morgan. Risk is measured at both the asset allocation and stock selection levels.

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.

Credit 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 Investment Bank Credit Risk Department.

Counterparty risk is also a feature of transactions in derivatives, so all derivative counterparties are also pre-approved. Futures are subject to daily variation margin payments which reduces the credit risk to one days 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. All forwards and swaps deals are covered by ISDA agreements.

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.

Risk profile

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 UK Market Risk Control Committee oversees and monitors the use of derivatives in the OEIC Funds for which UBS Global Asset Management Funds Ltd is the ACD. The membership of the UBS committee meets monthly and is made up of representatives from the following functions: Compliance, Market Risk Control, Derivative Administration Group, Trade Support and Risk Management. Disclosures for Value at Risk (VaR), where used, are shown 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, in which case they will normally be traded on a recognised derivative market and must be fully covered. Daily exposure to futures and options will be monitored to ensure global coverage and ensure the Fund's 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 (selling protection) and short transactions (buying protection). Each position is assessed in terms of the credit spread risk it adds to the portfolio. If we sell protection then the maximum loss will be the original (nominal) capital. If we buy protection then our potential maximum loss is when the CDS spread over LIBOR contracts to zero. There is no potential for unlimited losses.

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 (very low risk) 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 (very low risk) the holdings in the portfolio should compensate for the large position in the derivative under the global cover requirements.

Independent auditors' report to the members of the UBS Investment Funds ICVC

We have audited the Company's financial statements for the year ended 31 December 2009 which comprise the Aggregated Statement of Total Return, Aggregated Statement of Change in net assets attributable to shareholders, Aggregated Balance Sheet and related notes 1 to 14, together with the Statement of Total Return, Statement of Change in net assets attributable to shareholders, Balance Sheet, related notes and the Distribution Table for each sub-fund. These financial statements have been prepared under the accounting policies set out therein.

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 Services 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 auditors' 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), depositary and auditors

The ACD is responsible for the preparation of the Annual Report and the financial statements in accordance with the rules of the Collective Investment Schemes Sourcebook of the Financial Services Authority, the Instrument of Incorporation, and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of ACD Responsibilities in relation to the financial statements. The depositary is required to take reasonable care to ensure compliance by the ACD with all relevant requirements.

Our responsibility is to audit the financial statements in accordance with UK legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 Services Authority, and the Instrument of Incorporation. We also report to you whether, in our opinion, the Report of the ACD is consistent with the financial statements, whether the ACD has not kept proper accounting records for the Company or the sub-funds or whether the financial statements are not in agreement with those records, and whether we have received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Introduction and Directors' Statement, the Risk Profile, the Manager's Report, Performance Record, Portfolio Statement, and Portfolio Movements for each sub-fund and Other Information. We consider the implications for our report if we become aware

of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the ACD in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion;

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Company as at 31 December 2009 and of the net income and the net gains and losses on the scheme property of the Company and its sub-funds for the year then ended;
- 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 Services Authority and the Instrument of Incorporation;
- the report of the ACD 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, we require for our audit.

Ernst & Young LLP
Registered Auditor
London
27 April 2010

Aggregated financial statements for
UBS Investment Funds ICVC

Statement of total return

For the year from 1 January 2009 to 31 December 2009

	Notes	31 Dec 09 £	31 Dec 08 £
Income			
Net capital gains/(losses)	2	457,489,747	(544,851,210)
Revenue	3	59,543,806	67,978,662
Expenses	4	(16,461,258)	(17,418,617)
Finance costs: Interest	6	(6,557)	(179,576)
Net revenue before taxation		43,075,991	50,380,469
Taxation	5	(2,221,257)	(3,155,915)
Net revenue after taxation		40,854,734	47,224,554
Total return before distributions		498,344,481	(497,626,656)
Finance costs: Distributions	6	(40,066,339)	(47,982,902)
Change in net assets attributable to shareholders from investment activities		£458,278,142	£(545,609,558)

Statement of change in net assets attributable to shareholders

For the year from 1 January 2009 to 31 December 2009

	31 Dec 09 £	31 Dec 08 £
Opening net assets attributable to shareholders	1,574,998,003	2,068,609,761
Amounts receivable on issue of shares	419,947,528	878,888,890
Amounts payable on cancellation of shares	(555,069,004)	(876,712,471)
	(135,121,476)	2,176,419
Change in net assets attributable to shareholders from investment activities (see Statement of total return)	458,278,142	(545,609,558)
Dilution levy charged	-	2,722,540
Retained distribution on accumulation shares	37,324,059	47,183,591
Stamp duty reserve tax	(79,609)	(84,750)
Closing net assets attributable to shareholders	£1,935,399,119	£1,574,998,003

Balance sheet

As at 31 December 2009

	Notes	As at 31 Dec 09 £	As at 31 Dec 08 £
ASSETS			
Investment assets		1,899,132,892	1,638,534,930
Debtors	7	23,973,021	40,903,251
Cash and bank balances	8	53,359,614	109,312,898
Total other assets		77,332,635	150,216,149
Total assets		1,976,465,527	1,788,751,079
LIABILITIES			
Investment liabilities		12,212,338	184,791,110
Creditors	9	28,032,814	28,463,251
Distribution payable on income shares		821,256	498,715
Total other liabilities		28,854,070	28,961,966
Total liabilities		41,066,408	213,753,076
Net assets attributable to shareholders		£1,935,399,119	£1,574,998,003

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 November 2008.

(b) Recognition of revenue

Dividends on equities and underlying funds are recognised when the security is quoted ex-dividend. Deposit interest is accounted for on an accruals basis. Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment. The effective yield basis amortises any discount or premium on the purchase of an investment over its remaining life. In the event of an impaired or distressed debt security, any accrued coupon revenue previously recognised may be provided against and no further accruals will be recognised. Amortisation revenue previously recognised from the last coupon payment date may be provided against and no further amortisation will be recognised.

(c) Derivative accounting policy

In determining the accounting treatment for derivatives, consideration is given to the instrument itself, the Fund's objectives and the Fund Manager's motives and circumstances for investment in derivative instruments. Options premiums, finance charges on interest rate Swaps, dividends and finance charges on equity Swaps and relevant revenue from property Swaps are all taken to revenue. 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, bank charges and Stamp Duty Reserve Tax which are charged directly to capital. In the case of UBS Broad Bond Market UK Plus Fund, UBS Corporate Bond UK Plus Fund, UBS Fixed Interest UK Plus Fund, UBS Inflation Linked Bond UK Plus Fund, UBS Long Dated Corporate Bond UK Plus Fund, UBS Long Dated Fixed Interest UK Plus Fund and the UBS Medium Term Fixed Interest Fund only, the ACD's annual fee is charged against capital for the purposes of calculating the amount available for distribution.

(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 income 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 the 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. Over-the-counter derivatives are valued at a close of business price using valuation models or are otherwise sourced from market data providers.

(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 2009.

(l) Taxation

The rate of corporation tax for the Funds is 20%. The UBS Broad Bond Market UK Plus Fund, UBS Corporate Bond UK Plus Fund, UBS Fixed Interest UK Plus Fund, UBS Inflation Linked Bond UK Plus Fund, UBS Long Dated Corporate Bond UK Plus Fund, UBS Long Dated Fixed Interest UK Plus Fund and UBS Medium Term Fixed Interest 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) Presentation and disclosure

The comparatives for the Statement of total return including the applicable notes to the financial statements have been restated to conform with the revised presentational requirements of the new SORP. Other gains were previously included as a separate line in the Statement of total return but have now been included in net capital losses. The transaction charges were previously included in expenses but have now been included in net capital losses. The other gains and transaction charges were £2,731,187 (31 Dec 2008: £8,953,097) & £96,544 (31 Dec 2008: £160,441) respectively. The presentational amendments to the Statement of total

return had no impact on either the Change in net assets attributable to shareholders or the net assets at the end of the year.

2. Net capital gains/(losses)

	31 Dec 09 £	31 Dec 08 £
Currency gains	2,731,187	8,953,097
Derivative contracts	(8,101,144)	5,320,346
Forward currency contracts	25,758,934	(15,063,495)
Non-derivative securities	437,420,938	(543,900,717)
Transaction charges	(320,168)	(160,441)
Net capital gains/(losses)	£457,489,747	£(544,851,210)

3. Revenue

	31 Dec 09 £	31 Dec 08 £
Bank interest	243,475	2,657,331
Revenue from derivative contracts	(1,804,028)	(4,900,530)
Interest on debt securities	34,686,336	39,833,596
Option income	683,709	154,656
Overseas dividends	20,129,878	25,216,056
Property income distributions	26,266	-
Stock dividends	334,531	47,317
UK franked dividends	4,615,389	4,712,636
Underwriting commission	628,250	257,600
	£59,543,806	£67,978,662

4. Expenses

	31 Dec 09 £	31 Dec 08 £
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Authorised Corporate Director's fees	15,410,354	16,244,973
Registration fees	268,769	292,219
	15,679,123	16,537,192
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	165,725	192,297
	165,725	192,297
<i>Payable to other related parties and third parties:</i>		
Audit fees	121,428	129,017
Bank charges	314	-
FSA fees	-	(630)
Professional fees	734	-
Safe custody fees	496,390	509,718
Taxation fees	(2,456)	51,023
	616,410	689,128
	£16,461,258	£17,418,617

5. Taxation

(a) Analysis of tax charge

	31 Dec 09 £	31 Dec 08 £
Corporation tax at 20%	263,429	2,447,652
Double tax relief	(146,087)	(2,354,474)
Overseas tax provision movement	167,539	-
Overseas tax suffered	2,075,311	3,085,943
Prior period adjustment	(4,027)	-
Total current tax (5.b)	2,356,165	3,179,121
Deferred tax	(134,908)	(23,206)
Total tax charge	£2,221,257	£3,155,915

(b) Factors affecting current tax charge

The tax charged for the year is different to the special 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 08: 20%).

The differences are explained below:

	31 Dec 09 £	31 Dec 08 £
Net revenue before taxation	43,075,991	50,380,469
Corporation tax at 20%	8,615,198	10,076,094
<i>Effects of:</i>		
Allowable expenses charged to capital	416,225	397,479
Dividends not subject to corporation tax	(3,531,344)	(938,575)
Double tax relief	(146,087)	(2,354,474)
Interest distributions	(5,865,661)	(6,882,056)
Movement in excess expenses	716,600	90,899
Movement in revenue accrual taxable on receipt	499,651	33,553
Movement in overseas tax provision	167,539	-
Overseas tax suffered	2,044,890	3,085,943
Prior period adjustment	(4,027)	-
Relief from RPI allowance against indexation	(700,958)	(316,731)
Revenue taxable in different periods	204,215	-
Stock dividends not subject to corporation tax	(60,076)	(13,011)
	(6,259,033)	(6,896,973)
Total tax charge (5.a)	£2,356,165	£3,179,121

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 revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprises:

	31 Dec 09 £	31 Dec 08 £
First quarter interim distribution	9,246,627	8,320,404
Interim distribution	11,859,232	17,728,566
Third quarter interim distribution	6,982,282	7,404,291
Final distribution	11,040,821	14,611,712
	39,128,962	48,064,973
Add: Revenue deducted on cancellation of shares	2,086,448	3,261,682
Deduct: Revenue received on issue of shares	(1,149,071)	(3,343,753)
Net distributions	40,066,339	47,982,902
Interest	6,557	179,576
Total finance costs	£40,072,896	£48,162,478
Net revenue after taxation	40,854,734	47,224,554
Add: Expenses charged to capital	2,602,883	2,622,802
Add: Revenue brought forward	227,997	250,815
Add: Shortfall transfer to capital	113,356	7,456
Deduct: Relief from RPI allowance against Indexation	(3,558,024)	(1,894,728)
Deduct: Revenue carried forward	(205,892)	(227,997)
Deduct: Tax relief on capital fees	31,285	-
Net distributions as above	£40,066,339	£47,982,902

7. Debtors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Accrued revenue	1,447,416	3,525,534
Amounts receivable on issue of shares	2,485,933	7,992,916
Currency transactions awaiting settlement	6,891,998	6,892,260
Income tax recoverable	-	3,323
Income tax recoverable on property interest distributions	7,196	-
Interest receivable on debt securities	7,659,854	11,065,789
Interest receivable on swaps	208,130	10,594,952
Overseas tax recoverable	565,467	358,784
Sales awaiting settlement	4,707,027	469,693
	£23,973,021	£40,903,251

8. Cash & bank balances

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts held at futures clearing houses and brokers	6,773,994	12,859,475
Cash and bank balances	46,585,620	96,453,423
	£53,359,614	£109,312,898

9. Creditors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts payable on cancellation of shares	1,285,809	1,119,836
Corporation tax payable	229,848	158,238
Currency transactions awaiting settlement	6,835,324	6,818,783
Deferred tax (note 10)	-	134,908
Expense accruals	1,915,979	2,102,033
Income tax payable	18,107	25,361
Interest payable on swaps	230,163	9,927,797
Overseas tax provision	167,539	-
Payable to UBS Global Allocation Fund (UK)	67,541	67,541
Purchases awaiting settlement	17,282,504	8,108,754
	£28,032,814	£28,463,251

10. Deferred tax

The deferred tax provision is made up as follows:

	As at 31 Dec 09 £	As at 31 Dec 08 £
Accrued revenue taxable on receipt	-	547,639
Double tax relief on accrued dividends	-	(412,731)
	-	£134,908
Provision at the start of the year	134,908	158,114
Credit	(134,908)	(23,206)
Provision at the end of the year	-	£134,908

11. 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 tables 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.

12. Contingent liabilities

	As at 31 Dec 09 £	As at 31 Dec 08 £
Rights	-	30,457
	-	£30,357

13. 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 2009 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £1,515,037 and £27,830 respectively (31 Dec 08: £1,806,544 and £39,404).

UBS Global Asset Management Funds Ltd acts as principal in respect of all transactions of shares in the Funds. The aggregate monies received through issue and paid on cancellation are disclosed in the Statement of Change in Shareholders' Net Assets.

During the year, the Funds made net sales in UBS shares to a value of £568,504 (31 Dec 08: £751,701 – net purchases). The value of the holding at the year end is £728,782 (31 Dec 08: £908,013).

UBS Global Asset Management Life Ltd is 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 Asset Management Life Ltd on these transactions. The entity holds Class K Accumulation Gross shares on which no ACD fee is payable and Class J Accumulation shares on which a 1.25% ACD fee is payable. The aggregate value of these transactions during the period was £(102,845,969) (31 Dec 08: £151,247,072). As at 31 December 2009, the entity held 239,189,609 shares in the Funds with a market value of £134,853,118 (31 Dec 08: 439,919,602 shares, £193,632,161).

UBS Global Allocation Fund (UK) is also a significant investor in some of the Funds. Transactions with the 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 on which no ACD fee is payable. The aggregate value of these transactions during the period was £14,600,000 (31 Dec 08: £40,074,561). As at 31 December 2009, the entity held 116,957,510.39 shares in the Fund with a market value of £81,502,414 (31 Dec 08: 10,342,846 shares, £16,919,781).

UBS Targeted Return Fund is a significant investor in UBS Alpha Choice. Transactions with the 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 period was £59,500,000. As at 31 December 2009, the entity held 119,394,743 shares in the Fund with a market value of £57,106,506.

All dealing in the investment portfolio of the Fund was carried out through UBS Global Asset Management (UK) Ltd. During the period 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.

14. 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 5 and 6.

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

UBS Alpha Choice Fund

Manager's report

Investment objective and policy

To seek to achieve long term growth through multiple investment strategies investing in global financial markets.

The Fund will invest in domestic and international equities and bonds and other transferable securities (including warrants), money market instruments, deposits, cash and near cash and units in collective investment schemes in varying proportions at the ACD's discretion.

The Fund will use derivatives including forward foreign exchange, forward and futures contracts, swaps, options and repurchase agreements, for investment purposes and/or to manage interest rate and currency exposures.

Index futures and other derivatives are used to manage market exposure inherent in the investment portfolio. Increasing or reducing market and currency exposure will entail the use of long or net short positions in some derivative instruments.

There are no geographical restrictions on the countries of investment.

Market environment

Equity markets and other risk assets staged an emphatic recovery following their lows in March 2009. Emerging markets significantly led market returns on a regional basis and smaller companies outperformed their larger counterparts. Cyclical sectors such as materials and industrials produced better returns than the more defensive sectors such as healthcare and utilities which had held up better in the bear market of the previous 18 months, whilst financials bounced dramatically.

The second and third quarters of 2009 were characterised by the marked outperformance of deep value stocks with uncertain future earnings, as these companies were seen as most likely to benefit from the unprecedented government and central bank action taken to stabilise the global economy. Fund managers that aim to systematically invest in companies with stable cashflow generation and improving earnings streams found this environment particularly difficult. However, towards the end of the year the market began to take more notice of individual stock fundamentals, which enabled strategies that identify better quality companies from those with more uncertain prospects to beat their relevant market returns.

Fund Performance

For the period 11 March to 31 December 2009, the Fund achieved performance of -4.3%* (in sterling terms), underperforming the Fund's benchmark, 3month LIBOR, by 5.1%.

The Fund invests in five active managers which are external and independent of UBS Global Asset Management. The five strategies are selected for their alpha generating capabilities in their specialist areas and their lack of correlation with one another. During the period 11 March to 31 December 2009, the overall Fund underperformed its target, with three of the five managers underperforming their respective benchmarks.

The five strategies used within Alpha Choice over the second half of 2009 are as follows:

- US equity – Large Cap Value
- International All Cap
- Global Natural Resources
- Global Healthcare
- Global Choice

Outlook

After a difficult period for active managers, there is evidence that security fundamentals are beginning to assert themselves over sentiment. This should provide a more benign market environment for skilled investors who are able to identify those companies that are best equipped to deliver earnings growth against what is likely to be a challenging economic backdrop.

Valuation spreads, a gauge of relative value of the cheapest stocks in the market compared to the average, have contracted from their extreme wide points witnessed earlier in the year. However, managers are still finding attractively valued stocks, with many pricing anomalies existing within sectors.

The Fund has not materially changed the composition of selected managers since launch. We continue to monitor each of these managers closely and we have high conviction in the ability of the underlying managers to add value relative to their respective benchmarks. We also continue to monitor the diversification benefits across the five chosen strategies and are comfortable that each strategy is complementary to the overall Fund.

* Source: UBS Global Asset Management. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2009, based on K Accumulation shares.

Percentage growth

	Launch to 31/12/09 %
Class K – Accumulation Shares	-4.34

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 Shares: 11 March 2009.

UBS Global Asset Management Funds Ltd
27 April 2010

Performance record**1. Fund size**

Accounting year		Number of shares in issue	Total net asset value per share (p)*	Total net asset value (£)
31 December				
2009	Class K – Accumulation	119,394,743	47.6	56,849,416
				£56,849,416

* rounded to one decimal place.

2. Total expense ratio

The total expense ratio (TER) below is calculated using the most recent audited results and as described in the Financial Services Authority's Collective Investment Schemes Sourcebook 4 Annex 1 R.

Share class	31 Dec 09 (%)
Class K – Accumulation	0.04

3. Portfolio turnover rate

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the period.

	31 Dec 09 (%)
2009	238.94

4. Share dealing price range and distribution record

The Fund was launched on 11 March 2009 at a price of 50p for Class K Accumulation shares.

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class K – Accumulation			
2009†	49.96	47.16	0.69

† covers period from launch to 31 December 2009.

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**As at 31 December 2009**

	Holding	Market value £	Percentage of total net assets %
Equities – 90.84%			
Australia - 1.98%			
Arrow Energy	36,013	83,235	0.15
Australia & New Zealand Bank Group	3,300	42,032	0.07
Australian Worldwide Exploration	59,099	92,158	0.16
BHP Billiton	4,800	115,163	0.20
Boart Longyear	227,100	44,267	0.08
Commonwealth Bank of Australia	1,700	51,883	0.09
IOOF	37,200	124,927	0.22
JB Hi-Fi	13,400	168,659	0.30
Kagara Zinc	82,000	47,951	0.08
Minara Resources	90,700	40,916	0.07
Rio Tinto	1,000	41,619	0.07
Santos	25,244	197,951	0.35
SMS Management & Technology	13,000	40,617	0.07
Wesfarmers	2,300	39,965	0.07
Belgium - 0.82%			
Anheuser-Busch InBev	9,300	300,724	0.53
Delhaize Group	800	38,098	0.07
KBC Groep	1,400	37,776	0.07
Nyrstar	6,300	46,682	0.08
Sofina	700	41,875	0.07
Bermuda - 0.40%			
Bunge	800	31,622	0.06
Catlin Group	41,000	139,400	0.25
Jardine Matheson	2,800	51,636	0.09

	Holding	Market value £	Percentage of total net assets %
Brazil - 2.19%			
All America Latina Logistica	49,200	283,140	0.50
Brasileira de Meios de Pagamento	82,100	446,226	0.78
Diagnosticos da America	16,900	342,142	0.60
Vale ADR Preference	11,300	173,539	0.31
Canada - 3.45%			
Alimentation Couchclass 'B'	3,200	39,354	0.07
Bank of Montreal	1,300	42,826	0.08
Cenovus Energy	2,500	39,013	0.07
Delphi Energy	38,900	38,603	0.07
Eldorado Gold	16,577	145,312	0.26
EnCana	3,000	60,154	0.11
First Quantum Minerals	5,800	274,081	0.48
Grande Cache Coal	9,400	29,761	0.05
IAMGOLD	4,700	45,725	0.08
Laurentian Bank of Canada	1,900	47,822	0.08
Loblaw	1,800	36,023	0.06
Lundin Mining	69,500	174,886	0.31
Metro 'A'	2,200	50,902	0.09
Royal Bank of Canada	7,700	256,299	0.45
Sherritt International	8,700	33,558	0.06
Talisman Energy	8,200	94,550	0.17
Teck Resources 'B'	10,900	236,295	0.42
Uni-Select	4,000	72,088	0.13
Western Canadian Coal	22,800	43,770	0.08
Weston (George)	4,700	185,509	0.33

	Holding	Market value £	Percentage of total net assets %
Cayman Islands - 0.08%			
3SBio ADR	1,900	16,143	0.03
China Medical Technologies ADR	2,400	20,896	0.04
Simcere Pharmaceutical Group	1,400	8,005	0.01
Channel Islands - 0.24%			
Central Rand Gold	131,152	16,722	0.03
Petrofac	6,200	64,480	0.11
Shire	4,700	56,870	0.10
China - 0.56%			
China Life Insurance	7,000	317,912	0.56
Denmark - 0.46%			
Danske Bank	2,700	38,042	0.07
FLSmidth & Co	3,247	142,286	0.25
NKT Holding	1,100	38,155	0.07
Novo-Nordisk 'B'	1,000	39,612	0.07
Finland - 0.23%			
Huhtamaki 'I'	9,800	84,458	0.15
Uponor	3,300	43,891	0.08
France - 3.69%			
BIC	900	38,622	0.07
BNP Paribas	5,600	277,630	0.49
Credit Agricole	18,300	200,881	0.35
Eutelsat Communications	2,500	49,866	0.09
Renault	8,800	282,875	0.50
Rhodia	19,893	222,874	0.39
Sanofi-Aventis	2,100	80,664	0.14
Sanofi-Aventis ADR	2,800	68,091	0.12
Silic	600	45,301	0.08

	Holding	Market value £	Percentage of total net assets %
Technip	11,833	519,252	0.91
Total	5,510	220,321	0.39
Total Sponsored ADR	2,300	91,211	0.16
Germany - 2.84%			
Aixtron	4,900	101,916	0.18
Bayer	9,800	488,029	0.86
Biotest Non-Voting Preference	1,000	30,475	0.05
Deutsche Bank	5,700	250,733	0.44
Fresenius Medical Care	3,100	101,935	0.18
Gerresheimer Group	1,600	33,407	0.06
Hannover Rueckversicherungs	8,800	256,527	0.45
HeidelbergCement	6,319	267,126	0.47
Infineon Technologies	12,900	44,527	0.08
Tipp24	1,600	40,529	0.07
Greece - 0.32%			
Hellenic Petroleum	15,300	107,390	0.19
Motor Oil (Hellas) Corinth Refineries	4,200	38,622	0.07
Public Power	2,900	33,495	0.06
Hong Kong - 1.12%			
CNOOC ADS	3,500	336,486	0.59
Wheelock & Co	159,000	302,213	0.53
Ireland - 0.39%			
Covidien	7,400	219,409	0.39
Israel - 0.23%			
Teva Pharmaceutical Industries ADR	3,700	128,722	0.23
Italy - 0.91%			
DiaSorin	100	2,186	-
Enel	43,900	157,868	0.28

	Holding	Market value £	Percentage of total net assets %
ENI ADR	2,900	90,833	0.16
Maire Tecnimont	13,300	29,187	0.05
Saipem	5,600	119,212	0.21
Saras Raffinerie Sarde	41,268	79,931	0.14
Sorin	33,600	39,465	0.07
Japan - 4.97%			
Chiyoda	16,000	75,991	0.13
F.C.C.	4,100	44,727	0.08
Fujitsu	58,000	229,555	0.40
Fujitsu Frontech	9,000	41,607	0.07
Hitachi Capital	6,000	44,980	0.08
Itochu	68,000	308,033	0.54
Keihin	6,000	55,077	0.10
Kuroda Electric	10,000	89,667	0.16
Marubeni	59,000	200,546	0.35
MID REIT	65	84,874	0.15
Miraca	13,800	233,619	0.41
Mitsubishi	6,000	91,995	0.16
Mitsui & Co	53,100	463,061	0.81
Miyachi Technos	3,000	12,572	0.02
Nippon Sheet Glass	81,000	141,704	0.25
Nippon Soda	14,000	31,011	0.05
Nippon Telegraph & Telephone	1	24	-
Nissan Motor	10,000	53,813	0.09
Nitto Denko	2,000	44,168	0.08
Okabe	14,000	28,124	0.05
Okinawa Electric Power Company	1,700	55,749	0.10
SIIX	14,000	105,698	0.19
Sumitomo	41,000	256,907	0.45
TOA	8,000	27,512	0.05

	Holding	Market value £	Percentage of total net assets %
Topy Industries	17,000	18,885	0.03
Unipres	10,000	97,516	0.17
Liberia – 0.07%			
Excel Maritime Carriers	9,800	37,201	0.07
Marshall Islands – 0.13%			
Diana Shipping	8,400	75,113	0.13
Netherlands – 1.67%			
ASML Holding	5,700	120,294	0.21
Brunel International	1,900	39,586	0.07
Chicago Bridge & Iron	18,900	235,950	0.42
JPMorgan (JSW Stell) Warrant 2014	10,020	134,212	0.24
Philips Electronics	5,000	91,868	0.16
Qiagen	2,800	38,683	0.07
Royal Boskalis Westminster Groep	5,182	123,481	0.22
SBM Offshore	13,177	161,211	0.28
Norway – 0.41%			
DnB	34,400	231,394	0.41
Russia – 0.24%			
Rosneft GDR	25,300	133,954	0.24
Singapore – 0.59%			
Jardine Cycle & Carriage	4,000	47,495	0.08
Wilmar International	102,000	289,286	0.51
Spain – 0.97%			
Banco Bilbao Vizcaya Argentaria	3,900	44,093	0.08
Banco Santander	3,700	37,952	0.07
Construcciones y Auxiliar de Ferrocarriles	186	61,773	0.11
Corporacion Financiera Alba	1,200	38,915	0.07
Mapfre	15,600	40,569	0.07
Telefonica	16,500	286,159	0.50
Viscofan	2,700	42,604	0.07

	Holding	Market value £	Percentage of total net assets %
Sweden – 1.12%			
Electrolux 'B'	18,700	271,656	0.48
Elekta 'B'	4,600	67,822	0.12
JM	11,700	124,304	0.22
NCC 'B'	3,900	39,997	0.07
Nordea Bank	6,200	39,200	0.07
Skanska 'B'	4,500	47,458	0.08
Svenska Handelsbanken 'A'	2,600	46,046	0.08
Switzerland – 5.62%			
ABB	6,300	75,214	0.13
ACE	3,100	96,752	0.17
Actelion	5,900	194,917	0.34
Adecco	8,600	293,647	0.52
Alcon	700	71,242	0.13
Clariant	36,708	267,611	0.47
Credit Suisse	7,300	223,458	0.39
Credit Suisse ADR	3,100	94,352	0.17
Holcim	1,400	67,511	0.12
Nestle	15,500	465,645	0.82
Novartis	6,100	206,275	0.36
Novartis ADR	1,700	57,247	0.10
Petroplus	11,277	128,554	0.23
Roche (Genusscheine)	6,700	705,178	1.24
Sonova	1,500	112,679	0.20
Tecan Group	1,800	83,242	0.15
Valora Holding	300	45,826	0.08
Taiwan – 0.88%			
Taiwan Fertilizer	63,000	138,439	0.24
Taiwan Semiconductor Manufacturing ADS	51,100	361,689	0.64

	Holding	Market value £	Percentage of total net assets %
Thailand – 0.17%			
PTT Chemical Public Company	71,300	95,351	0.17
United Kingdom – 9.46%			
AMEC	20,018	158,342	0.28
Antofagasta	9,200	91,264	0.16
AstraZeneca	9,800	284,837	0.50
AstraZeneca ADR	3,200	92,937	0.16
Aviva	11,200	44,352	0.08
BG Group	3,500	39,270	0.07
BP	136,785	820,710	1.44
BP Amoco ADR	2,600	93,335	0.16
British American Tobacco	3,400	68,544	0.12
Centrica	66,095	185,000	0.33
Cookson Group	52,266	220,667	0.39
Debenhams	235,800	182,627	0.32
Ensco International 'A'	3,400	84,092	0.15
Eurasian Natural Resources	6,100	55,784	0.10
GlaxoSmithKline	20,400	269,076	0.47
GlaxoSmithKline ADR	3,500	91,572	0.16
HSBC	27,000	191,376	0.34
Kazakhmys	39,717	527,442	0.93
Legal & General Group	238,600	191,477	0.34
Micro Focus International	17,600	80,203	0.14
Peter Hambro Mining	8,148	83,598	0.15
Rio Tinto	7,973	270,285	0.48
Royal Dutch Shell 'A' ADR	2,500	93,058	0.16
SABMiller	6,700	122,074	0.21
Smith & Nephew	13,600	86,496	0.15
Standard Chartered	2,700	42,120	0.07

	Holding	Market value £	Percentage of total net assets %
Tullett Prebon	11,600	32,318	0.06
Vedanta Resources	2,200	57,398	0.10
Vodafone Group	526,200	754,571	1.33
Xstrata	5,400	60,534	0.11
United States of America – 44.63%			
3M	1,700	86,945	0.15
Abbott Laboratories	8,200	273,951	0.48
Abraxis BioScience New	500	12,475	0.02
Adobe Systems	5,200	118,436	0.21
Aéropostale	4,100	86,451	0.15
Aetna	36,200	709,048	1.25
Air Products & Chemicals	700	35,112	0.06
Alcoa	31,392	313,366	0.55
Alexion Pharmaceutical	2,400	72,497	0.13
Allergan	1,800	70,234	0.12
Alliant Techsystems	2,200	120,160	0.21
Allscripts Healthcare Solutions	6,500	81,429	0.14
Allstate	5,400	100,419	0.18
Alpha Natural Resources	5,300	142,375	0.25
Altera	8,500	119,011	0.21
Altria	7,500	91,123	0.16
Ameren	2,100	36,347	0.06
Amerigroup	400	6,663	0.01
Ameriprise Financial	3,900	93,754	0.16
AmerisourceBergen	15,200	245,105	0.43
Amgen	5,900	206,720	0.36
Amphenol 'A'	4,300	122,808	0.22
Amylin Pharmaceuticals	14,600	128,293	0.23
Anadarko Petroleum	16,300	630,056	1.11

	Holding	Market value £	Percentage of total net assets %
Apple	3,700	482,809	0.85
Archer Daniels Midland	1,700	32,961	0.06
Ashland	1,300	31,855	0.06
Assurant	5,100	93,103	0.16
Autonation	7,000	82,837	0.15
Ball	1,000	32,015	0.06
Baxter International	1,700	61,774	0.11
Beckman Coulter	2,400	97,257	0.17
Becton Dickinson & Co	2,000	97,669	0.17
Bed Bath & Beyond	3,500	83,683	0.15
BigLots	4,489	80,489	0.14
Bristol-Myers Squibb	16,300	254,768	0.45
C.R. Bard	2,500	120,429	0.21
Campbell Soup	4,300	90,002	0.16
Carefusion	3,100	48,011	0.08
Celanese	1,593	31,646	0.06
Celera	12,000	51,274	0.09
Celgene	2,200	75,842	0.13
Cerner	1,900	97,009	0.17
Chevron	8,200	390,793	0.69
Chubb	3,200	97,455	0.17
Cigna	10,800	236,174	0.42
CMS Energy	3,900	37,820	0.07
Comcast 'A'	45,000	445,862	0.78
Computer Sciences	3,400	121,127	0.21
ConocoPhillips	11,412	360,554	0.63
ConocoPhillips Petroleum	2,900	91,623	0.16
Constellation Energy Group	1,700	36,961	0.07
Cooper	4,000	94,424	0.17

		Market value £	Percentage of total net assets %
	Holding		
Corning	41,700	498,381	0.88
Cummins	3,000	85,178	0.15
Danaher	7,600	353,868	0.62
Davita	14,500	526,897	0.93
Dendreon	6,000	97,718	0.17
Dolby Laboratories 'A'	4,200	123,879	0.22
Dollar Tree	2,700	80,757	0.14
Dow Chemical	2,000	34,220	0.06
DTE Energy	1,400	37,791	0.07
E.I. du Pont de Nemours	1,600	33,350	0.06
Eastman Chemical	900	33,534	0.06
Eaton	2,200	86,673	0.15
Edison International	1,700	36,614	0.06
Eli Lilly & Co	7,600	167,874	0.30
Entergy	3,606	182,728	0.32
Express Scripts 'A'	1,100	58,888	0.10
Exxon Mobil	2,100	88,585	0.16
Facet Biotech	600	6,521	0.01
FirstEnergy	1,300	37,386	0.07
Flowserve	3,500	204,883	0.36
Ford Motor	14,200	87,758	0.15
Forest Laboratories	4,700	93,427	0.16
Franklin Resources	1,500	97,857	0.17
GAP	6,100	79,137	0.14
Gen-Probe	2,400	63,788	0.11
Gilead Sciences	1,300	34,834	0.06
Goldman Sachs	900	93,954	0.17
Halliburton	10,400	193,658	0.34

		Market value £	Percentage of total net assets %
	Holding		
Harsco Corp	4,400	87,817	0.15
Henry Schein	600	19,544	0.03
Hewlett Packard	3,700	117,930	0.21
Hill-Rom Holdings	6,700	99,534	0.18
Human Genome Sciences	3,100	58,685	0.10
IBM	1,500	121,525	0.21
Immucor	1,600	20,054	0.04
Incyte	3,500	19,745	0.03
Integrys Energy Group	1,417	36,837	0.06
Intel	9,700	122,538	0.22
International Paper	2,000	33,167	0.06
Inverness Medical Innovations	1,500	38,521	0.07
ITT Educational Services	1,400	83,184	0.15
Johnson & Johnson	8,600	342,594	0.60
Johnson Controls	5,100	85,997	0.15
Joy Global	2,700	86,157	0.15
JP Morgan Chase	3,700	95,476	0.17
KBR	7,700	90,597	0.16
Kimberly-Clark	2,300	90,741	0.16
Laboratory Corporation of America	8,900	412,469	0.73
Life Technologies	3,400	109,863	0.19
Louisiana-Pacific	22,900	98,983	0.17
Lubrizol	700	31,566	0.06
MAP Pharmaceuticals	900	5,300	0.01
Marathon Oil Corp	4,700	90,865	0.16
Massey Energy	8,920	231,665	0.41
McDonald's	2,100	81,147	0.14
McKesson	4,300	166,397	0.29

	Holding	Market value £	Percentage of total net assets %
Medco Health Solutions	4,900	193,925	0.34
Mednax	1,100	40,946	0.07
Medtronic	9,500	263,254	0.46
Merck (new)	5,000	113,014	0.20
Metlife	4,200	91,940	0.16
Mettler Toledo	900	58,430	0.10
Microsoft	58,800	1,109,839	1.95
Millipore	2,600	116,488	0.20
Momenta Pharmaceuticals	900	7,017	0.01
Monsanto	6,500	329,055	0.58
Mylan Laboratories	5,300	60,488	0.11
Newmont Mining	5,300	155,273	0.27
NII Holdings	1,800	37,430	0.07
NiSource	3,900	37,144	0.07
NV Energy	4,800	36,798	0.06
NVR	217	95,500	0.17
Occidental Petroleum	1,800	90,588	0.16
Oracle	37,900	575,946	1.01
Parker Hannifin	2,500	83,351	0.15
Patterson	800	13,851	0.02
PerkinElmer	12,100	154,280	0.27
Pfizer	36,800	414,523	0.73
Pharmasset	800	10,235	0.02
Philip Morris International	16,400	489,073	0.86
Pinnacle West Capital	1,600	36,244	0.06
Pitney Bowes	6,000	84,565	0.15
PPG Industries	900	32,604	0.06
Praxair	7,700	382,938	0.67
Priceline	600	81,032	0.14

	Holding	Market value £	Percentage of total net assets %
Procter & Gamble	2,400	90,064	0.16
Prudential Financial	20,900	643,883	1.13
Public Service Enterprise Group	4,746	97,721	0.17
Qwest Communications International	14,100	36,672	0.06
Reliance Steel & Aluminium	1,200	32,117	0.06
Republic Services	8,453	148,085	0.26
Reynolds American	2,800	91,845	0.16
Ross Stores	2,900	76,700	0.13
Rowan	11,100	155,621	0.27
Schwab (Charles)	8,700	101,393	0.18
Sempra Energy	1,100	38,132	0.07
St. Jude Medical	1,600	36,412	0.06
Stryker	4,900	152,840	0.27
Sybase	20,900	561,570	0.99
T.Rowe Price	2,900	95,628	0.17
Teco Energy	3,800	38,168	0.07
Temple-Inland	8,600	112,423	0.20
Texas Instruments	7,500	120,894	0.21
The Travelers Companies	3,200	98,783	0.17
Thermo Fisher Scientific	21,100	622,475	1.10
TJX	3,500	79,196	0.14
Tupperware Brands	8,500	244,970	0.43
United Health Group	14,700	278,703	0.49
Varian Medical Systems	5,000	144,936	0.25
Vertex Pharmaceutical	3,600	95,504	0.17
VISA	11,600	627,254	1.10
Wal-Mart Stores	16,300	539,313	0.95
Watson Pharmaceuticals	1,600	39,230	0.07
Wellpoint	5,900	212,639	0.37

	Holding	Market value £	Percentage of total net assets %
Western Digital	4,500	123,030	0.22
Western Union	7,400	86,334	0.15
Zimmer	5,100	186,554	0.33
ZOLL Medical	1,700	28,139	0.05
Bonds - 0.34%			
JP Morgan Chase FRN Perpetual	£315,010	194,498	0.34
Futures - (1.02)%			
Amsterdam Exchange Index Future Jan 10	(6)	(15,240)	(0.03)
ETD Jan 10 SGXDT SIMSC	(45)	(29,735)	(0.05)
ETD Mar 10 DJ ERX Euro Stoxx 50	(217)	(189,065)	(0.33)
ETD Mar 10 EUREX SMI	(26)	(17,292)	(0.03)
ETD Mar 10 LIF FTSE100	(48)	(61,060)	(0.11)
OMX S30 Future Jan 10	(155)	(25,760)	(0.05)
S&P TSX60 Future Mar 10	(11)	(22,602)	(0.04)
SPI 200 Future Mar 10	(24)	(81,970)	(0.14)
SPI 500 Future Mar 10	(27)	(103,776)	(0.18)
Topix Index Futr Future Mar 10	(62)	(35,211)	(0.06)
Forwards - (0.85)%			
Bought Euro 365,000			
Sold Sterling 324,397		188	-
Bought Japanese Yen 77,700,000			
Sold Sterling 533,434		(13,955)	(0.02)
Bought Sterling 236,470			
Sold Singapore Dollar 535,000		865	-
Bought Sterling 296,043			
Sold South African Rand 3,720,000		(11,152)	(0.02)
Bought Sterling 339,279			
Sold Swedish Krona 3,870,000		3,719	0.01
Bought Sterling 367,140			
Sold Euro 405,000		6,983	0.01

	Holding	Market value £	Percentage of total net assets %
Bought Sterling 372,62			
Sold Hong Kong Dollar 4,760,000		(6,658)	(0.01)
Bought Sterling 1,438,795			
Sold Swiss Francs 2,400,000		(203)	-
Bought Sterling 1,655,482			
Sold US Dollar 2,695,000		(9,076)	(0.02)
Bought Sterling 1,740,529			
Sold Australian Dollar 3,155,000		(2,294)	-
Bought Sterling 2,178,403			
Sold Canadian Dollar 3,810,000		(65,553)	(0.12)
Bought Sterling 4,309,526			
Sold Japanese Yen 630,600,000		93,527	0.16
Bought Sterling 6,996,926			
Sold Euro 7,735,000		118,375	0.21
Bought Sterling 29,280,724			
Sold US Dollar 48,370,000		(594,844)	(1.05)
Bought US Dollar 19,202			
Sold Danish Krone 99,000		29	-
Bought US Dollar 462,931			
Sold Russian Ruble 13,550,000		6,632	0.01
Bought US Dollar 516,303			
Sold Taiwanese Dollar 16,500,000		(5,268)	(0.01)
Bought US Dollar 524,141			
Sold Indian Rupee 24,480,000		167	-
Bought US Dollar 593,395			
Sold Korean Won 690,000,000		(2,401)	-
Bought US Dollar 1,077,418			
Sold Chinese Yuan Renminbi 7,330,000		2,104	-
Bought US Dollar 1,099,715			
Sold Brazilian Real 1,930,000		272	-

	Holding	Market value £	Percentage of total net assets %
Bought US Dollar 2,060,000			
Sold Sterling 1,278,403		(6,051)	(0.01)
Bought US Dollar 2,850,000			
Sold Sterling 1,757,050		3,243	0.01
Swaps - (0.65)%			
JPM Equity Total Return Swap Pay Mar 2010	(3,499,060)	(11,135)	(0.02)
JPM Equity Total Return Swap Pay Mar 2010	(14,238,410)	(38,050)	(0.07)
JPM Equity Total Return Swap Pay Mar 2010	(6,360,383)	(59,826)	(0.11)
JPM Equity Total Return Swap Pay Mar 2010	(7,535,886)	(107,787)	(0.19)
Merrill Lynch Equity Total Return Swap Pay Mar 2010	(16,377,197)	(149,060)	(0.26)
Investment assets		50,400,513	88.66
Net other assets		6,448,903	11.34
Net assets		£56,849,416	100.00

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.

Portfolio movements**For the period from 11 March 2009 to 31 December 2009**

	Cost £
Major purchases	
JP Morgan Chase FRN Perpetual	12,242,270
BP	1,408,289
Comcast 'A'	1,338,165
Monsanto	1,288,353
Microsoft	1,177,081
Nestle	1,094,316
Roche (Genusscheine)	1,042,279
Chevron	1,036,163
Wal-Mart Stores	1,006,187
Bank of New York Mellon	950,880
Bristol-Myers Squibb	945,070
Aetna	936,766
Brasileira de Meios de Pagamento	925,084
Davita	921,073
Anadarko Petroleum	913,265
Boeing	882,478
Amgen	879,143
Vodafone Group	859,866
CNOOC ADS	831,244
Philip Morris International	806,204
Total for the period (Note 14)	£127,776,758

Major purchases and sales are the twenty largest.

	Proceeds £
Major sales	
JP Morgan Chase FRN Perpetual	11,987,122
Bank of New York Mellon	924,234
Boeing	858,319
Perotsystems 'A'	845,231
Monsanto	838,012
Comcast 'A'	831,669
Mastercard	803,699
McKesson	767,583
Metlife	758,087
ENI	746,109
Boston Scientific	745,353
BP	739,480
Nestle	716,424
Everest Re Group	704,175
Bristol-Myers Squibb	695,595
Anheuser-Busch InBev	662,498
Amgen	652,955
Chevron	634,091
Rolls Royce Group	625,934
Redecard	618,635
Total for the period (Note 14)	£84,694,531

Statement of total return**For the period from 11 March 2009 to 31 December 2009**

	Notes	£	31 Dec 09 £
Income			
Net capital losses	2		(3,478,292)
Revenue	3	981,012	
Expenses	4	(19,772)	
Finance costs: Interest	6	(1,469)	
Net revenue before taxation		959,771	
Taxation	5	(131,157)	
Net revenue after taxation			828,614
Total return before distributions			(2,649,678)
Finance costs: Distributions	6		(826,603)
Change in net assets attributable to shareholders from investment activities			£(3,476,281)

Statement of change in net assets attributable to shareholders**For the period from 11 March 2009 to 31 December 2009**

	£	31 Dec 09 £
Opening net assets attributable to shareholders		-
Amounts receivable on issue of shares	66,718,250	
Amounts payable on cancellation of shares	(7,217,038)	
		59,501,212
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		(3,476,281)
Retained distribution on accumulation shares		825,392
Stamp duty reserve tax		(907)
Closing net assets attributable to shareholders		£56,849,416

Balance sheet**As at 31 December 2009**

	Notes	As at 31 Dec 09 £
ASSETS		
Investment assets		52,065,537
Debtors	7	76,303
Cash and bank balances	8	6,470,326
Total other assets		6,546,629
Total assets		58,612,166
LIABILITIES		
Investment liabilities		1,665,024
Creditors	9	97,726
Total other liabilities		97,726
Total liabilities		1,762,750
Net assets attributable to shareholders		£56,849,416

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 12 and 13.

2. Net capital losses

	31 Dec 09
	£
Currency losses	(791,417)
Derivative contracts	(15,125,343)
Forward currency contracts	4,099,554
Non-derivative securities	8,381,348
Transaction charges	(42,434)
Net capital losses	£(3,478,292)

3. Revenue

	31 Dec 09
	£
Bank interest	11,331
Revenue from derivative contracts	(2,882)
Overseas dividends	856,178
Stock dividends	13,428
UK franked dividends	102,957
	£981,012

4. Expenses

	31 Dec 09
	£
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>	
Depositary's fees	6,085
	6,085
<i>Payable to other related parties and third parties:</i>	
Audit fees	8,049
Professional fees	354
Safe custody fees	4,284
Taxation fees	1,000
	13,687
	£19,772

5. Taxation

(a) Analysis of tax charge

	31 Dec 09
	£
Corporation tax at 20%	78,578
Double tax relief	(46,085)
Overseas tax suffered	98,664
Total current tax (5.b)	131,157
Total tax charge	£131,157

(b) Factors affecting current tax charge

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

The differences are explained below:

	31 Dec 09
	£
Net revenue before taxation	959,771
Corporation tax at 20%	191,954
<i>Effects of:</i>	
Dividends not subject to corporation tax	(111,267)
Double tax relief	(46,085)
Overseas tax suffered	98,664
Revenue taxable in a different periods	576
Stock dividend not subject to corporation tax	(2,685)
	(60,797)
Total tax charge (5.a)	£131,157

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

There is no material unprovided deferred tax.

6. Finance costs

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	31 Dec 09
	£
Interim	431,389
Final	394,003
	825,392
Add: Revenue deducted on cancellation of shares	33,069
Deduct: Revenue received on issue of shares	(31,858)
Net distributions	826,603
Interest	1,469
Total finance costs	£828,072
Net revenue after taxation	828,614
Deduct: Revenue carried forward	(2,011)
Net distributions as above	£826,603

Details of the distribution per share are set out in the table on page 41.

7. Debtors

	As at 31 Dec 09 £
Accrued revenue	43,845
Overseas tax recoverable	18,383
Sales awaiting settlement	14,075
	£76,303

8. Cash & bank balances

	As at 31 Dec 09 £
Amounts held at futures clearing houses and brokers	2,227,486
Cash and bank balances	4,242,840
	£6,470,326

9. Creditors

	As at 31 Dec 09 £
Corporation tax payable	32,493
Expense accruals	31,697
Purchases awaiting settlement	33,536
	£97,726

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 tables 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 2009 there were no contingent liabilities and commitments.

12. Related party transactions

UBS Global Asset Management Funds Ltd, as the Authorised Corporate Director (ACD), is considered to be a related party.

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 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 period was £59,500,000. As at 31 December 2009, the entity held 119,394,743 shares in the fund with a market value of £57,106,506.

All dealing in the investment portfolio of the Fund was carried out through UBS Global Asset Management (UK) Ltd. During the period 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 5 and 6.

(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

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 09				
Australian Dollar	306,364	-	1,049,373	1,355,737
Brazilian Real	16,980	-	1,074,085	1,091,065
Canadian Dollar	295,105	-	1,731,792	2,026,897
Danish Kroner	1,494	-	269,998	271,492
Euro	795,645	-	5,832,971	6,628,616
Hong Kong Dollar	25,932	-	302,213	328,145
Japanese Yen	166,739	-	3,326,226	3,492,965
Norwegian Krona	368	-	231,395	231,763
Singapore Dollar	89,749	-	307,046	396,795
Sterling	3,658,293	-	54,551,536	58,209,829
Swedish Krona	194,001	-	610,723	804,724
Swiss Francs	116,928	-	2,859,161	2,976,089
Taiwanese Dollar	15,198	-	138,439	153,637
Thai Baht	-	-	95,351	95,351
US Dollar	787,530	-	34,683,985	35,471,515
	£6,470,326	-	£107,064,294	£113,534,620

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 09			
Australian Dollar	-	1,742,824	1,742,824
Brazilian Real	-	678,963	678,963
Canadian Dollar	-	2,243,956	2,243,956
Chinese Yuan Renminbi	-	663,359	663,359
Danish Kroner	-	11,827	11,827
Euro	-	7,238,708	7,238,708
Hong Kong Dollar	-	379,283	379,283
Indian Rupee	-	323,567	323,567
Japanese Yen	-	4,215,999	4,215,999
Korean Won	-	368,909	368,909
Russian Ruble	-	279,296	279,296
Singapore Dollar	-	235,605	235,605
South African Rand	-	307,195	307,195
Sterling	-	3,957,476	3,957,476
Swedish Krona	-	335,560	335,560
Swiss Francs	-	1,438,997	1,438,997
Taiwanese Dollar	-	324,161	324,161
US Dollar	-	31,939,519	31,939,519
	-	£56,685,204	£56,685,204

(b) Currency exposure

A 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:

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 09			
Australian Dollar	(1,436,459)	1,049,372	(387,087)
Brazilian Real	(659,406)	1,071,508	412,102
Canadian Dollar	(1,947,272)	1,730,213	(217,059)
Chinese Yuan Renminbi	(663,359)	-	(663,359)
Danish Kroner	1,570	258,095	259,665
Euro	(6,106,388)	5,496,296	(610,092)
Hong Kong Dollar	(353,351)	302,213	(51,138)
Indian Rupee	(323,567)	-	(323,567)
Japanese Yen	(3,525,238)	2,802,204	(723,034)
Korean Won	(368,909)	-	(368,909)
Norwegian Krona	369	231,394	231,763
Russian Ruble	(279,296)	-	(279,296)
Singapore Dollar	(145,856)	307,046	161,190
South African Rand	(307,195)	-	(307,195)
Swedish Krona	(141,559)	610,723	469,164
Swiss Francs	(1,315,373)	2,852,465	1,537,092
Taiwanese Dollar	(308,963)	138,439	(170,524)
Thai Baht	-	95,351	95,351
US Dollar	(25,073,274)	28,605,270	3,531,996
	(42,953,526)	45,550,589	2,597,063
Sterling	48,921,077	5,331,276	54,252,353
	£5,967,551	£50,881,865	£56,849,416

(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 currently invests in total return swaps for investment purposes, consistent with the Investment Objective of the Fund, as discussed in the Risk Profile on pages 5 and 6.

In order to trade swap and derivative instruments we enter into an agreement with a counter party. Whilst we assess the credit worthiness of the counterparty, the Fund is at risk that it may not fulfil its obligations under the agreement. Any collateral paid by the Fund may not be returned, nor may any payment due to the Fund be made.

14. Portfolio transaction costs

Analysis of total purchase costs	£	31 Dec 09 £
Purchases in period before transaction costs		127,599,799
Commissions & taxes	176,959	
Total purchase costs		176,959
Gross purchase total		£127,776,758
<hr/>		
Analysis of total sale costs	£	31 Dec 09 £
Gross sales in period before transaction costs		84,786,563
Commissions & taxes	(92,032)	
Total sale costs		(92,032)
Total sales net of transaction costs		£84,694,531

15. Post Balance Sheet Event – termination of Fund

The UBS Alpha Choice Fund was terminated on 22 March 2010 following FSA approval.

Distribution table**For the period from 11 March 2009 to 31 December 2009 (in pence per share)**

Final dividend distribution

Group 1: Shares purchased prior to 1 July 2009

Group 2: Shares purchased between 1 July 2009 and 31 December 2009

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 28/02/10 (p)
Class K – Accumulation			
Group 1	0.33	-	0.33
Group 2	0.23	0.10	0.33

Interim dividend distribution

Group 1: There were no group 1 shares as at 11 March 2009

Group 2: Shares purchased between 11 March 2009 and 30 June 2009

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/09 (p)
Class K – Accumulation			
Group 1	0.36	-	0.36
Group 2	0.35	0.01	0.36

UBS Broad Bond Market UK Plus Fund

Manager's report

Investment objective and policy

To seek to generate a return greater than the return provided by Sterling fixed income 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 investment 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

Despite significantly underperforming government bonds in the first quarter, corporate bonds finished 2009 with one of the strongest annual returns recorded in the sector. Early in the year, credit markets continued to underperform government bonds as financials came under particular pressure due to continued concerns surrounding banks. In contrast, higher quality non financials saw a surge in issuance and improved investor demand. Investor sentiment changed notably in the second quarter with risk appetite returning and global bond yields moving significantly higher. Through the third quarter, despite a stabilisation in economic data and continued improvement in investor sentiment, yields on government bonds fell marginally, supported by policy makers' vocal commitment to maintaining low levels of interest rates. The final quarter of 2009 saw a fairly muted performance from government bond markets with better than expected economic data and concerns over ballooning fiscal deficits putting pressure on some of the major sovereign bond markets late on in the quarter. However, corporate bond markets continued to outperform as spreads narrowed further through the end of 2009.

Fund Performance

Over 2009 corporate bonds outperformed government bonds with the all stock non-gilt index returning 10.8% as spreads tightened significantly over the year. UK government bonds posted negative returns, with the all stock gilt index returning -1.2%. Yields on five year government bonds rose by 0.4% to 2.8%, while 10 year bond yields rose by 1.0% to 4.0%. UK index linked bonds outperformed nominal bonds as yields on shorter dated 2016 index linked bonds fell by 1.1% to yield 0.7%. 30 year index linked bond yields were unchanged at 0.65%.

During 2009 the Fund achieved performance of 25.3%* outperforming its benchmark, the Merrill Lynch UK Broad Market Index, which achieved performance of 3.8%. Both figures are quoted in Sterling terms.

During the first half of the year, given the high levels of prevailing uncertainty we reduced our active short duration position and our overweight exposure to subordinated bank bonds in an effort to reduce the volatility of future returns. We also took steps to improve the overall liquidity of the portfolio increasing our ability to be more flexible and ensure a broad diversification of risks taking positions in US treasuries and Australian government bonds on a hedged basis at the expense of UK gilts.

Within credit markets we favoured defensive sectors such as Telecoms and Utilities. Latterly in the period we reduced our Telecoms exposure. While we maintain an overall bearish stance on global duration we introduced an overweight to Europe at the end of December. In currency markets we favoured Scandinavian currencies with a small overweight versus the Euro and Swiss Franc.

Outlook

Our strategy is to pursue a wide variety of investment views. The UK and US bond markets face similar challenges in terms of funding and economic recovery. The situation in Europe is more complex as some countries have uncomfortably large deficits that will be difficult to fund while others qualify as safe havens and do not have comparable fiscal challenges. Overall European data continues to lag that of the UK and US and we see the European Central Bank as likely to be one of the last central banks to raise rates. Consequently we expect the spread widening of UK and US bonds relative to German bonds to continue. We maintain our view that investment grade credit markets, particularly some financials, offer value relative to government bonds.

* Source: UBS Global Asset Management. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2009, based on K Accumulation Gross shares.

Percentage growth

	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	Launch to 31/12/07 %
Class K – Accumulation Gross Shares	25.32	-13.12	-2.28

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.

UBS Global Asset Management Funds Ltd
27 April 2010

Performance record

1. Fund size

Accounting year 31 December		Number of shares in issue	Total net asset value per share (p)*	Total net asset value (£)
2007	Class K – Accumulation Gross	137,114,808	48.7	66,765,232
				£66,765,232
2008	Class K – Accumulation Gross	112,902,339	42.1	47,480,970
				£47,480,970
2009	Class K – Accumulation Gross	72,274,589	52.9	38,234,468
				£38,234,468

* rounded to one decimal place.

2. Total expense ratio

The total expense ratio (TER) below is calculated using the most recent audited results and as described in the Financial Services Authority's Collective Investment Schemes Sourcebook 4 Annex 1 R.

Share class	31 Dec 09 (%)	31 Dec 08 (%)
Class K – Accumulation Gross	0.04	0.04

3. Portfolio turnover rate

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the year.

	31 Dec 09 (%)	31 Dec 08 (%)
	515.38	68.27

4. 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.

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (p)
Class K – Accumulation Gross			
2007 †	50.00	47.78	2.07
2008	50.05	37.99	3.19
2009	53.42	40.69	2.92

† covers period from launch to 31 December 2007.

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

As at 31 December 2009

	Holding	Market value £	Percentage of total net assets %
Bonds – 96.28% (31 Dec 08: 90.88%)			
Floating Rate Notes - 1.76% (31 Dec 08: 36.06%)			
Bradford & Bingley FRN 2011	£150,000	141,092	0.37
Cadogan Square CDO II 'E' FRN 2022	€100,000	22,212	0.06
Laurelin II 'E' FRN 2023	€100,000	19,546	0.05
Royal Bank of Scotland CLN 2033	£500,000	250,000	0.65
Tube Lines Finance 8.6801% 2031	£241,052	240,690	0.63
Mortgage & Asset Backed Securities – 2.52% (31 Dec 08: 4.51%)			
Adagio CLO III FRN 2022	€100,000	21,323	0.06
Aladdin CDO 25X FRN 2016	\$100,000	-	-
Ares Euro CLO I 'E' FRN 2024	€150,000	23,029	0.06
Avoca CLO VI 0% 2023	€100,000	15,993	0.04
Axius Europe CLO 6M 2023	€190,953	16,966	0.05
Black Diamond FRN 2018	\$100,000	13,004	0.03
Black Diamond FRN 2019	\$200,000	42,307	0.11
BlackRock Senior Income Series V 13/08/19	\$250,000	20,900	0.06
Brentwood CLO I FRN 2022	\$88,340	8,206	0.02
Brushfield CDO FRN 2052	\$200,000	12	-
CELF Loan Partners II FRN 2021	€100,000	49,381	0.13
CELF Loan Partners III FRN 2023	€100,000	14,695	0.04
Cific Funding FRN 2021	\$96,297	19,500	0.05
Clavos CDO Subordinated FRN 2023	€300,000	10,662	0.03
Duke Funding 8A FRN 2045	\$95,497	-	-
Duke Funding CDO XIII FRN 2047	\$250,000	-	-
Duke Funding XI FRN 2046	€146,642	13	-
Eurocredit CDO FRN 2023	€200,000	12,439	0.03

	Holding	Market value £	Percentage of total net assets %
Eurocredit CDO V 'E' FRN 2022	€100,000	13,292	0.04
Granite Master 'A6' FRN 2054	£69,326	61,484	0.16
Grosvenor Place FRN 2023	€100,000	8,885	0.02
GSC European FRN 2022	€125,000	8,885	0.02
Gulf Stream-Sextant FRN 2021	\$150,000	20,435	0.05
Harbourmaster CLO 2 'B2' FRN 2022	€100,000	26,654	0.07
Highlander CDO 2012	€100,000	30,652	0.08
Kingsland V FRN 2021	\$200,000	7,431	0.02
Laurelin II FRN 2023	€150,000	19,991	0.05
Mercator CLO III FRN 2024	€150,000	6,664	0.02
Permanent Financing No.4 'C' FRN 2042	£200,000	164,863	0.43
Queen Street CLO I 'E' FRN 2023	€100,000	23,847	0.06
Queen Street FRN 2024	€150,000	26,654	0.07
Sagittarius CLO I 'A' FRN 2051	\$200,000	-	-
St. James's Park CDO 'F' 2020	€350,000	83,961	0.22
Taberna FRN 2036 Preference	\$105,011	7	-
Taberna FRN 2037	\$204,333	13	-
Trimaran CLO VI FRN 2018	\$200,000	47,162	0.12
Trimaran CLO VI FRN 2021	\$200,000	69,356	0.18
Valleriite CDO I 'A1' FRN 2017	€300,000	76,631	0.20
Ordinary Fixed Interest – 91.87% (31 Dec 08: 39.50%)			
Abbey National 7.375% Perpetual	£250,000	225,000	0.59
Anglian Water Services Finance 'B' 7.882% 2037	£500,000	534,516	1.40
Anheuser-Busch InBev 9.75% 2024	£250,000	335,470	0.88
Apria Healthcare Group I 11.25% 2014	\$210,000	142,722	0.37

	Holding	Market value £	Percentage of total net assets %		Holding	Market value £	Percentage of total net assets %
ArcelorMittal 8.25% 2013	€50,000	50,094	0.13	Gaz Capital 6.58% 2013	£400,000	398,202	1.04
Argon Capital 8.162% 2012	£274,000	131,520	0.34	General Electric Capital 6.5% 2067	£700,000	571,537	1.49
Aviva 6.125% Perpetual	£200,000	168,161	0.44	Greene King Finance 'B' 5.702% 2034	£193,000	136,955	0.36
BAA Funding 5.225% 2025 'A'	£200,000	172,986	0.45	Heidelbergcement 8% 2017	€190,000	175,140	0.46
BAA Funding 6.45% 2033 'A'	£100,000	97,351	0.25	HSBC 6.5% 2023	£350,000	360,429	0.94
BAA Funding 6.75% 2028	£70,000	69,767	0.18	Hyundai Capital Services 6% 2015	\$400,000	260,581	0.68
Bank of America 6.125% 2021	£150,000	147,314	0.39	Iberdrola Finanzas 6% 2022	£100,000	105,229	0.28
Barclays Bank 5.75% 2026	£400,000	366,172	0.96	Imperial Tobacco Finance 9% 2022	£200,000	246,312	0.64
Barclays Bank 9.5% 2021	£280,000	325,885	0.85	ING Groep 5.14% 2016	£300,000	183,000	0.48
BAT International Finance 6% 2034	£120,000	120,398	0.31	KFW 3.25% 2016	£160,000	158,974	0.42
British Sky Broadcasting 9.5% 2018	\$140,000	111,568	0.29	Lambay Capital Securities 6.25% 2049	£220,000	4,400	0.01
British Telecommunications Call 6.375% 2037	£300,000	275,876	0.72	LBG Capital (No.1) 7.8673% 2019	£550,000	437,932	1.15
Citigroup 5.15% 2026	£600,000	503,783	1.32	Legal & General Finance 5.875% 2031	£120,000	107,946	0.28
Citigroup 7.375% 2039	£120,000	133,403	0.35	Lloyds Banking Group 9.625% 2023	£350,000	386,036	1.01
Credit Suisse Group Finance 7% 2020	£300,000	325,930	0.85	Mitchells & Butlers 5.965% 2025	£14,680	14,902	0.04
Credito Oficial 4.5% 2011	£700,000	733,020	1.92	Monte Dei Paschi di Siena 5.75% 2016	£100,000	88,689	0.23
CRH Finance BV 7.375% 2014	€120,000	120,780	0.32	Morgan Stanley 5.75% 2017	£400,000	405,228	1.06
Danske Bank 5.6838% 2049	£180,000	131,744	0.34	National Westminster Bank 6.5% 2021	£250,000	210,263	0.55
EDF 6.125% 2034	£100,000	108,011	0.28	Nisource Finance 6.125% 2022	\$200,000	126,396	0.33
Empyrean Finance (Jersey) 5.45% 2013	£400,000	30,928	0.08	Octagon Healthcare Funding 5.333% 2035	£193,858	173,589	0.45
ENEL 5.75% 2040	£250,000	250,173	0.65	Old Mutual 7.125% 2016	£270,000	266,649	0.70
Enterprise Inns 6.5% 2018	£100,000	80,630	0.21	Petroleos Mexicanos 8.25% 2022	£89,000	95,274	0.25
Enterprise Inns 6.875% 2021	£150,000	118,976	0.31	Pfizer 6.5% 2038	£100,000	114,932	0.30
European Investment Bank 4.125% 2017	£410,000	412,052	1.08	Reed Elsevier (Investments) 5.625% 2016	£300,000	303,079	0.79
European Investment Bank 5.5% 2011	£900,000	964,292	2.52	Royal & Sun Alliance 6.701% Perpetual	£370,000	330,513	0.86
Export Development Canada 4.5% 2011	£270,000	283,444	0.74	Royal Bank of Scotland 6.25% Perpetual	£530,000	333,900	0.87
Ford Motor 9.875% 2011	\$220,000	142,642	0.37	Royal Bank of Scotland 6.876% 2010	£250,000	285,950	0.75
Friends Provident 6.875% Perpetual	£118,000	77,548	0.20	Santander Finance 11.3% Perpetual	£300,000	332,213	0.87

	Holding	Market value £	Percentage of total net assets %
Skandinaviska Enskilda Banken 5.5% Perpetual	£310,000	279,407	0.73
Smurfit Kappa Acquisition 7.25% 2017	€150,000	129,939	0.34
Southern Water Services Finance 'A' 6.125% 2019	£300,000	311,722	0.82
Svenska Handelsbank 5.375% Perpetual	£420,000	386,435	1.01
Telereal Securitisation 7.098% 2033	£200,000	204,724	0.54
Tesco 6.125% 2022	£200,000	209,084	0.55
Treasury 2.25% 2014	£1,360,000	1,339,056	3.50
Treasury 3.75% 2019	£400,000	388,480	1.02
Treasury 4% 2022	£800,000	776,160	2.03
Treasury 4.25% 2027	£910,000	887,978	2.32
Treasury 4.25% 2032	£1,200,000	1,167,480	3.05
Treasury 4.25% 2036	£625,000	605,000	1.58
Treasury 4.25% 2039	£235,000	228,303	0.60
Treasury 4.25% 2046	£150,000	147,600	0.39
Treasury 4.25% 2055	£1,945,000	1,928,078	5.04
Treasury 4.5% 2013	£95,000	101,612	0.27
Treasury 4.5% 2042	£500,000	509,600	1.33
Treasury 4.75% 2020	£810,000	852,606	2.23
Treasury 4.75% 2030	£750,000	778,350	2.04
Treasury 4.75% 2038	£1,017,000	1,072,732	2.81
Treasury 4.75% 2015	£1,350,000	1,464,885	3.83
Treasury 5% 2014	£1,000,000	1,096,400	2.87
Treasury 5% 2018	£600,000	651,540	1.70
Treasury 5% 2025	£1,090,000	1,157,362	3.03
Treasury 6% 2028	£825,000	992,475	2.60
Treasury 8% 2013	£635,000	763,842	2.00
Treasury 8% 2021	£725,000	978,460	2.56

	Holding	Market value £	Percentage of total net assets %
UBS Jersey 7.152% Perpetual	€250,000	189,356	0.50
Unique Pub Finance 6.464% 2032	£90,000	52,861	0.14
Vattenfall 6.125% 2019	£350,000	374,472	0.98
Virgin Media Finance 8.875% 2019	£130,000	131,950	0.35
Wales & West Utili 5.125% 2016	£180,000	175,092	0.46
Wales & West Utilities Finance 6.25% 2021	£180,000	182,177	0.48
William Hill 7.125% 2016	£90,000	90,900	0.24
Wind Acquisition Finance 11.75% 2017	€160,000	154,594	0.40
Yorkshire Water Services Finance 6.375%	£50,000	55,623	0.15
Zero Coupon Bonds - 0.13% (31 Dec 08: 10.81%)			
Annington Finance No.4 0% 2022	£100,000	49,043	0.13
Derivatives – (0.20)% (31 Dec 08: (8.82)%)			
Contract for Difference - 0.00% (31 Dec 08: (0.07)%)			
Credit Default Swaps - (0.13)% (31 Dec 08: (0.88)%)			
Goldman Sachs Credit Default Swaps Masco 5.875% Receive 20 Sep 12	400,000	5,569	0.01
Goldman Sachs Credit Default Swaps Portugal Telecom 3.75% Pay 20 Dec 13	(875,000)	(17,384)	(0.04)
Goldman Sachs Credit Default Swaps Republic of South Africa 6.5% Pay 20 Dec 13	(800,000)	(60,108)	(0.16)
Goldman Sachs Credit Default Swaps Telecom Italia 5.375% Receive 20 Dec 13	875,000	21,131	0.06
JPM Credit Default Swaps Johnson & Johnson 3.8% Receive 20 Dec 14	750,000	14,550	0.04
JPM Credit Default Swaps McKesson 7.65% Pay 20 Dec 14	(750,000)	(14,351)	(0.04)

	Holding	Market value £	Percentage of total net assets %
Forwards - 0.31% (31 Dec 08: (5.61)%)			
Bought Australian Dollar 320,000			
Sold Sterling 175,514		1,918	-
Bought Canadian Dollar 2,796,342			
Sold US Dollar 2,731,083		(39,890)	(0.10)
Bought Euro 290,000			
Sold Sterling 263,194		(5,353)	(0.01)
Bought Euro 435,000			
Sold Sterling 389,688		(2,926)	(0.01)
Bought Euro 555,000			
Sold Sterling 500,727		(7,271)	(0.02)
Bought Euro 2,125,000			
Sold US Dollar 3,089,559		(18,428)	(0.05)
Bought Japanese Yen 319,200,000			
Sold Sterling 2,241,029		(107,915)	(0.28)
Bought New Zealand Dollar 525,000			
Sold Sterling 238,066		(3,050)	(0.01)
Bought Norwegian Krona 18,050,000			
Sold Sterling 2,023,727		(91,183)	(0.24)
Bought Sterling 93,900			
Sold Japanese Yen 14,000,000		342	-
Bought Sterling 157,573			
Sold Norwegian Krona 1,480,000		(885)	-
Bought Sterling 168,140			
Sold Euro 190,000		(791)	-
Bought Sterling 199,113			
Sold US Dollar 325,000		(1,573)	-
Bought Sterling 207,268			
Sold Japanese Yen 30,300,000		4,782	0.01

	Holding	Market value £	Percentage of total net assets %
Bought Sterling 222,638			
Sold Australian Dollar 405,000		(1,925)	(0.01)
Bought Sterling 228,015			
Sold Japanese Yen 34,400,000		(1,869)	(0.01)
Bought Sterling 229,619			
Sold New Zealand Dollar 525,000		(5,397)	(0.01)
Bought Sterling 237,871			
Sold Norwegian Krona 2,220,000		184	-
Bought Sterling 270,858			
Sold Japanese Yen 40,100,000		2,882	0.01
Bought Sterling 285,181			
Sold Swedish Krona 3,290,000		43	-
Bought Sterling 325,000			
Sold US Dollar 533,016		(4,134)	(0.01)
Bought Sterling 369,900			
Sold US Dollar 600,000		(596)	-
Bought Sterling 1,703,670			
Sold Canadian Dollar 2,796,342		57,132	0.15
Bought Sterling 2,888,441			
Sold Swiss Francs 4,690,000		77,818	0.20
Bought Sterling 3,117,922			
Sold Swedish Krona 34,405,000		136,102	0.36
Bought Swedish Krona 2,630,000			
Sold Sterling 231,967		(4,029)	(0.01)
Bought Swedish Krona 9,230,000			
Sold US Dollar 1,282,203		8,195	0.02
Bought Swedish Krona 10,200,000			
Sold Euro 982,477		10,487	0.03

	Holding	Market value £	Percentage of total net assets %
Bought Swedish Krona 10,380,000			
Sold Euro 1,007,671		3,687	0.01
Bought Swedish Krona 10,625,000			
Sold Euro 1,026,074		8,558	0.02
Bought Swedish Krona 10,625,000			
Sold Euro 1,027,316		7,454	0.02
Bought Swedish Krona 15,950,000			
Sold Euro 1,543,526		9,995	0.03
Bought Swiss Francs 405,000			
Sold Sterling 242,971		(263)	-
Bought Swiss Francs 440,000			
Sold Sterling 260,116		3,567	0.01
Bought Swiss Francs 470,000			
Sold Sterling 283,583		(1,921)	(0.01)
Bought US Dollar 825,000			
Sold Sterling 497,673		11,759	0.03
Bought US Dollar 1,570,000			
Sold Sterling 983,360		(13,894)	(0.04)
Bought US Dollar 1,875,000			
Sold Swiss Francs 1,887,309		26,775	0.07
Bought US Dollar 1,950,000			
Sold Japanese Yen 173,275,050		46,170	0.12
Bought US Dollar 4,306,045			
Sold Euro 2,975,000		13,859	0.04
Futures - 0.25% (31 Dec 08: (0.18)%)			
Euro BOBL Future Mar 2010	(42)	33,606	0.09
Euro BUND Future Mar 2010	41	(8,846)	(0.02)
Long Gilt Future Mar 2010	(36)	142,371	0.37
US 2 Year Note Future Mar 2010	(73)	47,186	0.12

	Holding	Market value £	Percentage of total net assets %
US 5 Year Note Future Mar 2010	(62)	75,876	0.20
US 10 Year Note Future Mar 2010	37	(67,822)	(0.18)
US Long Bond Future Mar 2010	41	(127,959)	(0.33)
Inflation Swaps - (0.29)% (31 Dec 08: (5.64)%)			
Barclays Credit Default Swaps HICPxt EUR			
2.59% Receive 5 Sep 28	1,600,000	44,645	0.12
Barclays Inflation Swaps Japan CPI 0.505%			
Pay 3 Oct 17	(300,000,000)	(154,874)	(0.41)
Interest Rate Swaps - (0.34)% (31 Dec 08: 3.56%)			
RBS Interest Rate Swaps USD Libor 4.43%			
Receive 21 Oct 38	2,350,000	8,530	0.02
UBS Interest Rate Swaps NZD 0.048% Pay 20			
Nov 12	(26,800,000)	(95,846)	(0.25)
UBS Interest Rate Swaps USD Libor 4.8875%			
Pay Mar 2038	(950,000)	(40,526)	(0.11)
Investment assets		36,734,785	96.08
Net other assets		1,499,683	3.92
Net assets		£38,234,468	100.00

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.

At 31 December 2009, 89.7% of the debt securities were rated as investment grade, 7.2% were rated as non-investment grade and 3.1% were unrated.

Portfolio movements**For the year from 1 January 2009 to 31 December 2009**

Major purchases	Cost £
Treasury 2.5% 2013	19,301,948
Treasury 1.875% Index-Linked 2022	16,184,127
Treasury FRN Index-Linked 2035	15,950,449
Treasury 8% 2013	9,989,442
Treasury 5% 2018	4,961,290
Treasury 2.25% 2014	3,438,266
Treasury 4.5% 2013	3,279,579
Treasury 5% 2025	2,856,005
Treasury 4.25% 2036	2,687,365
Royal Bank of Scotland FRN July 2009	2,400,600
Treasury 4.75% 2038	2,363,556
Royal Bank of Scotland FRN March 2009	2,349,360
Treasury 4.25% 2055	1,960,854
Treasury 4.25% 2027	1,851,097
Treasury 4.25% 2046	1,658,275
Treasury 1.125% Index-Linked 2037	1,637,393
Treasury 4.75% 2015	1,498,905
Treasury 4.25% 2032	1,439,400
Treasury 4.25% 2039	1,200,236
Royal Bank of Scotland FRN October 2009	1,109,226
Total for the year (Note 14)	£132,037,754

Major purchases and sales are the twenty largest.

Major sales	Proceeds £
Treasury 2.5% 2013	19,295,365
Treasury 1.875% Index-Linked 2022	16,820,339
Treasury FRN Index-Linked 2035	15,950,453
Treasury 8% 2013	9,238,448
Treasury 8% 2021	4,974,327
Royal Bank of Scotland FRN March 2009	4,412,423
Treasury 5% 2018	4,210,516
Treasury 4.5% 2013	3,146,546
Royal Bank of Scotland FRN January 2009	2,349,367
Treasury 2.25% 2014	2,134,442
Treasury 4.25% 2036	2,029,305
Royal Bank of Scotland FRN July 2009	1,920,130
Treasury 5% 2025	1,666,545
Treasury 1.125% Index-Linked 2037	1,621,175
Treasury 4.25% 2046	1,585,072
Goldman Sachs Group 7.125% 2025	1,340,954
Royal Bank of Scotland Call Options October 2009	1,278,630
Treasury 4.75% 2038	1,263,679
KFW International Finance 5.375% 2011	1,074,980
Cse D'Amort Dette 3.75% 2014	1,023,050
Total for the year (Note 14)	£144,012,644

Statement of total return**For the year from 1 January 2009 to 31 December 2009**

		31 Dec 09		31 Dec 08	
	Notes	£	£	£	£
Income					
Net capital gains/(losses)	2	7,985,144		(13,306,335)	
Revenue	3	2,959,575	4,343,398		
Expenses	4	(17,478)	(27,535)		
Finance costs: Interest	6	(99)	(25,481)		
Net revenue before taxation		2,941,998	4,290,382		
Taxation	5	-	-		
Net revenue after taxation		2,941,998	4,290,382		
Total return before distributions		10,927,142	(9,015,953)		
Finance costs: Distributions	6	(2,966,585)	(4,317,460)		
Change in net assets attributable to shareholders from investment activities		£7,960,557	£(13,333,413)		

Statement of change in net assets attributable to shareholders**For the year from 1 January 2009 to 31 December 2009**

		31 Dec 09		31 Dec 08	
	£	£	£	£	£
Opening net assets attributable to shareholders		47,480,970		66,765,232	
Amounts receivable on issue of shares	6,269,099		8,233,576		
Amounts payable on cancellation of shares	(26,305,312)		(18,448,592)		
		(20,036,213)		(10,215,016)	
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		7,960,557		(13,333,413)	
Dilution levy charged		-		20,933	
Retained distribution on accumulation shares		2,829,154		4,243,234	
Closing net assets attributable to shareholders		£38,234,468		£47,480,970	

Balance sheet**As at 31 December 2009**

	Notes	As at 31 Dec 09 £	As at 31 Dec 08 £
ASSETS			
Investment assets		37,635,794	56,679,503
Debtors	7	596,841	2,504,210
Cash and bank balances	8	936,020	7,120,267
Total other assets		1,532,861	9,624,477
Total assets		39,168,655	66,303,980
LIABILITIES			
Investment liabilities		901,009	17,714,337
Creditors	9	33,178	1,108,673
Total other liabilities		33,178	1,108,673
Total liabilities		934,187	18,823,010
Net assets attributable to shareholders		£38,234,468	£47,480,970

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

Accounting policies of the Fund are as set out on pages 12 and 13.

2. Net capital gains/(losses)

	31 Dec 09	31 Dec 08
	£	£
Currency gains	349,654	864,164
Derivative contracts	2,041,078	2,216,353
Forward currency contracts	1,118,961	(1,784,250)
Non-derivative securities	4,494,002	(14,596,980)
Transaction charges	(18,551)	(5,622)
Net capital gains/(losses)	£7,985,144	£(13,306,335)

3. Revenue

	31 Dec 09	31 Dec 08
	£	£
Bank interest	5,439	152,764
Revenue from derivative contracts	(226,333)	(346,815)
Interest on debt securities	3,180,469	4,537,449
	£2,959,575	£4,343,398

4. Expenses

	31 Dec 09	31 Dec 08
	£	£
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	5,411	8,752
	5,411	8,752
<i>Payable to other related parties and third parties:</i>		
Audit fees	7,874	8,813
Safe custody fees	4,793	5,690
Taxation fees	(600)	4,280
	12,067	18,783
	£17,478	£27,535

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 different to the special 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 08: 20%).

The differences are explained below:

	31 Dec 09 £	31 Dec 08 £
Net revenue before taxation	2,941,998	4,290,382
Corporation tax at 20%	588,400	858,077
<i>Effects of:</i>		
Allowable expenses charged to capital	3,495	5,507
Interest distributions	(591,895)	(863,584)
	(588,400)	(858,077)
Total tax charge (5.a)	-	-

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 2009 the Fund had excess interest distributions of £nil (31 Dec 08: £46,963). The deferred tax in respect of this would be £nil (31 Dec 08: £9,393). 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 revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprises:

	31 Dec 09 £	31 Dec 08 £
Interim – first quarter	922,783	959,809
Interim – second quarter	752,314	2,015,598
Interim – third quarter	648,135	658,154
Final	505,922	609,673
	2,829,154	4,243,234
Add: Revenue deducted on cancellation of shares	191,721	74,226
Deduct: Revenue received on issue of shares	(54,290)	-
Net distributions	2,966,585	4,317,460
Interest	99	25,481
Total finance costs	£2,966,684	£4,342,941
Net revenue after taxation	2,941,998	4,290,382
Add: Expenses charged to capital	17,478	27,535
Add: Revenue brought forward	10,294	9,837
Deduct: Revenue carried forward	(3,185)	(10,294)
Net distributions as above	£2,966,585	£4,317,460

Details of the distribution per share are set out in the table on page 63.

7. Debtors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Currency transactions awaiting settlement	-	69,099
Interest receivable on debt securities	570,368	1,436,265
Interest receivable on swaps	26,473	998,846
	£596,841	£2,504,210

8. Cash & bank balances

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts held at futures clearing houses and brokers	99,107	914,998
Cash and bank balances	836,913	6,205,269
	£936,020	£7,120,267

9. Creditors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Currency transactions awaiting settlement	-	67,699
Expense accruals	12,834	13,017
Interest payable on swaps	20,344	1,027,957
	£33,178	£1,108,673

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 tables 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 2009 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.

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 K Accumulation Gross shares on which not ACD fee is payable. The aggregate value of these transactions during the year was £(20,318,030) (31 Dec 08: £10,283,075). As at 31 December 2009, the entity held 72,274,589 shares in the Fund with a market value of £38,450,082 (31 Dec 08: 112,902,339 shares with a market value of £47,480,970).

All dealing in the investment portfolio of the Fund was carried out through UBS Global Asset Management (UK) Ltd. During the period 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 5 and 6.

(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

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 09				
Australian Dollar	60,983	-	177,432	238,415
Canadian Dollar	1,704	-	1,646,538	1,648,242
Czech Koruna	32	-	-	32
Euro	667,452	819,903	3,172,110	4,659,465
Japanese Yen	218	-	2,133,114	2,133,332
New Zealand Dollar	580	-	261,489	262,069
Norwegian Krona	-	-	1,932,544	1,932,544
Polish Zloty	2,180	-	-	2,180
Singapore Dollar	896	-	-	896
South African Rand	706	-	-	706
Sterling	1,329,906	33,518,929	11,408,191	46,257,026
Swedish Krona	799	-	6,035,575	6,036,374
Swiss Francs	-	-	788,053	788,053
US Dollar	509,401	783,909	6,644,520	7,937,830
	£2,574,857	£35,122,741	£34,199,566	£71,897,164

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 08				
Australian Dollar	2,871	-	3,474,483	3,477,354
Canadian Dollar	1,631	-	2,825,508	2,827,139
Czech Koruna	335	-	3,268,647	3,268,982
Euro	3,406,646	1,001,248	10,636,747	15,044,641
Indian Rupee	-	-	714,984	714,984
Japanese Yen	58,527	-	9,502,217	9,560,744
Kuwaiti Dinar	-	-	5,281,560	5,281,560
Latvian Lats	-	-	1,794,963	1,794,963
Malaysian Ringgit	-	-	430,274	430,274
Mexican Peso	-	-	744,826	744,826
New Zealand Dollar	1,830	-	4,454,964	4,456,794
Norwegian Krona	-	-	2,580,640	2,580,640
Philippine Peso	-	-	280,845	280,845
Polish Zloty	41,122	-	173,525	214,647
Saudi Arabian Riyal	-	-	1,384,354	1,384,354
Singapore Dollar	982	-	374,136	375,118
South African Rand	-	-	317,484	317,484
Sterling	16,451,712	21,532,158	39,773,864	77,757,734
Swedish Krona	501	-	5,702,020	5,702,521
Swiss Francs	-	-	2,561,641	2,561,641
Taiwanese Dollar	-	-	241,134	241,134
Thai Bhat	-	-	494,702	494,702
Turkish Lira	589,133	73,250	636,731	1,299,114
United Arab Emirates Dirham	-	-	10,424,305	10,424,305
US Dollar	5,829,722	1,277,630	25,228,072	32,335,424
	£26,385,012	£23,884,286	£133,302,626	£183,571,924

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 09			
Australian Dollar	-	224,562	224,562
Canadian Dollar	-	1,646,538	1,646,538
Euro	-	7,807,767	7,807,767
Japanese Yen	-	2,106,720	2,106,720
New Zealand Dollar	-	330,863	330,863
Norwegian Krona	-	396,145	396,145
Sterling	-	8,344,448	8,344,448
Swedish Krona	-	3,266,959	3,266,959
Swiss Francs	-	3,941,649	3,941,649
US Dollar	-	5,597,045	5,597,045
	-	£33,662,696	£33,662,696

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 08			
Australian Dollar	-	928,630	928,630
Canadian Dollar	-	2,825,508	2,825,508
Czech Krona	-	4,198,505	4,198,505
Euro	-	14,796,201	14,796,201
Indian Rupee	-	471,669	471,669
Japanese Yen	-	9,766,856	9,766,856
Kuwaiti Dinar	-	3,571,341	3,571,341
Latvian Lats	-	4,429,396	4,429,396
Malaysian Ringgit	-	576,490	576,490
New Zealand Dollar	-	5,894,879	5,894,879
Norwegian Krona	-	743,995	743,995
Philippine Peso	-	2,197,030	2,197,030
Polish Zloty	-	10,043	10,043
Saudi Arabian Riyal	-	1,384,354	1,384,354
Singapore Dollar	-	1,472,407	1,472,407
South African Rand	-	237,306	237,306
Swedish Krona	-	1,958,723	1,958,723
Swiss Francs	-	1,821,255	1,821,255
Sterling	-	30,738,697	30,738,697
Taiwanese Dollar	-	330,294	330,294
Thailand Baht	-	1,442,970	1,442,970
Turkish Lira	-	1,225,685	1,225,685
United Arab Emirates Dirham	-	7,644,490	7,644,490
US Dollar	-	37,424,230	37,424,230
	-	£136,090,954	£136,090,954

iii) Fixed rate financial assets

Currency	Weighted average interest rate £	Weighted average period for which the rate is fixed in years
31 Dec 09		
Euro	7.34	6.55
Sterling	4.96	16.31
US Dollar	6.11	6.16
31 Dec 08		
Euro	6.04	3.81
Sterling	5.82	14.07
Turkish Lira	15.62	3.74
US Dollar	6.43	2.49

(b) Currency exposure

A proportion 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 £
31 Dec 09			
Australian Dollar	60,983	(47,130)	13,853
Canadian Dollar	1,704	-	1,704
Czech Koruna	32	-	32
Euro	180,392	(3,328,694)	(3,148,302)
Japanese Yen	218	26,394	26,612
New Zealand Dollar	27,052	(95,846)	(68,794)
Norwegian Krona	-	1,536,399	1,536,399
Polish Zloty	2,180	-	2,180
Singapore Dollar	896	-	896
South African Rand	706	-	706
Swedish Krona	799	2,768,616	2,769,415
Swiss Francs	-	(3,153,596)	(3,153,596)
US Dollar	254,107	2,086,678	2,340,785
	529,069	(207,179)	321,890
Sterling	970,614	36,941,964	37,912,578
	£1,499,683	£36,734,785	£38,234,468

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 08			
Australian Dollar	2,871	2,545,852	2,548,723
Canadian Dollar	1,631	-	1,631
Czech Koruna	335	(929,858)	(929,523)
Euro	432,698	(184,258)	248,440
Indian Rupee	-	243,315	243,315
Japanese Yen	58,527	(264,639)	(206,112)
Kuwaiti Dinars	-	1,710,220	1,710,220
Latvian Lats	-	(2,634,433)	(2,634,433)
Malaysian Ringgit	-	(146,216)	(146,216)
Mexican Peso	-	744,826	744,826
New Zealand Dollar	1,830	(1,439,916)	(1,438,086)
Norwegian Krona	-	1,836,645	1,836,645
Philippine Peso	-	(1,916,185)	(1,916,185)
Polish Zloty	41,122	163,483	204,605
Singapore Dollar	982	(1,098,271)	(1,097,289)
South African Rand	-	80,178	80,178
Swedish Krona	501	3,743,297	3,743,798
Swiss Francs	-	740,386	740,386
Taiwanese Dollar	-	(89,160)	(89,160)
Thai Bhat	-	(948,268)	(948,268)
Turkish Lira	-	73,428	73,428
United Arab Emirates Diram	-	2,779,815	2,779,815
US Dollar	4,239,223	(9,328,029)	(5,088,806)
	4,779,720	(4,317,788)	461,932
Sterling	2,340,547	44,678,491	47,019,038
	£7,120,267	£40,360,703	£47,480,970

(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 period of time in all but a given percentage of circumstances. As at 31 December 2009, the Fund's VaR is 4.73%. This means that per the statistical analysis there is a 99% probability that, over a month, the maximum loss the Fund could suffer is 4.73% of its value.

Further information on risks can be found in the Risk Profile on pages 5 and 6

14. Portfolio transaction costs

Analysis of total purchase costs	£	31 Dec 09 £	£	31 Dec 08 £
Purchases in year before transaction costs		132,037,754		30,817,524
Commissions & taxes	-		-	
Total purchase costs		-		-
Gross purchase total		£132,037,754		£30,817,524

Analysis of total sale costs	£	31 Dec 09 £	£	31 Dec 08 £
Gross sales in year before transaction costs		144,012,644		38,298,786
Commissions & taxes	-		-	
Total sale costs		-		-
Total sales net of transaction costs		£144,012,644		£38,298,786

Distribution table**For the year from 1 January 2009 to 31 December 2009 (in pence per share)**

Final interest distribution

Group 1: Shares purchased prior to 1 October 2009

Group 2: Shares purchased between 1 October 2009 and 31 December 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 28/02/10 (p)	Distribution paid 28/02/09 (p)
Class K – Accumulation Gross						
Group 1	0.710000	-	0.710000	-	0.700000	0.540000
Group 2	0.382669	-	0.382669	0.317331	0.700000	0.540000

Third quarter interim interest distribution

Group 1: Shares purchased prior to 1 July 2009

Group 2: Shares purchased between 1 July 2009 and 30 September 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/09 (p)	Distribution paid 30/11/08 (p)
Class K – Accumulation Gross						
Group 1	0.670000	-	0.670000	-	0.670000	0.480000
Group 2	0.670000	-	0.670000	0.000000	0.670000	0.480000

Second quarter interim interest distribution

Group 1: Shares purchased prior to 1 April 2009

Group 2: Shares purchased between 1 April 2009 and 30 June 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/09 (p)	Distribution paid 31/08/08 (p)
Class K – Accumulation Gross						
Group 1	0.720000	-	0.720000	-	0.720000	1.470000
Group 2	0.720000	-	0.720000	0.000000	0.720000	1.470000

First quarter interim interest distribution

Group 1: Shares purchased prior to 1 January 2009

Group 2: Shares purchased between 1 January 2009 and 31 March 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/09 (p)	Distribution paid 31/05/08 (p)
Class K – Accumulation Gross						
Group 1	0.830000	-	0.830000	-	0.830000	0.700000
Group 2	0.830000	-	0.830000	0.000000	0.830000	0.700000

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

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/or to manage interest rate, inflation, credit and currency exposures.

Market environment

Despite significantly underperforming government bonds in the first quarter, corporate bonds finished 2009 with one of the strongest annual returns recorded in the sector. Early in the year, credit markets continued to underperform government bonds as financials came under particular pressure due to continued concerns surrounding banks. In contrast, higher quality non financials saw a surge in issuance and improved investor demand. Investor sentiment changed notably in the second quarter with risk appetite returning and global bond yields moving significantly higher. Through the third quarter, despite a stabilisation in economic data and continued improvement in investor sentiment, yields on government bonds fell marginally, supported by policy makers' vocal commitment to maintaining low levels of interest rates. The final quarter of 2009 saw a fairly muted performance from government bond markets with better than expected economic data and concerns over ballooning fiscal deficits putting pressure on some of the major sovereign bond markets late on in the quarter. However, corporate bond markets continued to outperform as spreads narrowed further through the end of 2009.

Fund performance

Over 2009 corporate bonds outperformed government bonds with the all stock non-gilt index returning 10.8% as spreads tightened significantly over the year. UK government bonds posted negative returns, with the all stock gilt index returning -1.2%. Yields on five year government bonds rose by 0.4% to 2.8%, while 10 year bond yields rose by 1.0% to 4.0%. UK index linked bonds outperformed nominal bonds as yields on shorter dated 2016 index linked bonds fell by 1.1% to yield 0.7%. 30 year index linked bond yields were unchanged at 0.65%.

During 2009 the Fund achieved performance of 22.3%* outperforming its benchmark, the iBoxx Sterling Non-Gilt All Stock Index, which achieved performance of 10.8%. Both figures are quoted in Sterling terms.

During the first half of the year, given the high levels of prevailing uncertainty we reduced our active short duration position and our overweight exposure to subordinated bank bonds in an effort to reduce the volatility of future returns. We also took steps to improve the overall liquidity of the portfolio increasing our ability to be more flexible and ensure a broad diversification of risks taking positions in US treasuries and Australian government bonds on a hedged basis at the expense of UK gilts.

Within credit markets we favoured defensive sectors such as Telecoms and Utilities. Latterly in the period we reduced our Telecoms exposure. While we maintain an overall bearish stance on global duration we introduced an overweight to Europe at the end of December. In currency markets we favoured Scandinavian currencies with a small overweight versus the Euro and Swiss Franc.

Outlook

Our strategy is to pursue a wide variety of investment views. The UK and US bond markets face similar challenges in terms of funding and economic recovery. The situation in Europe is more complex as some countries have uncomfortably large deficits that will be difficult to fund while others qualify as safe havens and do not have comparable fiscal challenges. Overall European data continues to lag that of the UK and US and we see the European Central Bank as likely to be one of the last central banks to raise rates. Consequently we expect the spread widening of UK and US bonds relative to German bunds to continue. We maintain our view that investment grade credit markets, particularly some financials, offer value relative to government bonds.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2009, based on A Income Net shares.

Percentage growth

	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	Launch to 31/12/07 %
Class A – Accumulation Gross Shares	24.67	-16.13	-1.47
Class A – Accumulation Net Shares	23.21	-13.76	-
Class A – Income Net Shares	22.31	-13.40	-
Class B – Accumulation Gross Shares	25.36	-15.68	-1.67
Class B – Accumulation Net Shares	23.83	-15.82	-
Class B – Income Gross Shares	24.16	-12.56	-
Class B – Income Net Shares	22.88	-14.68	-
Class J – Accumulation Gross Shares	25.32	-15.35	-
Class K – Accumulation Gross Shares	26.14	-15.15	-2.96
Class K – Income Gross Shares	24.94	-11.86	-

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.

UBS Global Asset Management Funds Ltd
27 April 2010

Performance record**1. Fund size**

Accounting year 31 December		Number of shares in issue	Total net asset value per share (p)*	Total net asset value (£)
2007	Class A – Accumulation Gross	214,435	48.4	103,846
	Class B – Accumulation Gross	20,484	48.3	9,894
	Class K – Accumulation Gross	209,606,806	48.5	101,590,135
				£101,703,875
2008	Class A – Accumulation Gross	814,396	40.2	327,260
	Class A – Accumulation Net	142,162	42.7	60,667
	Class A – Income Net	10,100	41.7	4,207
	Class B – Accumulation Gross	61,987	40.2	24,914
	Class B – Accumulation Net	36,447	41.7	15,181
	Class B – Income Gross	214,100	41.0	87,839
	Class B – Income Net	82,190	40.6	33,340
	Class J – Accumulation Gross	3,037,762	837.6	25,445,630
	Class K – Accumulation Gross	164,844,368	40.7	67,159,138
	Class K – Income Gross	45,585	8,257.8	3,764,327
				£96,922,504
2009	Class A – Accumulation Gross	752,370	50.3	378,098
	Class A – Accumulation Net	149,470	52.7	78,837
	Class A – Income Net	10,100	48.8	4,931
	Class B – Accumulation Gross	50,387	50.5	25,464
	Class B – Accumulation Net	69,867	51.7	36,145
	Class B – Income Gross	535,550	48.3	258,680
	Class B – Income Net	639,425	47.8	305,630
	Class J – Accumulation Gross	2,973,737	1,053.0	31,313,630
	Class K – Accumulation Gross	181,440,479	51.6	93,532,909
	Class K – Income Gross	24,668	9,784.4	2,413,595
				£128,347,919

* rounded to one decimal place.

2. Total expense ratio

The total expense ratio (TER) below is calculated using the most recent audited results and as described in the Financial Services Authority's Collective Investment Schemes Sourcebook 4 Annex 1 R.

Share class	31 Dec 09 (%)	31 Dec 08 (%)
Class A – Accumulation Gross	1.19	1.20
Class A – Accumulation Net	1.19	1.20
Class A – Income Net	1.20	1.18
Class B – Accumulation Gross	0.66	0.66
Class B – Accumulation Net	0.65	0.66
Class B – Income Gross	0.65	0.67
Class B – Income Net	0.65	0.66
Class J – Accumulation Gross	0.67	0.68
Class K – Accumulation Gross	0.03	0.03
Class K – Income Gross	0.03	0.03

3. Portfolio turnover rate

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the year.

	31 Dec 09 (%)	31 Dec 08 (%)
	450.07	43.83

4. 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; and Class A Income Net shares were launched 24 June 2008 at a price of 50p.

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (p)
Class A – Accumulation Gross			
2007*	49.95	47.62	2.18
2008	49.33	36.06	2.81
2009	50.76	39.28	3.00
Class A – Accumulation Net			
2008 **	52.81	38.34	1.81
2009	53.30	41.55	2.58
Class A – Income Net			
2008 **	50.14	37.92	1.20
2009	50.00	40.26	2.44
Class B – Accumulation Gross			
2007*	49.20	47.34	1.69
2008	49.17	36.06	2.20
2009	51.04	39.34	3.01
Class B – Accumulation Net			
2008 **	51.38	37.41	1.53
2009	52.27	40.61	2.48
Class B – Income Gross			
2008 **	52.49	37.40	2.25
2009	49.61	39.71	2.99

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (p)
Class B – Income Net			
2008 **	51.90	48.70	1.66
2009	48.95	39.28	2.36
Class J – Accumulation Gross			
2008 **	1,025.03	751.46	58.10
2009	1,063.45	819.82	62.98
Class K – Accumulation Gross			
2007*	50.00	47.67	2.29
2008	49.65	36.54	3.00
2009	52.05	39.93	3.05
Class K – Income Gross			
2008 **	10,580.84	7,524.84	468.35
2009	10,048.42	8,006.90	603.76

* covers the period from launch to 31 December 2007.

** covers the period from launch to 31 December 2008.

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

As at 31 December 2009

	Holding	Market value £	Percentage of total net assets %
Bonds - 95.61% (31 Dec 08: 89.84%)			
Floating Rate Notes - 1.70% (31 Dec 08: 38.87%)			
Bradford & Bingley FRN 2011	£350,000	329,215	0.26
Clearwater Capital Partners FRN 2014	\$100,000	42,109	0.03
Harbourmaster 'C7' FRN 2022	€100,000	7,108	0.01
Hewett's Island FRN 2018	\$188,968	40,957	0.03
Laurelin II 'E' FRN 2023	€100,000	19,546	0.02
MC Funding 'E' FRN 2020	\$100,000	21,674	0.02
Royal Bank of Scotland 6.876% 2010	£800,000	915,040	0.71
Spirit 'A5' FRN 2034	£690,000	486,951	0.38
Stanfield FRN 2018	\$200,000	61,925	0.05
Tube Lines Finance 8.6801% 2031	£241,052	240,690	0.19
Mortgage & Asset Backed Securities - 0.88% (31 Dec 08: 3.76%)			
Adagio CLO III FRN 2022	€200,000	42,647	0.03
Adagio CLO III Subordinated FRN 2022	€100,000	13,327	0.01
Aladdin CDO 25X FRN 2016	\$200,000	-	-
Ares Euro CLO I 'E' FRN 2024	€150,000	23,029	0.02
Avoca CLO VI 0% 2023	€130,000	20,790	0.02
Axius Europe CLO 6M 2023	€190,953	16,966	0.01
Black Diamond FRN 2018	\$100,000	13,004	0.01
Black Diamond FRN 2019	\$200,000	42,307	0.03
BlackRock Senior Income Series V 2019	\$250,000	20,900	0.02
Brentwood CLO I FRN 2022	\$88,340	8,206	0.01
Broadgate Financing 'A2' 4.949% 2031	£17,963	16,777	0.01
Brushfield CDO FRN 2052	\$200,000	12	-
Cadogan Square CDO II 'E' FRN 2022	€100,000	22,212	0.02

	Holding	Market value £	Percentage of total net assets %
Canary Wharf Finance II 'B' 6.80% 2033	£173,533	172,338	0.13
CELF Loan Partners II FRN 2021	€100,000	49,381	0.04
CELF Loan Partners III FRN 2023	€100,000	14,695	0.01
CIFC Funding FRN 2021	\$96,297	19,500	0.02
Clavos CDO Subordinated FRN 2023	€400,000	14,216	0.01
De Meer Middle Markets CLO 'E' FRN 2018	\$85,710	24,946	0.02
Duke Funding 8A FRN 2045	\$95,497	-	-
Duke Funding CDO XIII FRN 2047	\$250,000	-	-
Duke Funding XI FRN 2046	€146,642	13	-
Eurocredit CDO FRN 2023	€200,000	12,439	0.01
Eurocredit CDO V 'E' FRN 2022	€100,000	13,292	0.01
Grosvenor Place FRN 2023	€200,000	17,769	0.01
GSC European FRN 2022	€250,000	17,769	0.01
Gulf Stream-Sextant CLO FRN 2020	\$135,000	44,308	0.03
Gulf Stream-Sextant FRN 2021	\$150,000	20,435	0.02
Harbourmaster CLO 2 'B2' FRN 2022	€100,000	26,654	0.02
Highlander CDO 2012	€100,000	30,652	0.02
Kingsland V FRN 2021	\$200,000	7,431	0.01
Laurelin II FRN 2023	€150,000	19,991	0.02
Mercator CLO III FRN 2024	€150,000	6,664	0.01
NACM CLO 1X FRN 2019	\$100,000	27,866	0.02
Queen Street CLO I 'E' FRN 2023	€100,000	23,847	0.02
Queen Street FRN 2024	€150,000	26,654	0.02
Rockwall CLO FRN 2021	\$308,000	4,768	-
Sagittarius CLO I 'A' FRN 2051	\$200,000	-	-
Saturn CLO 'D' FRN 2022	\$100,000	25,123	0.01

	Holding	Market value £	Percentage of total net assets %
St. James's Park CDO 'F' 2020	€350,000	83,961	0.07
Taberna FRN 2036 Preference	\$105,011	7	-
Taberna FRN 2037	\$417,538	26	-
Trimaran CLO VI FRN 2021	\$200,000	69,356	0.05
Trimaran CLO VI FRN 2018	\$200,000	47,162	0.04
Valleriite CDO I 'A1' FRN 2017	€300,000	76,631	0.06
Ordinary Fixed Interest – 92.99% (31 Dec 08: 44.54%)			
Abbey National 7.125% Perpetual	£50,000	40,000	0.03
Abbey National 7.375% Perpetual	£500,000	450,000	0.35
Abbey National 7.5% Perpetual	£750,000	695,149	0.54
ALG Sunamerica Institutional Funding II 5.625% 2012	£250,000	234,316	0.18
Alliance & Leicester 5.875% 2031	£100,000	93,729	0.07
Anadarko Petroleum 5.75% 2014	\$900,000	603,952	0.47
Anglian Water Services Finance 'B' 7.882% 2037	£500,000	534,517	0.42
Anheuser-Busch InBev 9.75% 2024	£1,250,000	1,677,348	1.31
Annington Finance (No.4) 6.5676% 2023	£200,000	200,531	0.16
Annington Finance (No.4) 8.07% 2023	£100,000	100,462	0.08
Annington Repackaging (No.1) 'A' 5.3236% 2023	£160,000	139,312	0.11
Apria Healthcare Group I 11.25% 2014	\$680,000	462,148	0.36
ArcelorMittal 8.25% 2013	€263,000	263,495	0.21
Argon Capital 8.162% 2012	£500,000	240,000	0.19
Arsenal Securities 5.1418% 2029	£225,379	174,902	0.14
Aspire Defence Finance A 4.674% 2040	£1,200,000	949,426	0.74
Aviva 6.125% 2036	£550,000	485,740	0.38
Aviva 6.125% Perpetual	£510,000	428,812	0.34
AXA 6.772% Perpetual	£250,000	206,347	0.16
B.A.T. International Finance 6% 2022	£700,000	714,205	0.56
BAA Funding 5.225% 2025 'A'	£550,000	475,711	0.37

	Holding	Market value £	Percentage of total net assets %
BAA Funding 6.45% 2033 'A'	£200,000	194,702	0.15
BAA Funding 6.75% 2028	£370,000	368,770	0.29
Bank Nederlandse Gemeenten 5.2% 2028	£1,100,000	1,130,139	0.88
Bank of America 6.125% 2021	£900,000	883,881	0.69
Bank of Scotland 9.375% 2021	£1,050,000	1,092,641	0.85
Barclays Bank 4.875% Perpetual	€630,000	356,212	0.28
Barclays Bank 5.75% 2026	£2,450,000	2,242,804	1.75
Barclays Bank 6% Non-Cum Callable Preference	£620,000	477,400	0.37
Barclays Bank 6.3688% Call Perpetual Preference (STEP)	£450,000	340,661	0.27
Barclays Bank 9.5% 2021	£280,000	325,885	0.25
BAT International Finance 6% 2034	£390,000	391,292	0.31
BBVA 5.75% 2018	£700,000	700,365	0.55
BNP Paribas 5.75% 2022	£1,650,000	1,674,806	1.31
Bradford & Bingley 5.5% 2018	£250,000	15,000	0.01
Bradford & Bingley 5.625% 2013	£150,000	153,238	0.12
British Sky Broadcasting 9.5% 2018	\$990,000	788,947	0.61
British Telecommunications 5.75% 2028	£50,000	43,465	0.03
British Telecommunications 7.5% 2016	£160,000	183,384	0.14
British Telecommunications 8.625% 2020	£970,000	1,107,052	0.86
British Telecommunications Call 6.375% 2037	£300,000	275,876	0.22
Canary Wharf Finance II 1st Mortgage Debenture 5.952% 2037	£100,000	99,224	0.08
Casino Guich-Perr 5.5% 2015	€450,000	425,837	0.33
Citigroup 5.125% 2018	£25,000	21,454	0.02
Citigroup 5.15% 2026	£2,050,000	1,721,258	1.34
Citigroup 7.375% 2039	£1,590,000	1,767,592	1.38
Credit Suisse Group Finance 6.875% Perpetual	£420,000	406,954	0.32

	Holding	Market value £	Percentage of total net assets %
Credit Suisse Group Finance 7% 2020	£1,050,000	1,140,756	0.89
CRH Finance BV 7.375% 2014	€675,000	679,388	0.53
Cse D'Amort Dette 3.75% 2014	£2,420,000	2,486,903	1.94
Danske Bank 5.6838% 2049	£1,550,000	1,134,465	0.88
EDF 6.125% 2034	£600,000	648,066	0.51
Empyrean Finance (Jersey) 5.45% 2013	£400,000	30,928	0.03
Enel 5.75% 2040	£1,450,000	1,451,003	1.13
Enterprise Inns 6.375% 2031	£460,000	331,062	0.26
Enterprise Inns 6.5% 2018	£100,000	80,630	0.06
European Investment Bank 4.125% 2017	£2,480,000	2,492,410	1.94
European Investment Bank 6% 2028	£1,500,000	1,730,352	1.35
European Investment Bank 6.25% 2014	£2,152,000	2,418,463	1.89
Export Development Canada 3.625% 2015	£1,900,000	1,905,341	1.48
Ford Motor 9.875% 2011	\$700,000	453,860	0.35
Freshwater Finance 4.607% 2036	£100,000	83,319	0.07
Friends Provident 12% 2021	£60,000	69,084	0.05
Friends Provident 6.875% Perpetual	£500,000	328,593	0.26
Gaz Capital 6.58% 2013	£400,000	398,202	0.31
GE Capital UK Fund 6% 2013	£2,161,000	2,288,069	1.78
General Electric Capital 5.5% 2066	£1,000,000	780,233	0.61
General Electric Capital 6.5% 2067	£730,000	596,032	0.47
General Electric Capital UK Funding 5.875% 2033	£1,400,000	1,343,626	1.05
GlaxoSmithKline Capital 5.25% 2033	£100,000	98,418	0.08
GMAC 7.5% 2013	\$250	149	-
Goldman Sachs Group 6.875% 2038	£750,000	779,672	0.61
Goldman Sachs Group 7.125% 2025	£380,000	419,921	0.33
Greene King Finance 'B' 5.702% 2034	£835,000	592,524	0.46

	Holding	Market value £	Percentage of total net assets %
HBOS Capital Funding 6.461% Perpetual	£650,000	403,000	0.31
Heidelbergcement 8% 2017	€590,000	543,856	0.42
HSBC 5.75% 2027	£100,000	93,130	0.07
HSBC 6.5% 2023	£500,000	514,889	0.40
HSBC Bank 5% 2023	£750,000	685,993	0.53
HSBC Bank 5.375% 2033	£1,020,000	938,496	0.73
Hutchison Ports Finance 6.75% 2015	£510,000	550,483	0.43
Hyundai Capital Services 6% 2015	\$1,500,000	977,181	0.76
Iberdrola 7.375% 2024	£400,000	458,274	0.36
Iberdrola Finanzas 6% 2022	£700,000	736,601	0.57
Imperial Tobacco Finance 9% 2022	£1,420,000	1,748,818	1.36
Ing Groep 5.14% 2016	£1,500,000	915,000	0.71
Institut de Credito Oficial 4% 2014	£2,090,000	2,144,020	1.67
Juturna (European Loan Conduit No.16) 5.0636% 2033	£989,812	914,218	0.71
KFW 3.25% 2016	£1,810,000	1,798,398	1.40
KFW 4.875% 2013	£1,711,000	1,828,457	1.42
Koninklijke KPN 5.75% 2016	£950,000	988,110	0.77
Lambay Capital Securities 6.25% 2049	£220,000	4,400	-
Land Securities Capital Markets 2036	£300,000	264,094	0.21
Landwirtschaftliche Rentenbank 5.25% 2012	£700,000	745,853	0.58
LBG Capital (No.1) 7.869% 2020	£800,000	648,000	0.50
Legal & General Finance 5.875% 2031	£120,000	107,946	0.08
Lloyds Banking Group 6.267% ADR	\$2,400,000	891,724	0.69
Lloyds Banking Group 9.125% 2011	£280,000	299,322	0.23
Lloyds Banking Group 9.625% 2023	£1,250,000	1,378,699	1.07
Lloyds Banking Group 9.625% 2023	£136,000	144,500	0.11

	Holding	Market value £	Percentage of total net assets %
Lunar Funding I 5.494% 2020	£100,000	95,770	0.07
Marks & Spencer 5.875% 2012	£400,000	420,255	0.33
Marks & Spencer Put Call Options December 2037	£1,000,000	1,055,937	0.82
Meadowhall Finance 'A1' 4.986% 2037	£450,000	423,286	0.33
Merrill Lynch & Co 7.75% 2018	£1,200,000	1,293,136	1.01
Merrill Lynch 8.125% 2028	£1,000,000	1,058,996	0.83
Metropolitan Life Global Funding I 5.25% 2014	£500,000	505,360	0.39
Mitchells & Butlers 5.965% 2025	£14,680	14,902	0.01
Monte Dei Paschi di Siena 5.75% 2016	£350,000	310,410	0.24
Morgan Stanley 5.75% 2017	£400,000	405,228	0.32
National Grid Electricity 5.875% 2024	£200,000	202,723	0.16
National Westminster Bank 7.875% 2015	£720,000	724,464	0.56
Network Rail Infrastructure 4.875% 2015	£1,800,000	1,913,531	1.49
New York Life Funding 5.125% 2015	£820,000	838,022	0.65
Nisource Finance 6.125% 2022	\$630,000	398,146	0.31
Northern Gas Networks 4.875% 2027	£200,000	176,544	0.14
Northern Gas Networks Finance 5.875% 2019	£1,070,000	1,096,592	0.85
Northern Rock 9.375% 2021	£150,000	90,000	0.07
Octagon Healthcare Funding 5.333% 2035	£1,647,793	1,475,505	1.15
Old Mutual 7.125% 2016	£690,000	681,437	0.53
Petroleos Mexicanos 8.25% 2022	£531,000	568,433	0.44
Pfizer 6.5% 2038	£600,000	689,593	0.54
Prudential 5.875% 2029	£200,000	184,062	0.14
Punch Taverns Finance 6.468% 2033	£100,000	69,099	0.05
Rabobank 4% 2015	£1,080,000	1,090,396	0.85
Reed Elsevier (Investments) 5.625% 2016	£500,000	505,132	0.39

	Holding	Market value £	Percentage of total net assets %
Reseau Ferre de 5.25% 2035	£1,000,000	1,057,245	0.82
Reseau Ferre de France 5.25% 2028	£100,000	102,981	0.08
Reseau Ferre de France 5.5% 2021	£100,000	106,151	0.08
Reynolds American 7.25% 2012	\$1,000,000	680,752	0.53
Roche 5.5% 2015	£850,000	899,344	0.70
Royal & Sun Alliance 6.701% Perpetual	£950,000	848,615	0.66
Royal Bank of Scotland 5.5% Perpetual	£1,300,000	754,000	0.59
Royal Bank of Scotland 6.25% Perpetual	£530,000	333,900	0.26
Royal Bank of Scotland 7.0916% Perpetual	€700,000	302,446	0.24
Royal Bank of Scotland CLN 2033	£200,000	100,000	0.08
RWE Finance 5.5% 2022	£1,100,000	1,107,453	0.86
RWE Finance 5.625% 2023	£100,000	99,827	0.08
Sabmiller 4.5% 2015	€550,000	501,920	0.39
Santander Finance 11.3% Perpetual	£300,000	332,213	0.26
Santander Issuances Unipersonal 5.75% 2018	£300,000	298,868	0.23
Segro 6.75% 2024	£200,000	190,859	0.15
Severn Trent Utilities Finance 6% 2018	£550,000	574,185	0.45
Skandinaviska Enskilda Banken 5.5% Perpetual	£1,180,000	1,063,548	0.83
Skandinaviska Enskilda Banken 6.625% 2014	£1,670,000	1,763,482	1.37
Smiths 6.05% 2014	\$1,250,000	825,309	0.64
Smurfit Kappa Acquisition 7.25% 2017	€500,000	433,130	0.34
Southern Gas Network 4.875% 2029	£1,850,000	1,649,553	1.29
Southern Water Services Finance 'A' 6.125% 2019	£350,000	363,676	0.28
Southern Water Services Finance 'A4' 6.64% 2026	£499,000	540,279	0.42
StatoilHydro 6.875% 2031	£546,000	644,093	0.50

	Holding	Market value £	Percentage of total net assets %		Holding	Market value £	Percentage of total net assets %
Svenska Handelsbank 5.375% Perpetual Subordinated Call (STEP)	£1,100,000	1,012,091	0.79	JPM Credit Default Swaps Johnson & Johnson 3.8% Receive 20 Dec 14	2,000,000	38,801	0.03
T.H.F.C. (Funding No.2) 6.35% 2041	£630,000	671,556	0.52	Goldman Sachs Credit Default Swaps Masco 5.875% Receive 20 Sep 12	950,000	13,227	0.01
Telecom Italia 5.875% 2023	£2,100,000	1,977,060	1.54	JPM Credit Default Swaps McKesson 7.65% Pay 20 Dec 14	(2,000,000)	(38,269)	(0.03)
Telereal Securitisation 4.9741% 2033	£1,136,200	988,724	0.77	Goldman Sachs Credit Default Swaps Portugal Telecom 3.75% Pay 20 Dec 13	(1,687,500)	(33,526)	(0.02)
Telereal Securitisation 5.5534% 2033	£1,050,000	926,487	0.72	Goldman Sachs Credit Default Swaps Republic of South Africa 6.5% Pay 20 Sep 13	(1,900,000)	(142,756)	(0.11)
Telereal Securitisation 7.098% 2033	£200,000	204,724	0.16	Goldman Sachs Credit Default Swaps Telecom Italia 5.375% Receive 20 Dec 13	1,687,500	40,753	0.03
Tesco 6.125% 2022	£750,000	784,064	0.61	Forwards - 0.44% (31 Dec 08: (5.12)%)			
Thames Water Utilities Finance 6.5% 2032	£300,000	326,339	0.26	Bought Canadian Dollar 7,031,220			
UBS Jersey 7.152% Perpetual	€1,300,000	984,650	0.77	Sold US Dollar 6,867,130		(100,300)	(0.08)
Unique Pub Finance 6.4646% 2032	£90,000	52,861	0.04	Bought Euro 735,000			
Vattenfall 6.125% 2019	£1,050,000	1,123,416	0.88	Sold Sterling 657,910		(4,415)	-
Verizon Wireless Capital 8.875% 2018	£350,000	437,717	0.34	Bought Euro 780,000			
Virgin Media Finance 8.875% 2019	£410,000	416,150	0.32	Sold Sterling 707,022		(13,518)	(0.01)
Wales & West Utilities Finance 6.25% 2021	£940,000	951,368	0.74	Bought Euro 870,000			
Wales & West Utility 5.125% 2016	£320,000	311,274	0.24	Sold Sterling 789,582		(16,058)	(0.01)
Wal-Mart Stores 4.875% 2039	£1,500,000	1,399,550	1.09	Bought Euro 930,000			
Wal-Mart Stores 5.25% 2035	£600,000	588,823	0.46	Sold Sterling 832,387		(5,516)	-
Wal-Mart Stores 5.75% 2030	£200,000	211,029	0.17	Bought Euro 7,200,000			
White City Property Finance 5.1202% 2035	£1,246,115	1,140,229	0.89	Sold US Dollar 10,468,152		(62,440)	(0.05)
William Hill 7.125% 2016	£270,000	272,700	0.21	Bought Japanese Yen 766,400,000			
Wind Acquisition Finance 11.75% 2017	€550,000	531,418	0.42	Sold Sterling 5,381,153		(259,541)	(0.20)
Yorkshire Water Services Finance 6.375% 2039	£300,000	333,741	0.26	Bought New Zealand Dollar 4,990,000			
Zero Coupon Bonds - 0.04% (31 Dec 08: 2.67%)				Sold Sterling 2,278,574		(44,806)	(0.03)
Annington Finance No.4 0% 2022	£100,000	49,043	0.04				
Derivatives - 0.05% (31 Dec 08: (11.30)%)							
Contract for Difference - 0.00% (31 Dec 08: 0.02%)							
Credit Default Swaps - (0.09)% (31 Dec 08: (1.10)%)							

		Percentage of total net assets %
Holding	Market value £	
Bought Norwegian Krona 49,340,000		
Sold Sterling 5,531,892	(249,249)	(0.19)
Bought Sterling 454,099		
Sold US Dollar 725,000	6,416	-
Bought Sterling 661,565		
Sold US Dollar 1,085,000	(8,416)	(0.01)
Bought Sterling 734,504		
Sold Euro 830,000	(3,456)	-
Bought Sterling 809,918		
Sold Japanese Yen 118,400,000	18,688	0.01
Bought Sterling 876,324		
Sold US Dollar 1,425,000	(3,605)	-
Bought Sterling 1,224,069		
Sold US Dollar 2,000,000	(10,919)	(0.01)
Bought Sterling 1,964,647		
Sold New Zealand Dollar 4,255,000	59,901	0.05
Bought Sterling 2,643,096		
Sold Euro 2,835,000	122,473	0.09
Bought Sterling 4,281,187		
Sold Canadian Dollar 7,031,220	141,075	0.11
Bought Sterling 7,284,748		
Sold Swiss Francs 11,845,000	186,277	0.14
Bought Sterling 8,287,600		
Sold Swedish Krona 91,408,000	365,432	0.28
Bought Swedish Krona 29,780,000		
Sold US Dollar 4,136,944	26,441	0.02
Bought Swedish Krona 30,000,000		
Sold Euro 2,889,639	30,844	0.02

		Percentage of total net assets %	
Holding	Market value £		
Bought Swedish Krona 30,450,000			
Sold Euro 2,956,029	10,816	0.01	
Bought Swedish Krona 30,510,000			
Sold Euro 2,946,403	24,575	0.02	
Bought Swedish Krona 30,510,000			
Sold Euro 2,949,969	21,404	0.02	
Bought Swedish Krona 45,770,000			
Sold Euro 4,429,292	28,683	0.02	
Bought US Dollar 540,000			
Sold Sterling 327,730	5,717	-	
Bought US Dollar 1,670,000			
Sold Sterling 1,007,411	23,804	0.02	
Bought US Dollar 5,510,000			
Sold Swiss Francs 5,546,173	78,682	0.06	
Bought US Dollar 6,410,000			
Sold Japanese Yen 569,586,190	151,770	0.12	
Bought US Dollar 14,589,893			
Sold Euro 10,080,000	46,957	0.04	
Futures - 0.29% (31 Dec 08: (0.13)%)			
Euro BOBL Future Mar 2010	(140)	112,020	0.09
Euro Bund Future Mar 2010	120	(24,644)	(0.02)
Japan 10 Year Bond Future Mar 2010	2	4,410	-
Long Gilt Future Mar 2010	(120)	468,694	0.37
US 10 Year Note Future Mar 2010	109	(199,799)	(0.16)
US 2 Year Note Future Mar 2010	(246)	4,082	-
US 5 Year Note Future Mar 2010	(217)	265,559	0.21
US Long Bond Future Mar 2010	84	(262,159)	(0.20)
Inflation Swaps - (0.31)% (31 Dec 08: (6.67)%)			

	Holding	Market value £	Percentage of total net assets %
Barclays HICPxt EUR 2.59% Receive 05 Sept 28	5,000,000	139,516	0.11
UBS Inflation Swaps Japan CPI 0.52% Pay 3 Dec 17	(900,000,000)	(531,886)	(0.42)
Interest Rate Swaps - (0.29)% (31 Dec 08: 1.70%)			
RBS Interest Rate Swaps 4.43% Receive 21 Oct 38	5,500,000	19,964	0.01
UBS Interest Rate Swaps - NZD 0.048% Pay 20 Nov 12	(86,400,000)	(308,998)	(0.24)
UBS Interest Rate Swaps 4.8875% Pay 05 Mar 38	(1,800,000)	(76,786)	(0.06)
Investment assets		122,758,879	95.65
Net other assets		5,589,040	4.35
Net assets		£128,347,919	100.00

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

At 31 December 2009, 89.3% of the debt securities were rated as investment grade, 8.6% were rated as non-investment grade and 2.1% were unrated.

Portfolio movements**For the year from 1 January 2009 to 31 December 2009**

Major purchases	Cost £
Treasury 2.5% 2013	40,081,174
Treasury 1.875% Index-Linked 2022	33,740,159
Treasury FRN Index-Linked 2035	33,238,345
Treasury 8% 2013	18,114,000
Treasury 4.75% 2015	12,213,300
Treasury 2.25% 2014	8,808,549
Treasury 4.75% 2038	7,198,610
Treasury 5% 2018	6,394,150
Royal Bank of Scotland FRN July 2009	5,041,260
Treasury 6% 2028	4,723,341
KFW 4.875% 2013	4,715,049
Royal Bank of Scotland FRN March 2009	4,653,540
Treasury 1.125% Index-Linked 2037	3,274,785
Treasury 4.5% 2013	2,901,420
European Investment Bank 5.625% 2032	2,590,988
Royal Bank of Scotland Call Options October 2009	2,518,602
KFW 3.75% 2016	2,465,145
European Investment Bank 4.125% 2017	2,461,970
Cse D'Amort Dette 3.75% 2014	2,412,304
European Investment Bank 6.25% 2014	2,403,590
Total for the year (Note 14)	£297,379,364

Major purchases and sales are the twenty largest.

Major sales	Proceeds £
Treasury 2.5% 2013	40,068,235
Treasury 1.875% Index-Linked 2022	35,326,421
Treasury FRN Index-Linked 2035	33,238,357
Treasury 8% 2013	18,114,000
Treasury 4.75% 015	12,132,130
Royal Bank of Scotland FRN March 2009	8,864,326
Treasury 2.25% 2014	8,814,971
Treasury 4.75% 2038	7,220,760
Treasury 5% 2018	6,416,045
Royal Bank of Scotland FRN January 2009	4,653,555
Treasury 6% 2028	4,551,647
Royal Bank of Scotland FRN July 2009	3,918,399
Treasury 1.125% Index-Linked 2037	3,242,363
KFW 4.875% 2013	2,957,250
Royal Bank of Scotland Call Options October 2009	2,937,926
Treasury 4.5% 2013	2,858,582
European Investment Bank 5.625% 2032	2,725,626
Treasury Principal 8% 2021	2,476,994
Treasury 4.5% 2042	2,370,825
Treasury 4.25% 2032	2,245,260
Total for the year (Note 14)	£275,360,759

Statement of total return**For the year from 1 January 2009 to 31 December 2009**

	Notes	31 Dec 09 £	31 Dec 08 £
Income			
Net capital gains/(losses)	2	20,957,760	(26,882,747)
Revenue	3	7,891,769	7,659,706
Expenses	4	(218,507)	(190,420)
Finance costs: Interest	6	(304)	(43,010)
Net revenue before taxation		7,672,958	7,426,276
Taxation	5	-	-
Net revenue after taxation		7,672,958	7,426,276
Total return before distributions		28,630,718	(19,456,471)
Finance costs: Distributions	6	(7,889,639)	(7,617,224)
Change in net assets attributable to shareholders from investment activities		£20,741,079	£(27,073,695)

Statement of change in net assets attributable to shareholders**For the year from 1 January 2009 to 31 December 2009**

	31 Dec 09 £	31 Dec 08 £
Opening net assets attributable to shareholders	96,922,504	101,703,875
Amounts receivable on issue of shares	20,673,236	49,712,752
Amounts payable on cancellation of shares	(17,599,035)	(35,125,675)
	3,074,201	14,587,077
Dilution levy charged	-	137,301
Change in net assets attributable to shareholders from investment activities (see Statement of total return)	20,741,079	(27,073,695)
Retained distribution on accumulation shares	7,610,135	7,567,946
Closing net assets attributable to shareholders	£128,347,919	£96,922,504

Balance sheet**As at 31 December 2009**

	Notes	As at 31 Dec 09 £	As at 31 Dec 08 £
ASSETS			
Investment assets		125,159,941	111,934,506
Debtors	7	3,536,227	4,669,255
Cash and bank balances	8	2,182,225	17,952,665
Total other assets		5,718,452	22,621,920
Total assets		130,878,393	134,556,426
LIABILITIES			
Investment liabilities		2,401,062	35,813,768
Creditors	9	79,257	1,757,887
Distribution payable		50,155	62,267
Total other liabilities		129,412	1,820,154
Total liabilities		2,530,474	37,633,922
Net assets attributable to shareholders		£128,347,919	£96,922,504

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 12 and 13.

2. Net capital gains/(losses)

	31 Dec 09 £	31 Dec 08 £
Currency (losses)/gains	(35,716)	1,556,494
Derivative contracts	8,092,231	(593,607)
Forward currency contracts	1,903,319	(2,913,368)
Non-derivative securities	11,017,118	(24,927,122)
Transaction charges	(19,192)	(5,144)
Net capital gains/(losses)	£20,957,760	£(26,882,747)

3. Revenue

	31 Dec 09 £	31 Dec 08 £
Bank interest	15,941	285,735
Revenue from derivative contracts	(465,782)	(793,724)
Interest on debt securities	8,341,610	8,167,695
	£7,891,769	£7,659,706

4. Expenses

	31 Dec 09 £	31 Dec 08 £
<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	187,885	154,284
Registration fees	462	193
	188,347	154,477
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	11,628	13,505
	11,628	13,505
<i>Payable to other related parties and third parties:</i>		
Audit fees	7,874	8,813
Safe custody fees	11,258	9,345
Taxation fees	(600)	4,280
	18,532	22,438
	£218,507	£190,420

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 different to the special 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 08: 20%).

The differences are explained below:

	31 Dec 09 £	31 Dec 08 £
Net revenue before taxation	7,672,958	7,426,276
Corporation tax at 20%	1,534,591	1,485,255
<i>Effects of:</i>		
Allowable expenses charged to capital	43,336	38,084
Interest distributions	(1,577,927)	(1,523,339)
	(1,534,591)	(1,485,255)
Total tax charge (5.a)	-	-

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 2009 the Fund had excess interest distributions of £427,296 (31 Dec 08: £210,614). The deferred tax in respect of this would be £85,459 (31 Dec 08: £42,123). 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 revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	31 Dec 09 £	31 Dec 08 £
Interim – first quarter	1,910,559	1,673,411
Interim – second quarter	1,650,692	2,748,467
Interim – third quarter	2,137,278	1,768,384
Final	2,167,208	1,505,761
	7,865,737	7,696,023
Add: Revenue deducted on cancellation of shares	144,625	526,297
Deduct: Revenue received on issue of shares	(120,723)	(605,096)
Net distributions	7,889,639	7,617,224
Interest	304	43,010
Total finance costs	£7,889,943	£7,660,234
Net revenue after taxation	7,672,958	7,426,276
Add: Expense charged to capital	218,507	190,420
Add: Revenue brought forward	3,431	3,959
Less: Revenue carried forward	(5,257)	(3,431)
Net distributions as above	£7,889,639	£7,617,224

Details of the distribution per share are set out in the tables on pages 88 to 91.

7. Debtors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts receivable on creation of shares	300,000	-
Interest receivable on debt securities	3,150,881	3,033,976
Interest receivable on swaps	85,346	1,635,279
	£3,536,227	£4,669,255

8. Cash & bank balances

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts held at futures clearing houses and brokers	438,936	1,729,116
Cash and bank balances	1,743,289	16,223,549
	£2,182,225	£17,952,665

9. Creditors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Expense accruals	32,930	42,689
Income tax payable	2,647	807
Interest payable on swaps	43,680	1,714,391
	£79,257	£1,757,887

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 tables 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 2009 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 2009 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £17,921 and £44 respectively (31 Dec 08: £28,251 and £52).

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 K Accumulation shares on which no ACD fee is payable. The aggregate value of these transactions during the period was £(9,380,188) (31 Dec 08: £15,187,525). As at 31 December 2009, the entity held 74,825,815 shares in the Fund with a market value of £38,857,045 (31 Dec 08: 93,326,472 shares with market value of £38,022,078).

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 period was £14,600,000 (31 Dec 08: £3,491,925). As at 31 December 2009, the entity held 106,614,664 shares in the Fund with a market value of £55,364,995.

All dealing in the investment portfolio of the Fund was carried out through UBS Global Asset Management (UK) Ltd. During the period 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 pages 5 and 6.

(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

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 09				
Australian Dollar	196,082	-	-	196,082
Canadian Dollar	58	-	4,140,112	4,140,170
Czech Koruna	104	-	-	104
Euro	1,128,242	5,223,411	9,640,859	15,992,512
Japanese Yen	66,667	-	5,126,021	5,192,688
New Zealand Dollar	1,128	-	2,319,115	2,320,243
Norwegian Krona	-	-	5,282,643	5,282,643
Polish Zloty	46	-	-	46
Singapore Dollar	177	-	-	177
Sterling	3,292,201	107,891,746	32,890,993	144,074,940
South African Rand	790	-	-	790
Swedish Krona	303	-	17,075,372	17,075,675
US Dollar	1,182,331	6,154,160	18,074,483	25,410,974
	£5,868,129	£119,269,317	£94,549,598	£219,687,044

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 08				
Australian Dollar	740	-	6,313,715	6,314,455
Canadian Dollar	2,872	-	4,884,776	4,887,648
Czech Koruna	305	-	5,726,934	5,727,239
Euro	7,215,067	1,267,344	16,859,378	25,341,789
Indian Rupee	-	-	1,194,946	1,194,946
Japanese Yen	145,546	-	20,725,909	20,871,455
Kuwaiti Dinar	-	-	10,311,618	10,311,618
Latvian Lats	-	-	2,859,656	2,859,656
Malaysian Ringgit	-	-	908,186	908,186
Mexican Peso	-	-	1,473,581	1,473,581
New Zealand Dollar	201,740	2,721,174	7,556,359	10,479,273
Norwegian Krona	-	-	5,037,116	5,037,116
Philippine Peso	-	-	520,003	520,003
Polish Zloty	69,833	-	297,473	367,306
Saudi Arabian Riyal	-	-	2,666,781	2,666,781
Singapore Dollar	195	-	678,272	678,467
Sterling	40,249,754	40,146,355	73,251,822	153,647,931
Swedish Krona	307	-	10,051,317	10,051,624
Swiss Francs	-	-	4,205,142	4,205,142
Taiwanese Dollar	-	-	588,735	588,735
Thai Bhat	-	-	1,008,229	1,008,229
Turkish Lira	1,305,978	62,786	443,545	1,812,309
United Arab Emirates Dirham	-	-	19,401,894	19,401,894
US Dollar	10,116,838	1,571,627	47,127,863	58,816,328
	£59,309,175	£45,769,286	£244,093,250	£349,171,711

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 09			
Canadian Dollar	-	4,140,112	4,140,112
Euro	33,526	26,623,513	26,657,039
Japanese Yen	531,886	4,597,597	5,129,483
New Zealand Dollar	308,998	1,904,747	2,213,745
Swedish Krona	-	7,922,168	7,922,168
Swiss Francs	-	10,422,181	10,422,181
Sterling	-	17,599,394	17,599,394
US Dollar	301,492	16,953,511	17,255,003
	£1,175,902	£90,163,223	£91,339,125

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 08			
Australian Dollar	-	1,338,391	1,338,391
Canadian Dollar	-	4,884,776	4,884,776
Czech Krona	-	7,631,069	7,631,069
Euro	-	24,930,911	24,930,911
Indian Rupee	-	788,439	788,439
Japanese Yen	-	21,348,741	21,348,741
Kuwaiti Dinar	-	6,840,878	6,840,878
Latvian Lats	-	8,019,323	8,019,323
Malaysian Ringgit	-	1,346,724	1,346,724
New Zealand Dollar	-	13,427,685	13,427,685
Norwegian Krona	-	956,565	956,565
Philippine Peso	-	4,375,045	4,375,045
Polish Zloty	-	17,216	17,216
Saudi Arabian Riyal	-	2,666,781	2,666,781
Singapore Dollar	-	2,877,228	2,877,228
Swedish Krona	-	2,061,628	2,061,628
Swiss Francs	-	2,464,480	2,464,480
South African Rand	-	237,306	237,306
Sterling	-	57,391,030	57,391,030
Taiwanese Dollar	-	758,804	758,804
Thai Baht	-	3,213,983	3,213,983
Turkish Lira	-	1,665,039	1,665,039
United Arab Emirates Dirham	-	13,728,649	13,728,649
US Dollar	-	69,278,516	69,278,516
	-	£252,249,207	£252,249,207

lii) Fixed rate financial assets

Currency	Weighted average interest rate %	Weighted average period for which the rate is fixed in years
31 Dec 09		
Euro	6.91	6.39
Sterling	5.73	13.87
US Dollar	5.89	5.63
31 Dec 08		
Euro	16.34	3.14
New Zealand Dollar	17.36	6.51
Sterling	6.02	15.23
Turkish Lira	15.62	3.74
US Dollar	12.64	2.89

(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 significantly affect the balance sheet and total return.

Numerical disclosures are as follows:

Currency	Monetary exposures £	Non-monetary exposures £	Total £
31 Dec 09			
Australian Dollar	196,082	-	196,082
Canadian Dollar	58	-	58
Czech Koruna	104	-	104
Euro	(16,521,249)	5,856,722	(10,664,527)
Japanese Yen	590,681	(527,476)	63,205
New Zealand Dollar	415,496	(308,998)	106,498
Norwegian Krona	5,282,643	-	5,282,643
Polish Zloty	46	-	46
Singapore Dollar	177	-	177
South African Rand	790	-	790
Swedish Krona	9,153,507	-	9,153,507
Swiss Francs	(10,422,181)	-	(10,422,181)
US Dollar	1,909,916	6,246,055	8,155,971
	(9,393,930)	11,266,303	1,872,373
Sterling	15,550,686	110,924,860	126,475,546
	£6,156,756	£122,191,163	£128,347,919

Currency	Monetary exposures £	Non-monetary exposures £	Total £
31 Dec 08			
Australian Dollar	740	4,975,324	4,976,064
Canadian Dollar	2,872	-	2,872
Czech Koruna	305	(1,904,135)	(1,903,830)
Euro	1,765,831	(1,354,954)	410,877
Indian Rupee	-	406,507	406,507
Japanese Yen	145,546	(622,832)	(477,286)
Kuwaiti Dinars	-	3,470,740	3,470,740
Latvian Lats	-	(5,159,666)	(5,159,666)
Malaysian Ringgit	-	(438,538)	(438,538)
Mexican Peso	-	1,473,581	1,473,581
New Zealand Dollar	201,740	(3,150,152)	(2,948,412)
Norwegian Krona	-	4,080,550	4,080,550
Philippine Peso	-	(3,855,042)	(3,855,042)
Polish Zloty	69,833	280,257	350,090
Singapore Dollar	195	(2,198,956)	(2,198,761)
South African Rand	-	(237,306)	(237,306)
Swedish Krona	307	7,989,689	7,989,996
Swiss Francs	-	1,740,662	1,740,662
Taiwanese Dollar	-	(170,069)	(170,069)
Thai Bhat	-	(2,205,754)	(2,205,754)
Turkish Lira	-	147,270	147,270
United Arab Emirates Dirham	-	5,673,246	5,673,246
US Dollar	6,057,773	(16,519,961)	(10,462,188)
	8,245,142	(7,579,539)	665,603
Sterling	9,707,523	86,549,378	96,256,901
	£17,952,665	£78,969,839	£96,922,504

(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 period of time in all but a given percentage of circumstances. As at 31 December 2009, the Fund's VaR is 5.16%. This means that per the statistical analysis there is a 99% probability that, over a month, the maximum loss the Fund could suffer is 5.16% of its value.

Further information on risks can be found in the Risk Profile on pages 5 and 6.

14. Portfolio transaction costs

Analysis of total purchase costs	31 Dec 09	31 Dec 08
	£	£
Purchases in year before transaction costs	297,379,384	78,034,799
Commissions & taxes	-	-
Total purchase costs	-	-
Gross purchase total	£297,379,384	£78,034,799

Analysis of total sale costs	31 Dec 09	31 Dec 08
	£	£
Gross sales in year before transaction costs	275,360,759	57,707,624
Commissions & taxes	-	-
Total sale costs	-	-
Total sales net of transaction costs	£275,360,759	£57,707,624

Distribution table**for the year from 1 January 2009 to 31 December 2009 (in pence per share)**

Final interest distribution

Group 1: Shares purchased prior to 1 October 2009

Group 2: Shares purchased between 1 October 2009 and 31 December 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 28/02/10 (p)	Distribution paid 28/02/09 (p)
Class A – Accumulation Gross						
Group 1	0.850000	-	0.850000	-	0.850000	0.630000
Group 2	0.112517	-	0.112517	0.737483	0.850000	0.630000
Class A – Accumulation Net						
Group 1	0.900000	0.180000	0.720000	-	0.720000	0.550000
Group 2	0.673423	0.134685	0.538738	0.181262	0.720000	0.550000
Class A – Income Net						
Group 1	0.837500	0.167500	0.670000	-	0.670000	0.570000
Group 2	0.837500	0.167500	0.670000	0.000000	0.670000	0.570000
Class B – Accumulation Gross						
Group 1	0.860000	-	0.860000	-	0.860000	0.620000
Group 2	0.852178	-	0.852178	0.007822	0.860000	0.620000
Class B – Accumulation Net						
Group 1	0.875000	0.175000	0.700000	-	0.700000	0.560000
Group 2	0.260954	0.052191	0.208763	0.491237	0.700000	0.560000

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 28/02/10 (p)	Distribution paid 28/02/09 (p)
Class B – Income Gross						
Group 1	0.830000	-	0.830000	-	0.830000	0.660000
Group 2	0.814532	-	0.814532	0.015468	0.830000	0.660000
Class B – Income Net						
Group 1	0.825000	0.165000	0.660000	-	0.660000	0.570000
Group 2	0.655085	0.131017	0.524068	0.135932	0.660000	0.570000
Class J – Accumulation Gross						
Group 1	17.780000	-	17.780000	-	17.780000	12.560000
Group 2	0.163698	-	0.163698	17.616302	17.780000	12.560000
Class K – Accumulation Gross						
Group 1	0.870000	-	0.870000	-	0.870000	0.640000
Group 2	0.870000	-	0.870000	0.000000	0.870000	0.640000
Class K – Income Gross						
Group 1	167.920000	-	167.920000	-	167.920000	132.340000
Group 2	167.920000	-	167.920000	0.000000	167.920000	132.340000

Third quarter interim interest distribution

Group 1: Shares purchased prior to 1 July 2009

Group 2: Shares purchased between 1 July 2009 and 30 September 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/09 (p)	<i>Distribution paid 30/11/08 (p)</i>
Class A – Accumulation Gross						
Group 1	0.780000	-	0.780000	-	0.780000	0.660000
Group 2	0.530001	-	0.530001	0.249999	0.780000	0.660000
Class A – Accumulation Net						
Group 1	0.825000	0.165000	0.660000	-	0.660000	0.530000
Group 2	0.532218	0.106444	0.425774	0.234226	0.660000	0.530000
Class A – Income Net						
Group 1	0.787500	0.157500	0.630000	-	0.630000	0.530000
Group 2	0.787500	0.157500	0.630000	0.000000	0.630000	0.530000
Class B – Accumulation Gross						
Group 1	0.770000	-	0.770000	-	0.770000	0.660000
Group 2	0.304379	-	0.304379	0.465621	0.770000	0.660000
Class B – Accumulation Net						
Group 1	0.812500	0.162500	0.650000	-	0.650000	0.510000
Group 2	0.246410	0.049282	0.197128	0.452872	0.650000	0.510000

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/09 (p)	<i>Distribution paid 30/11/08 (p)</i>
Class B – Income Gross						
Group 1	0.770000	-	0.770000	-	0.770000	0.690000
Group 2	0.531327	-	0.531327	0.238673	0.770000	0.690000
Class B – Income Net						
Group 1	0.762500	0.152500	0.610000	-	0.610000	0.520000
Group 2	0.546715	0.109343	0.437372	0.172628	0.610000	0.520000
Class J – Accumulation Gross						
Group 1	16.230000	-	16.230000	-	16.230000	14.280000
Group 2	0.000000	-	0.000000	16.230000	16.230000	14.280000
Class K – Accumulation Gross						
Group 1	0.800000	-	0.800000	-	0.800000	0.670000
Group 2	0.559598	-	0.559598	0.240402	0.800000	0.670000
Class K – Income Gross						
Group 1	155.490000	-	155.490000	-	155.490000	139.370000
Group 2	155.490000	-	155.490000	0.000000	155.490000	139.370000

Second quarter interim interest distribution

Group 1: Shares purchased prior to 1 April 2009

Group 2: Shares purchased between 1 April 2009 and 30 June 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/09 (p)	Distribution paid 31/08/08 (p)
Class A – Accumulation Gross						
Group 1	0.600000	-	0.600000	-	0.600000	0.870000
Group 2	0.590001	-	0.590001	0.009999	0.600000	0.870000
Class A – Accumulation Net						
Group 1	0.687500	0.137500	0.550000	-	0.550000	0.730000
Group 2	0.425449	0.085090	0.340359	0.209641	0.550000	0.730000
Class A – Income Net						
Group 1	0.625000	0.125000	0.500000	-	0.500000	0.100000
Group 2	0.625000	0.125000	0.500000	0.000000	0.500000	0.100000
Class B – Accumulation Gross						
Group 1	0.610000	-	0.610000	-	0.610000	0.920000
Group 2	0.571703	-	0.571703	0.038297	0.610000	0.920000
Class B – Accumulation Net						
Group 1	0.612500	0.122500	0.490000	-	0.490000	0.460000
Group 2	0.050273	0.010055	0.040218	0.449782	0.490000	0.460000

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/09 (p)	Distribution paid 31/08/08 (p)
Class B – Income Gross						
Group 1	0.600000	-	0.600000	-	0.600000	0.900000
Group 2	0.500000	-	0.500000	0.100000	0.600000	0.900000
Class B – Income Net						
Group 1	0.587500	0.117500	0.470000	-	0.470000	0.570000
Group 2	0.483994	0.096799	0.387195	0.082805	0.470000	0.570000
Class J – Accumulation Gross						
Group 1	12.600000	-	12.600000	-	12.600000	19.420000
Group 2	8.042222	-	8.042222	4.557778	12.600000	19.420000
Class K – Accumulation Gross						
Group 1	0.610000	-	0.610000	-	0.610000	1.070000
Group 2	0.542563	-	0.542563	0.067437	0.610000	1.070000
Class K – Income Gross						
Group 1	122.080000	-	122.080000	-	122.080000	196.640000
Group 2	114.123647	-	114.123647	7.956353	122.080000	196.640000

First quarter interim interest distribution

Group 1: Shares purchased prior to 1 January 2009

Group 2: Shares purchased between 1 January 2009 and 31 March 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/09 (p)	Distribution paid 31/05/08 (p)
Class A – Accumulation Gross						
Group 1	0.770000	-	0.770000	-	0.770000	0.650000
Group 2	0.187065	-	0.187065	0.582935	0.770000	0.650000
Class A – Accumulation Net						
Group 1	0.812500	0.162500	0.650000	-	0.650000	-
Group 2	0.680160	0.136032	0.544128	0.105872	0.650000	-
Class A – Income Net						
Group 1	0.800000	0.160000	0.640000	-	0.640000	-
Group 2	0.800000	0.160000	0.640000	0.000000	0.640000	-
Class B – Accumulation Gross						
Group 1	0.770000	-	0.770000	-	0.770000	0.610000
Group 2	0.222032	-	0.222032	0.547968	0.770000	0.610000
Class B – Accumulation Net						
Group 1	0.800000	0.160000	0.640000	-	0.640000	-
Group 2	0.000000	0.000000	0.000000	0.640000	0.640000	-

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/09 (p)	Distribution paid 31/05/08 (p)
Class B – Income Gross						
Group 1	0.790000	-	0.790000	-	0.790000	0.000000
Group 2	0.790000	-	0.790000	0.000000	0.790000	0.000000
Class B – Income Net						
Group 1	0.775000	0.155000	0.620000	-	0.620000	-
Group 2	0.775000	0.155000	0.620000	0.000000	0.620000	-
Class J – Accumulation Gross						
Group 1	16.370000	-	16.370000	-	16.370000	11.840000
Group 2	16.370000	-	16.370000	0.000000	16.370000	11.840000
Class K – Accumulation Gross						
Group 1	0.770000	-	0.770000	-	0.770000	0.620000
Group 2	0.264388	-	0.264388	0.505612	0.770000	0.620000
Class K – Income Gross						
Group 1	158.270000	-	158.270000	-	158.270000	-
Group 2	158.270000	-	158.270000	0.000000	158.270000	-

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

Although 2009 began with government bonds continuing to outperform corporate bonds, UK Gilts finished the year posting negative returns. In credit markets financials came under particular pressure early in the year as concerns surrounding banks continued. In contrast, higher quality non financials saw a surge in issuance and improved investor demand. Investor sentiment changed notably in the second quarter with risk appetite returning and global bond yields moving significantly higher. Through the third quarter, despite a stabilisation in economic data and continued improvement in investor sentiment, yields on government bonds fell marginally as government bonds were supported by policy makers' vocal commitment to maintaining low levels of interest rates. The final quarter of 2009 saw a fairly muted performance from government bond markets with better than expected economic data and concerns over ballooning fiscal deficits putting pressure on some of the major sovereign bond markets late on in the quarter. Corporate bond markets outperformed as spreads narrowed significantly through 2009.

Fund Performance

Over 2009 UK government bonds posted negative returns, with the all stock gilt index returning -1.2%. Yields on five year government bonds rose by 0.4% to 2.8%, while 10

year bond yields rose by 1.0% to 4.0%. UK index linked bonds outperformed nominal bonds as yields on shorter dated 2016 index linked bonds fell by 1.1% to yield 0.7%. 30 year index linked bond yields were unchanged at 0.65%. The over 5 years index-linked bond index returned +5.6%. Corporate bonds outperformed government bonds with the all stock non gilt index returning 10.8% through 2009 as spreads tightened significantly over the year.

During 2009 the Fund achieved performance of 17.1%* outperforming its benchmark, the FTSE All Stock Gilt Index, which achieved performance of -1.16%. Both figures are quoted in Sterling terms.

During the first half of the year, given the high levels of prevailing uncertainty we reduced our active short duration position and our overweight to exposure to subordinated bank bonds in an effort to reduce the volatility of future returns. We also took steps to improve the overall liquidity of the portfolio increasing our ability to be more nimble and ensure a broad diversification of risks taking positions in US treasuries and Australian government bonds on a hedged basis at the expense of UK gilts. Within credit markets we favoured defensive sectors such as Telecoms and Utilities. Latterly in the period we reduced our Telecoms exposure whilst finding potential opportunities in the more robust of the high yield corporate bond issuers. Improving conditions for M&A activity, better valuations and less duration sensitivity are strong positives for the sector. While we maintain an overall bearish stance on global duration we introduced an overweight to Europe at the end of December. In currency markets we favoured Scandinavian currencies with a small overweight versus the Euro and Swiss Franc.

Outlook

Our strategy is to pursue a wide variety of investment views. The UK and US bond markets face similar challenges in terms of funding and economic recovery. The situation in Europe is more complex as some countries have uncomfortably large deficits that will be difficult to fund while others qualify as safe havens and do not have comparable fiscal challenges. Overall European data continues to lag that of the UK and US and we see the ECB as likely to be one of the last central banks to raise rates. Consequently we expect the spread widening of UK and US bonds relative to German bunds to continue. We maintain our view that investment grade credit markets, particularly some financials, offer value relative to government bonds.

* Source: UBS Global Asset Management. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2009, based on K Accumulation Gross shares.

Percentage growth

	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	Launch to 31/12/07 %
Class J – Accumulation Gross Shares	16.33	-5.29	-
Class K – Accumulation Gross Shares	17.08	-7.98	-0.26

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
27 April 2010

Performance record

1. Fund size

Accounting year 31 December		Number of shares in issue	Total net asset value per share (p)*	Total net asset value (£)
2007	Class K – Accumulation Gross	125,517,444	49.7	62,377,773
				£62,377,773
2008	Class J – Accumulation Gross	732,563	944.7	6,920,371
	Class K – Accumulation Gross	36,088,592	45.8	16,521,520
				£23,441,891
2009	Class J – Accumulation Gross	678,169	1,100.2	7,460,969
	Class K – Accumulation Gross	23,339,735	53.7	12,523,907
				£19,984,876

* rounded to one decimal place.

2. Total expense ratio

The total expense ratio (TER) below is calculated using the most recent audited results and as described in the Financial Services Authority's Collective Investment Schemes Sourcebook 4 Annex 1 R.

Share class	31 Dec 09 (%)	31 Dec 08 (%)
Class J – Accumulation Gross	0.70	0.71
Class K – Accumulation Gross	0.05	0.05

3. Portfolio turnover rate

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the year.

	31 Dec 09 (%)	31 Dec 08 (%)
	482.37	17.52

4. 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.

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (p)
Class J – Accumulation Gross			
2008*	1,072.33	844.00	34.14
2009	1,114.24	903.20	55.92
Class K – Accumulation Gross			
2007 †	50.09	47.60	1.89
2008	51.83	40.95	2.54
2009	54.32	43.79	2.68

† covers period from launch to 31 December 2007.

* covers period from launch to 31 December 2008.

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

As at 31 December 2009

	Holding	Market value £	Percentage of total net assets %
Bonds - 94.04% (31 Dec 08: 87.24%)			
Floating Rate Notes - 3.89% (31 Dec 08: 33.28%)			
Argon Capital FRN Perpetual	£200,000	96,000	0.48
Eurocredit CDO FRN 2023	€100,000	6,219	0.03
General Electric Capital 6.5% FRN 2067	£320,000	261,274	1.31
HBOS Capital Funding FRN Perpetual	£150,000	93,000	0.46
Royal Bank of Scotland 7.0916% FRN Perpetual	€350,000	151,223	0.76
Royal Bank of Scotland FRN 2010	£100,000	114,380	0.57
Santander Finance FRN Perpetual	£50,000	55,369	0.28
Mortgage & Asset Backed Securities - 2.17% (31 Dec 08: 3.58%)			
Adagio CLO III FRN 2022	€100,000	21,323	0.11
Aladdin CDO 25X FRN 2016	\$100,000	-	-
Ares Euro CLO I 'E' FRN 2024	€100,000	15,353	0.08
Avoca CLO VI 0% 2023	€100,000	15,993	0.08
Axius European FRN 2023	€95,476	8,483	0.04
Black Diamond FRN 2018	\$100,000	13,004	0.06
BlackRock Senior Income Series V 2019	\$100,000	8,360	0.04
Brentwood CLO I FRN 2022	\$88,340	8,206	0.04
Brushfield CDO FRN 2052	\$100,000	6	-
Cadogan Square CDO II 'E' FRN 2022	€100,000	22,212	0.11
Celf Loan Partners II FRN 2021	€100,000	49,381	0.25
CIFC Funding FRN 2021	\$96,297	19,499	0.10
Clavos CDO Subordinated FRN 2023	€300,000	10,662	0.05
Duke Funding 8A FRN 2045	\$241,155	-	-
Duke Funding XI FRN 2046	€97,761	9	-

	Holding	Market value £	Percentage of total net assets %
Empyrean Finance (Jersey) 2013	£200,000	15,464	0.08
Eurocredit CDO V 'E' FRN 2022	€100,000	13,292	0.07
Grosvenor Place FRN 2023	€100,000	8,885	0.04
GSC European FRN 2022	€125,000	8,885	0.04
Gulf Stream-Sext FRN 2021	\$100,000	13,624	0.07
Harbourmaster CLO 2 'B2' FRN 2022	€100,000	26,654	0.13
Highlander CDO 2012	€100,000	30,652	0.15
IXIS CDO 3 FRN 2046	\$100,000	-	-
Kingsland V FRN 2021	\$100,000	3,716	0.02
Laurelin II FRN 2023	€100,000	13,327	0.07
Mercator CLO III FRN 2024	€100,000	4,442	0.02
Queen Street CLO I 'E' FRN 2023	€100,000	23,847	0.12
Queen Street FRN 2024	€100,000	17,769	0.09
Sagittarius CLO I 'A' FRN 2051	\$100,000	-	-
St. James's Park CDO 'F' FRN 2020	€150,000	35,983	0.18
Taberna FRN 2037	\$204,333	13	-
Valleriite CDO I 'A1' FRN 2017	€100,000	25,544	0.13
Ordinary Fixed Interest - 87.98% (31 Dec 08: 45.74%)			
Anheuser-Busch InBev 9.75% 2024	£100,000	134,188	0.67
BAA Funding Limite 6.75% 2028	£50,000	49,834	0.25
GMAC 7.5% 2013	\$250	149	-
Goldman Sachs Group 6.875% 2038	£220,000	228,704	1.14
Imperial Tobacco Finance 9% 2022	£100,000	123,156	0.62
LBG Capital No.1 7.8673% 2019	£183,000	145,712	0.73
Marks & Spencer 6.125% 2019	£130,000	130,167	0.65
Nisource Finance 6.125% 2022	\$60,000	37,919	0.19

	Holding	Market value £	Percentage of total net assets %
Tesco 6.125% 2022	£100,000	104,541	0.52
Treasury 2.25% 2014	£605,000	595,683	2.98
Treasury 2.75% 2015	£350,000	344,890	1.72
Treasury 3.25% 2011	£350,000	362,985	1.81
Treasury 4% 2022	£475,000	460,845	2.30
Treasury 4% Gilt 2060	£150,000	141,150	0.71
Treasury 4.25% 2011	£390,000	405,717	2.03
Treasury 4.25% 2027	£580,000	565,964	2.83
Treasury 4.25% 2032	£1,100,000	1,070,190	5.35
Treasury 4.25% 2036	£230,000	222,640	1.11
Treasury 4.25% 2039	£395,000	383,743	1.92
Treasury 4.25% 2046	£485,000	477,240	2.39
Treasury 4.25% 2049	£400,000	395,080	1.98
Treasury 4.25% 2055	£620,000	614,606	3.08
Treasury 4.5% 2013	£900,000	962,640	4.82
Treasury 4.5% 2019	£680,000	705,228	3.53
Treasury 4.5% 2042	£380,000	387,296	1.94
Treasury 4.75% 2010	£375,000	381,900	1.91
Treasury 4.75% 2015	£915,000	992,867	4.97
Treasury 4.75% 2020	£555,000	584,193	2.92
Treasury 4.75% 2030	£200,000	207,559	1.04
Treasury 4.75% 2038	£900,000	949,320	4.75
Treasury 5% 2012	£600,000	644,100	3.22
Treasury 5% 2014	£710,000	778,444	3.90
Treasury 5% 2018	£360,000	390,924	1.95
Treasury 5% 2025	£615,000	653,007	3.27
Treasury 5.25% 2012	£325,000	351,519	1.76
Treasury 6% 2028	£540,000	649,620	3.25
Treasury 8% 2013	£300,000	360,870	1.81

	Holding	Market value £	Percentage of total net assets %
Treasury 8% 2021	£620,000	836,752	4.19
Treasury New Gilt 2019	£625,000	607,000	3.04
Wales & West Utilities Finance 5.125% 2016	£150,000	145,910	0.73
Zero Coupon Bonds - 0.00% (31 Dec 08: 4.64%)			
Derivatives - (0.12)% (31 Dec 08: (12.24)%)			
Contract for Difference - 0.00% (31 Dec 08: (0.44)%)			
Credit Default Swaps - (0.09)% (31 Dec 08: (2.38)%)			
Goldman Sachs Credit Default Swap Masco Corp Receive 5.875% 20 Sep 12	\$150,000	2,088	0.01
Goldman Sachs Credit Default Swap Portugal Telecom Pay 3.75% 20 Dec 13	€ 331,250	(6,581)	(0.03)
Goldman Sachs Credit Default Swap Republic of South Africa Pay 6.5% 20 Dec 13	\$300,000	(22,540)	(0.11)
Goldman Sachs Credit Default Swaps Telecom Italia 5.375% Receive 20 Dec 13	€ 331,250	8,000	0.04
Forwards - 0.31% (31 Dec 08: (7.45)%)			
Bought Canadian Dollar 1,055,274			
Sold US Dollar 1,030,647		(15,053)	(0.08)
Bought Euro 225,000			
Sold Sterling 209,770		(9,720)	(0.05)
Bought Euro 1,120,000			
Sold US Dollar 1,628,379		(9,713)	(0.05)
Bought Japanese Yen 117,100,000			
Sold Sterling 822,132		(39,589)	(0.20)
Bought Norwegian Krona 7,720,000			
Sold Sterling 865,550		(38,999)	(0.20)
Bought Sterling 110,817			
Sold Japanese Yen 16,200,000		2,557	0.01

	Holding	Market value £	Percentage of total net assets %
Bought Sterling 113,576			
Sold US Dollar 185,000		(660)	-
Bought Sterling 131,045			
Sold Euro 145,000		2,124	0.01
Bought Sterling 642,925			
Sold Canadian Dollar 1,055,274		21,560	0.11
Bought Sterling 1,136,285			
Sold Swiss Francs 1,845,000		30,613	0.15
Bought Sterling 1,254,655			
Sold Swedish Krona 13,844,604		54,768	0.27
Bought Swedish Krona 4,580,000			
Sold Euro 442,298		3,689	0.02
Bought Swedish Krona 4,580,000			
Sold Euro 442,834		3,213	0.02
Bought Swedish Krona 4,600,000			
Sold Euro 443,078		4,729	0.02
Bought Swedish Krona 4,630,000			
Sold Euro 449,472		1,645	0.01
Bought Swedish Krona 4,660,000			
Sold US Dollar 647,353		4,138	0.02
Bought Swedish Krona 6,870,000			
Sold Euro 664,829		4,305	0.02
Bought US Dollar 505,000			
Sold Sterling 304,636		7,198	0.04
Bought US Dollar 625,000			
Sold Sterling 391,465		(5,531)	(0.03)
Bought US Dollar 835,000			
Sold Swiss Francs 840,482		11,924	0.06

	Holding	Market value £	Percentage of total net assets %
Bought US Dollar 990,000			
Sold Japanese Yen 87,970,410		23,440	0.12
Bought US Dollar 2,286,908			
Sold Euro 1,580,000		7,360	0.04
Futures - 0.23% (31 Dec 08: 1.16%)			
Euro-BOBL Future 8 Mar 10	(19)	15,203	0.08
Euro-Bund Future 8 Mar 10	21	(4,508)	(0.02)
Long Gilt Future 29 Mar 10	(20)	71,647	0.36
US 10 Year Treasury Note Future 22 Mar 10	20	(36,660)	(0.18)
US 2 Year Treasury Note Future 31 Mar 10	(37)	23,916	0.12
US 5 Year Treasury Note Future 31 Mar 10	(33)	40,385	0.20
US Long Bond Future 22 Mar 10	21	(65,541)	(0.33)
Inflation Swaps - (0.32)% (31 Dec 08: (4.56)%)			
Barclays Inflation Swap HICPxt EUR			
Receive 2.59% 5 Sep 28	€ 850,000	23,718	0.12
UBS Inflation Swap Japan CPI Pay			
0.43% 3 Dec 17	¥ 150,000,000	(88,648)	(0.44)
Interest Rate Swap - (0.25)% (31 Dec 08: 1.43%)			
RBS Interest Rate Swap Receive			
4.43% 21 Oct 38	\$1,400,000	5,082	0.03
UBS Interest Rate Swap - NZD Pay			
0.048% 20 Nov 12	NZD 13,500,000	(48,281)	(0.24)
UBS Interest Rate Swap Pay			
4.8875% 5 Mar 38	\$ 200,000	(8,532)	(0.04)
Investment assets		18,769,051	93.92
Net other assets		1,215,825	6.08
Net assets		£19,984,876	100.00

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 2009, 94.1% of the debt securities were rated as investment grade, 3.9% were rated as non-investment grade and 2.0% were unrated.

Portfolio movements**For the year from 1 January 2009 to 31 December 2009**

	Cost £
Major purchases	
Treasury 2.5% 2013	12,537,279
Treasury 1.875% Index-Linked 2022	7,181,934
Treasury FRN Index-Linked 2035	7,082,895
Treasury 8% 2013	4,467,802
Treasury 5% 2018	2,613,000
Treasury 4.75% 2038	2,168,400
Treasury 2.25% 2014	2,094,542
Treasury 4.75% 2015	1,718,501
Royal Bank of Scotland FRN 2009	1,200,300
Treasury 4.25% 2032	1,135,200
The Royal Bank of Scotland FRN 2009	1,084,320
Treasury 4.25% 2039	1,013,314
Treasury 4.5% 2013	967,390
Treasury 2.75% 2015	943,836
Treasury 4.25% 2011	917,501
Treasury 4.5% 2019	825,947
Treasury 5% 2014	785,750
Treasury 4.5% 2042	750,093
Lloyds Banking Group FRN Perpetual	720,882
Treasury 5% 2012	643,524
Total for the year (Note 14)	£59,959,385

Major purchases and sales are the twenty largest.

	Proceeds £
Major sales	
Treasury 2.5% 2013	12,530,923
Treasury 1.875% Index-Linked 2022	7,181,938
Treasury FRN Index-Linked 2035	7,082,898
Treasury 8% 2013	4,105,840
Treasury 5% 2018	2,302,600
The Royal Bank of Scotland FRN 2009	2,056,928
Treasury 6% 2028	1,820,026
Treasury 2.25% 2014	1,502,184
Treasury 5% 2025	1,414,796
Treasury 4.75% 2038	1,311,367
The Royal Bank of Scotland FRN 2009	1,084,323
Treasury Principal 8% 2021	1,063,910
Royal Bank of Scotland FRN 2009	1,016,982
Kreditanstalt für Wiederaufbau 5.25% 2012	906,106
HBOS 6.367% FRN Non-Cum Preference	720,882
Treasury 4.75% Stock 2015	698,195
Euro Investment Bank 4.50% 2013	661,413
Treasury 4.25% 2039	628,817
Treasury 2.75% 2015	603,143
Ing Groep 5.14% 2016	588,800
Total for the year (Note 14)	£61,865,739

Statement of total return**For the year from 1 January 2009 to 31 December 2009**

	Notes	£	31 Dec 09 £	£	31 Dec 08 £
Income					
Net capital gains/(losses)	2		1,991,247		(6,210,574)
Revenue	3	1,205,775		2,635,860	
Expenses	4	(58,863)		(66,679)	
Finance costs: Interest	6	(1)		(2,163)	
Net revenue before taxation		1,146,911		2,567,018	
Taxation	5	-		-	
Net revenue after taxation			1,146,911		2,567,018
Total return before distributions			3,138,158		(3,643,556)
Finance costs: Distributions	6		(1,203,966)		(2,651,453)
Change in net assets attributable to shareholders from investment activities			£1,934,192		£(6,295,009)

Statement of change in net assets attributable to shareholders**For the year from 1 January 2009 to 31 December 2009**

	£	31 Dec 09 £	£	31 Dec 08 £
Opening net assets attributable to shareholders		23,441,891		62,377,773
Amounts receivable on issue of shares	6,482,814		26,594,340	
Amounts payable on cancellation of shares	(12,994,045)		(61,826,367)	
		(6,511,231)		(35,232,027)
Dilution levy charged				258,322
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		1,934,192		(6,295,009)
Retained distribution on accumulation shares		1,120,024		2,332,832
Closing net assets attributable to shareholders		£19,984,876		£23,441,891

Balance sheet**As at 31 December 2009**

	Notes	As at 31 Dec 09 £	As at 31 Dec 08 £
ASSETS			
Investment assets		19,169,607	28,165,165
Debtors	7	222,772	1,223,061
Cash and bank balances	8	1,016,381	5,226,462
Total other assets		1,239,153	6,449,523
Total assets		20,408,760	34,614,688
LIABILITIES			
Investment liabilities		400,556	10,582,988
Creditors	9	23,328	589,809
Total other liabilities		23,328	589,809
Total liabilities		423,884	11,172,797
Net assets attributable to shareholders		£19,984,876	£23,441,891

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 12 and 13.

2. Net capital gains/(losses)

	31 Dec 09 £	31 Dec 08 £
Currency gains	1,107,764	559,158
Derivative contracts	1,699,088	1,019,123
Forward currency contracts	536,791	(977,816)
Non-derivative securities	(1,335,162)	(6,804,644)
Transaction charges	(17,234)	(6,395)
Net capital gains/(losses)	£1,991,247	£(6,210,574)

3. Revenue

	31 Dec 09 £	31 Dec 08 £
Bank interest	3,706	148,378
Revenue from derivative contracts	(104,090)	(409,968)
Interest on debt securities	1,306,159	2,897,450
	£1,205,775	£2,635,860

4. Expenses

	31 Dec 09 £	31 Dec 08 £
<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	47,382	43,169
	47,382	43,169
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	2,431	7,786
	2,431	7,786
<i>Payable to other related parties and third parties:</i>		
Audit fees	7,874	8,813
Bank charges	75	-
Safe custody fees	1,701	2,631
Taxation fees	(600)	4,280
	9,050	15,724
	£58,863	£66,679

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 different to the special 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 08: 20%).

The differences are explained below:

	31 Dec 09 £	31 Dec 08 £
Net revenue before taxation	1,146,911	2,567,018
Corporation tax at 20%	229,382	513,404
<i>Effects of:</i>		
Allowable expenses charged to capital	11,411	13,335
Interest distributions	(240,793)	(526,739)
	(229,382)	(513,404)
Total tax charge (5.a)	-	-

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 2009 the Fund had excess interest distributions of £138,122 (31 Dec 08: £81,070). The deferred tax in respect of this would be £27,624 (31 Dec 08: £16,214). 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 revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise of:

	31 Dec 09 £	31 Dec 08 £
Interim – first quarter	455,072	456,836
Interim – second quarter	204,474	1,120,118
Interim – third quarter	228,763	755,878
Final	231,715	-
	1,120,024	2,332,832
Add: Revenue deducted on cancellation of shares	151,009	320,199
Deduct: Revenue received on issue of shares	(67,067)	(1,578)
Net distributions	1,203,966	2,651,453
Interest	1	2,163
Total finance costs	£1,203,967	£2,653,616
Net revenue after taxation	1,146,911	2,567,018
Add: Expenses charged to capital	58,789	66,679
Add: Revenue brought forward	-	11,143
Add: Shortfall transfer to capital	-	6,613
Deduct: Revenue carried forward	(1,734)	-
Net distributions as above	£1,203,966	£2,651,453

Details of the distribution per share are set out in the table on page 112.

7. Debtors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Interest receivable on debt securities	209,437	628,445
Interest receivable on swaps	13,335	594,616
	£222,772	£1,223,061

8. Cash & bank balances

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts held at futures clearing houses and brokers	81,143	292,895
Cash and bank balances	935,238	4,933,567
	£1,016,381	£5,226,462

9. Creditors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Expense accruals	14,607	20,127
Interest payable on swaps	8,721	569,682
	£23,328	£589,809

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 tables 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 2009 there were no contingent liabilities or commitments at the current or prior period 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 2009 the amounts included in creditors in respect of management fees due to the ACD are £4,160 (31 December 2008: £8,341).

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 K Accumulation shares on which no ACD fee is payable. The aggregate value of these transactions during the period was £(6,081,936) (31 Dec 08: £21,718,324. As at 31 December 2009, the entity held 13,179,234 shares in the Fund with a market value of £7,081,202 (31 Dec 08: 25,928,090 shares with market value of £11,869,997). 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 period was £nil (31 Dec 08: £29,574,561). As at 31 December 2009, the entity held 10,160,501 shares in the Fund with a market value of £5,459,237 (31 Dec 08: 10,160,501 shares with market value of £4,651,523).

All dealing in the investment portfolio of the Fund was carried out through UBS Global Asset Management (UK) Ltd. During the period 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 pages 5 and 6.

(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

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 09				
Australian Dollar	60,033	-	-	60,033
Canadian Dollar	215	-	621,365	621,580
Czech Koruna	60	-	-	60
Euro	564,240	192,353	1,228,404	1,984,997
Japanese Yen	479	(88,648)	782,543	694,374
New Zealand Dollar	1,477	(48,281)	13,335	(33,469)
Norwegian Krona	-	-	826,551	826,551
Polish Zloty	1,700	-	-	1,700
Singapore Dollar	2,091	-	-	2,091
South African Rand	779	-	-	779
Sterling	694,872	18,067,292	3,652,656	22,414,820
Swedish Krona	125	-	2,593,113	2,593,238
US Dollar	210,591	17,616	3,301,148	3,529,355
	£1,536,662	£18,140,332	£13,019,115	£32,696,109

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 08				
Australian Dollar	1,624	-	2,213,680	2,215,304
Canadian Dollar	206	-	1,701,502	1,701,708
Czech Koruna	265	-	2,112,118	2,112,383
Euro	2,409,268	437,449	6,482,528	9,329,245
Indian Rupee	-	-	630,031	630,031
Japanese Yen	29,751	-	5,535,938	5,565,689
Kuwaiti Dinar	-	-	4,174,948	4,174,948
Latvian Lats	-	-	2,033,837	2,033,837
Malaysian Ringgit	-	-	250,869	250,869
Mexican Peso	-	-	350,566	350,566
New Zealand Dollar	1,393	-	2,693,316	2,694,709
Norwegian Krona	-	-	1,815,785	1,815,785
Philippine Peso	-	-	122,139	122,139
Polish Zloty	17,058	-	69,410	86,468
Saudi Arabian Riyal	-	-	1,113,784	1,113,784
Singapore Dollar	2,291	-	482,757	485,048
South African Rand	-	-	135,420	135,420
Sterling	7,345,386	11,119,194	27,876,578	46,341,158
Swedish Krona	127	-	3,526,932	3,527,059
Swiss Francs	-	-	1,761,128	1,761,128
Taiwanese Dollar	-	-	153,566	153,566
Thai Bhat	-	-	274,274	274,274
Turkish Lira	309,735	-	353,599	663,334
United Arab Emirates Dirham	-	-	7,756,213	7,756,213
US Dollar	3,749,546	249,286	22,860,112	26,858,944
	£13,866,650	£11,805,929	£96,481,030	£122,153,609

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 09			
Canadian Dollar	-	621,365	621,365
Euro	-	3,709,878	3,709,878
Japanese Yen	-	696,138	696,138
Sterling	-	2,608,162	2,608,162
Swedish Krona	-	1,199,887	1,199,887
Swiss Francs	-	1,609,355	1,609,355
US Dollar	-	2,266,448	2,266,448
	-	£12,711,233	£12,711,233
31 Dec 08			
Australian Dollar	-	1,040,163	1,040,163
Canadian Dollar	-	1,701,502	1,701,502
Czech Koruna	-	2,562,282	2,562,282
Euro	-	9,216,041	9,216,041
Indian Rupee	-	415,388	415,388
Japanese Yen	-	5,638,368	5,638,368
Kuwaiti Dinar	-	3,370,139	3,370,139
Latvian Lats	-	3,248,679	3,248,679
Malaysian Ringgit	-	243,154	243,154
New Zealand Dollar	-	3,410,270	3,410,270
Norwegian Krona	-	958,552	958,552
Philippine Peso	-	1,033,423	1,033,423

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
Polish Zloty	-	4,017	4,017
Saudi Arabian Riyal	-	1,113,784	1,113,784
Singapore Dollar	-	999,306	999,306
Swedish Krona	-	1,741,478	1,741,478
Swiss Francs	-	1,348,385	1,348,385
South African Rand	-	101,703	101,703
Sterling	-	23,378,590	23,378,590
Taiwanese Dollar	-	196,377	196,377
Thai Baht	-	764,540	764,540
Turkish Lira	-	628,614	628,614
United Arab Emirates Dirham	-	6,417,433	6,417,433
US Dollar	-	29,179,530	29,179,530
	-	£98,711,718	£98,711,718

lii) Fixed rate financial assets

Currency	Weighted average interest rate %	Weighted average period for which the rate is fixed in years
31 Dec 09		
Euro	-	13.10
Sterling	3.78	14.61
US Dollar	6.13	12.17
31 Dec 08		
Euro	8.59	3.31
Sterling	5.08	16.47
US Dollar	8.64	3.10

(b) Currency exposure

A 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

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 09			
Australian Dollar	60,033	-	60,033
Canadian Dollar	215	-	215
Czech Koruna	60	-	60
Euro	238,669	(1,963,550)	(1,724,881)
Japanese Yen	479	(2,243)	(1,764)
New Zealand Dollar	14,812	(48,281)	(33,469)
Norwegian Krona	-	826,551	826,551
Polish Zloty	1,700	-	1,700
Singapore Dollar	2,091	-	2,091
South African Rand	779	-	779
Swedish Krona	125	1,393,226	1,393,351
Swiss Francs	-	(1,609,355)	(1,609,355)
US Dollar	139,271	1,123,636	1,262,907
	458,234	(280,016)	178,218
Sterling	757,592	19,049,066	19,806,658
	£1,215,826	£18,769,050	£19,984,876

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 08			
Australian Dollar	1,624	1,173,517	1,175,141
Canadian Dollar	206	-	206
Czech Koruna	265	(450,164)	(449,899)

Currency	Monetary exposures £	Non- monetary exposures £	Total £
Euro	258,857	(145,653)	113,204
Indian Rupee	-	214,643	214,643
Japanese Yen	29,751	(102,431)	(72,680)
Kuwaiti Dinars	-	804,809	804,809
Latvian Lats	-	(1,214,842)	(1,214,842)
Malaysian Ringitt	-	7,716	7,716
Mexican Peso	-	350,566	350,566
New Zealand Dollar	1,393	(716,954)	(715,561)
Norwegian Krona	-	857,233	857,233
Philippine Peso	-	(911,285)	(911,285)
Polish Zloty	17,058	65,393	82,451
Singapore Dollar	2,291	(516,549)	(514,258)
South African Rand	-	33,717	33,717
Swedish Krona	127	1,785,455	1,785,582
Swiss Francs	-	412,743	412,743
Taiwanese Dollar	-	(42,812)	(42,812)
Thai Bhat	-	(490,266)	(490,266)
Turkish Lira	-	34,720	34,720
United Arab Emirates Dirham	-	1,338,780	1,338,780
US Dollar	2,723,217	(5,043,803)	(2,320,586)
	3,034,789	(2,555,467)	479,322
Sterling	2,191,673	20,770,896	22,962,569
	£5,226,462	£18,215,429	£23,441,891

(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 period of time in all but a given percentage of circumstances. As at 31 December 2009, the Fund's VaR is 4.75%. This means that per the statistical analysis there is a 99% probability that, over a month, the maximum loss the Fund could suffer is 4.75% of its value.

Further information on risks can be found in the Risk Profile on pages 5 and 6.

14. Portfolio transaction costs

Analysis of total purchase costs	£	31 Dec 09 £	£	31 Dec 08 £
Purchases in year before transaction costs		59,959,385		33,826,754
Commissions & taxes	-		-	
Total purchase costs		-		-
Gross purchase total		£59,959,385		£33,826,754
Analysis of total sale costs	£	31 Dec 09 £	£	31 Dec 08 £
Gross sales in year before transaction costs		61,865,739		62,677,075
Commissions & taxes		-		-
Total sale costs		-		-
Total sales net of transaction costs		£61,865,739		£62,677,075

Distribution table**For the year from 1 January to 31 December 2009 (in pence per share)**

Final interest distribution

Group 1: Shares purchased prior to 1 October 2009

Group 2: Shares purchased between 1 October 2009 and 31 December 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 28/02/10 (p)	Distribution paid 28/02/09 (p)
Class J – Accumulation Gross						
Group 1	12.830000	-	12.830000	-	12.830000	0.000000
Group 2	12.830000	-	12.830000	0.000000	12.830000	0.000000
Class K – Accumulation Gross						
Group 1	0.620000	-	0.620000	-	0.620000	0.000000
Group 2	0.385030	-	0.385030	0.234970	0.620000	0.000000

Third quarter interim interest distribution

Group 1: Shares purchased prior to 1 July 2009

Group 2: Shares purchased between 1 July 2009 and 30 September 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/09 (p)	Distribution paid 30/11/08 (p)
Class J – Accumulation Gross						
Group 1	12.070000	-	12.070000	-	12.070000	21.510000
Group 2	2.823000	-	2.823000	9.247000	12.070000	21.510000
Class K – Accumulation Gross						
Group 1	0.590000	-	0.590000	-	0.590000	0.840000
Group 2	0.590000	-	0.590000	0.000000	0.590000	0.840000

Second quarter interim interest distribution

Group 1: Shares purchased prior to 1 April 2009

Group 2: Shares purchased between 1 April 2009 and 30 June 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/09 (p)	Distribution paid 31/08/08 (p)
Class J – Accumulation Gross						
Group 1	11.190000	-	11.190000	-	11.190000	12.630000
Group 2	11.190000	-	11.190000	0.000000	11.190000	12.630000
Class K – Accumulation Gross						
Group 1	0.540000	-	0.540000	-	0.540000	1.170000
Group 2	0.540000	-	0.540000	0.000000	0.540000	1.170000

First quarter interim interest distribution

Group 1: Shares purchased prior to 1 January 2009

Group 2: Shares purchased between 1 January 2009 and 31 March 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/09 (p)	Distribution paid 31/05/08 (p)
Class J – Accumulation Gross						
Group 1	19.830000	-	19.830000	-	19.830000	0.000000
Group 2	19.830000	-	19.830000	0.000000	19.830000	0.000000
Class K – Accumulation Gross						
Group 1	0.930000	-	0.930000	-	0.930000	0.530000
Group 2	0.930000	-	0.930000	0.000000	0.930000	0.530000

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

Emerging equity markets rebounded strongly in 2009. A key driver of performance was the strength and stability of the banking sector, which had relatively clean balance sheets and low leverage. Emerging markets also enjoyed significant inflows in to investment funds during 2009 and this was supportive of local markets.

Fund performance

During the period under review from 1 January 2009 to 31 December 2009 the UBS Global Emerging Markets Equity Fund posted performance of 68%* in Sterling terms. The Fund's benchmark, the FTSE AW Emerging Market Index rose by 62.5% in Sterling terms.

The portfolio significantly outperformed the benchmark due to both stock selection and asset allocation. In terms of sectors, major positive contributors were consumer discretionary, financials and industrials. Stock selection in technology also helped performance. The largest detractor was the overweight to telecoms.

In terms of positive contributors to performance at a stock level, Hon Hai Precision Industries was the largest contributor during the period under review. Whereas third quarter operating margins were slightly disappointing in that it broke the uptrend that was observed since the beginning of 2009, the shortfall was caused by a renewed hiring spree that would only point to greater revenue momentum going forward. With cost savings to accrue over time after the completion of a massive relocation exercise last year, Hon Hai should be gaining market share over the next 2-3 years.

Sberbank Russia was the third largest positive contributor to performance. Initially the market had been overestimating the risks and underestimating the strong operating earnings potential of the bank during the economic crisis, resulting in the stock being attractively valued. The turnaround in global sentiment and the bottoming of the Russian economy have brought the focus back to the fundamental, longer-term outlook for the bank.

The largest detractor to performance during the period under review was KT&G Corp. A loss in market share during the final quarter of the year added to the underperformance of the stock. The Fund no longer has exposure to the stock.

Intensifying competition with significant price cuts across the sector drove Bharti's share price down during 2009. The stock was the second largest detractor to performance. The Fund no longer has exposure to the stock. Other detractors to performance during the period under review included overweight holdings in China Telecom and Chunghwa Telecom.

Outlook

Global economic activity has picked up in recent months, driven by supportive fiscal and monetary policies and inventory re-stocking. The recovery is likely to continue from the low base of last year, aided by the lagged impact of fiscal policy expansion around the globe and normalisation of demand.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2009, based on A shares.

Percentage growth

	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	31/12/06 to 31/12/07 %	31/12/05 to 31/12/06 %	31/12/04 to 31/12/05 %
Class A – Accumulation Shares	68.00	-40.77	38.24	10.98	51.70
Class B – Accumulation Shares	69.07	-40.38	39.14	11.80	51.75
Class J – Accumulation Shares	68.53	-40.58	38.69	11.31	51.45
Class K – Accumulation Shares	70.49	-39.83	10.16	-	-

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.

UBS Global Asset Management Funds Ltd
27 April 2010

Performance record**1. Fund size**

Accounting year 31 December		Number of shares in issue	Total net asset value per share (p)*	Total net asset value (£)
2007	Class A - Accumulation	3,094,382	313.9	9,712,436
	Class B - Accumulation	3,210,769	134.9	4,331,246
	Class J - Accumulation	213,815,282	318.4	680,714,060
	Class K - Accumulation	34,857	11,091.7	3,866,227
				£698,623,969
2008	Class A - Accumulation	3,296,789	187.7	6,187,515
	Class B - Accumulation	3,421,219	81.0	2,771,860
	Class J - Accumulation	230,307,567	190.7	439,145,403
	Class K - Accumulation	182,345	6,728.0	12,268,245
				£460,373,023
2009	Class A - Accumulation	3,056,911	311.6	9,525,440
	Class B - Accumulation	3,257,452	135.4	4,409,763
	Class J - Accumulation	201,568,905	317.6	640,141,687
	Class K - Accumulation	182,345	11,335.3	20,669,404
				£674,746,294

* rounded to one decimal place.

2. Total expense ratio

The total expense ratio (TER) below is calculated using the most recent audited results and as described in the Financial Services Authority's Collective Investment Schemes Sourcebook 4 Annex 1 R.

Share class	31 Dec 09 (%)	31 Dec 08 (%)
Class A - Accumulation	1.66	1.67
Class B - Accumulation	1.02	1.03
Class J - Accumulation	1.34	1.35
Class K - Accumulation	0.09	0.10

3. Portfolio turnover rate

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the year.

	31 Dec 09 (%)	31 Dec 08 (%)
	204.81	80.85

4. Share dealing price range and distribution record

The Fund was launched on 7 December 2001 at a price of £1 for 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.

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class A - Accumulation			
2005	203.54	131.82	1.48
2006	234.79	180.15	1.44
2007	320.08	216.51	0.81
2008	315.52	142.82	1.33
2009	311.73	160.70	0.50
Class B - Accumulation			
2005	86.11	55.75	1.15
2006	99.59	76.52	1.08
2007	137.13	92.28	0.88
2008	135.63	61.58	1.25
2009	135.43	69.46	0.83
Class J - Accumulation			
2005	204.89	132.88	2.19
2006	236.60	181.66	1.79
2007	323.98	218.59	1.68
2008	319.91	145.02	2.20
2009	317.71	163.40	1.15
Class K - Accumulation			
2007†	11,133.13	9,931.14	17.52
2008	11,191.18	5,105.65	184.22
2009	11,340.13	5,776.85	139.32

† covers period from launch to 31 December 2007.

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**As at 31 December 2009**

	Holding	Market value £	Percentage of total net assets %
Brazil – 18.30% (31 Dec 08: 15.97%)			
Companhia Vale Do Rio Doce 'A' Preference	2,530,659	37,937,322	5.62
Itau Unibanco Multiplo ADR Preference	1,352,410	19,102,995	2.83
Lojas Renner	936,000	13,067,394	1.94
Petrobras Preference	2,044,850	26,623,003	3.95
Petroleo Brasileiro Preference	639,807	8,329,972	1.23
Tim Participacoes Preference	41,500	761,718	0.11
Usiminas Preference	660,233	11,490,165	1.70
Usinas Sid Minas Gerais Usiminas Preference 'A'	354,998	6,178,086	0.92
Cayman Islands – 4.59% (31 Dec 08: 1.84%)			
China Mengniu Dairy Company	4,052,000	8,931,363	1.32
China Resources Land	4,958,000	6,937,130	1.03
Netease Sab de CV Spon ADR	573,400	13,358,088	1.98
Tencent	77,300	1,041,439	0.15
Want Want China Holdings	1,768,000	762,457	0.11
China – 17.46% (31 Dec 08: 10.36%)			
China Construction Bank 'H'	33,301,000	17,712,127	2.63
China Merchants Bank 'H'	11,105,028	17,959,072	2.66
China Shenhua Energy 'H'	6,463,500	19,589,292	2.90
China Telecom 'H'	35,976,000	9,280,142	1.38
CNOOC	19,281,500	18,755,443	2.78
Industrial & Commercial Bank of China 'H'	36,548,000	18,767,819	2.78
Ping An Insurance 'H'	2,895,000	15,710,038	2.33

	Holding	Market value £	Percentage of total net assets %
Czech Republic – 0.00% (31 Dec 08: 1.56%)			
Hong Kong – 0.00% (31 Dec 08: 0.65%)			
Hungary – 0.00% (31 Dec 08: 0.89%)			
India – 10.87% (31 Dec 08: 9.18%)			
DLF	1,420,876	6,845,621	1.01
HDFC Bank	74,700	1,695,056	0.25
Infosys Technologies ADR	119,700	4,095,380	0.61
Merrill Lynch/Infosys Tech Call Warrant	138,719	4,808,539	0.71
Reliance Industries	1,411,000	20,525,553	3.04
Sterlite Industries	1,776,465	20,403,556	3.02
Sun Pharmaceuticals Industries	741,442	15,026,754	2.23
Indonesia – 3.61% (31 Dec 08: 3.16%)			
Astra International	6,459,000	14,709,041	2.18
Telekomunikasi Indonesia 'B'	15,544,000	9,682,012	1.43
Israel – 0.00% (31 Dec 08: 1.63%)			
Korea – 0.11% (31 Dec 08: 11.01%)			
HengAn International	155,000	708,674	0.11
Luxembourg – 0.00% (31 Dec 08: 0.29%)			
Malaysia – 0.00% (31 Dec 08: 2.79%)			
Mexico – 8.68% (31 Dec 08: 5.23%)			
America Movil	7,003,400	10,204,877	1.51
Cemex ADR	2,359,800	17,272,711	2.56
Grupo Financiero Banorte 'O'	8,372,000	18,735,478	2.78
Grupo Modelo 'C'	3,594,700	12,361,702	1.83
Philippines – 0.00% (31 Dec 08: 1.26%)			
Poland – 0.00% (31 Dec 08: 0.34%)			

	Holding	Market value £	Percentage of total net assets %
Russia – 12.06% (31 Dec 08: 5.67%)			
Gazprom ADR	2,328,684	36,772,110	5.45
Rosneft GDR	3,520,816	18,641,345	2.76
Sberbank	12,977,574	22,662,636	3.36
Vimpel-Communications ADR	288,700	3,321,699	0.49
South Africa – 4.99% (31 Dec 08: 7.61%)			
Naspers 'N'	846,713	21,361,230	3.17
Truworths International	3,357,538	12,310,514	1.82
Taiwan – 9.56% (31 Dec 08: 10.41%)			
Advanced Semiconductor Engineering	1,040,043	579,916	0.09
Chunghwa Telecom	9,475,936	10,897,579	1.62
Hon Hai Precision	12,306,912	36,098,004	5.35
Taiwan Semiconductor Manufacturing	13,552,000	16,897,043	2.50
Thailand – 3.07% (31 Dec 08: 1.31%)			
Banpu (Alien Market)	161,400	1,732,741	0.26
Kasikornbank (Alien Market)	2,594,100	4,155,737	0.62
Kasikornbank Non-Voting Depositary Receipt	9,390,400	14,781,755	2.19
Turkey – 2.98% (31 Dec 08: 1.42%)			
Turkiye Garanti Bankasi	7,655,788	20,083,726	2.98
United Kingdom – 1.32% (31 Dec 08: 0.94%)			
Deutsche Bank Call Warrants 2017/ITC Call Warrant 24 Jan 17	2,683,946	8,892,140	1.32
United States – 0.98% (31 Dec 08: 3.42%)			
Mobile Telesystems ADR	219,300	6,627,142	0.98

	Holding	Market value £	Percentage of total net assets %
Investment assets		665,185,336	98.58
Net other assets		9,560,958	1.42
Net assets		£674,746,294	100.00

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

Portfolio movements**For the year from 1 January 2009 to 31 December 2009**

	Cost £
Major purchases	
Reliance Industries	20,534,239
China Construction Bank 'H'	20,160,313
Sterlite Industries	18,885,011
Lojas Renner	17,402,331
Gazprom ADR	17,316,279
Cemex ADR	17,070,188
Rosneft GDR	16,917,225
Taiwan Semiconductor Manufacturing	16,143,712
Banpu Non-Voting Depositary Receipt	15,861,788
Kasikornbank Non-Voting Depositary Receipt	14,875,727
Anglogold Ashanti	14,717,887
China Railway Construction 'H'	14,218,408
Quanta Computer	14,122,744
Netease Sab de CV Spon ADR	13,995,176
China Telecom Corporation	13,581,446
China Merchants Bank 'H'	13,270,718
Naspers 'N'	12,429,780
Truworths International	12,388,356
Grupo Modelo 'C'	12,337,393
Hon Hai Precision	12,166,205
Total for the year (Note 15)	£625,078,723

Major purchases and sales are the twenty largest.

	Proceeds £
Major sales	
Samsung Electronics	20,480,798
Infosys Technologies ADR	17,995,593
Banpu Non-Voting Depositary Receipt	17,693,134
Anglogold Ashanti	15,594,160
FEMSA ADR	15,102,864
America Movil	14,790,950
Quanta Computer	13,919,063
Sasol	13,918,113
Wal-Mart de Mexico 'V'	13,904,172
Taiwan Semiconductor Manufacturing	13,665,484
China Railway Construction 'H'	12,918,769
China Mengniu Dairy Company	12,495,886
Reliance Industries	12,385,484
Vodacom Group	12,211,343
Bank of China 'H'	12,000,387
CEZ	11,927,528
Vimpel-Communications ADR	11,065,975
Dongfeng Motor Group 'H'	11,030,486
GS Engineering & Construction	10,944,597
Advanced Semiconductor Engineering	10,939,695
Total for the year (Note 15)	£692,542,854

Statement of total return**For the year from 1 January 2009 to 31 December 2009**

	Notes	£	31 Dec 09 £	£	31 Dec 08 £
Income					
Net capital gains/(losses)	2		286,721,666		(234,263,598)
Revenue	3	10,780,531		12,428,128	
Expenses	4	(7,244,392)		(6,733,614)	
Finance costs: Interest	6	(3,747)		(20,349)	
Net revenue before taxation		3,532,392		5,674,165	
Taxation	5	(794,485)		(1,397,724)	
Net revenue after taxation			2,737,907		4,276,441
Total return before distributions			289,459,573		(229,987,157)
Finance costs: Distributions	6		(2,863,394)		(4,275,066)
Change in net assets attributable to shareholders from investment activities			£286,596,179		£(234,262,223)

Statement of change in net assets attributable to shareholders**For the year from 1 January 2009 to 31 December 2009**

	£	31 Dec 09 £	£	31 Dec 08 £
Opening net assets attributable to shareholders		460,373,023		698,623,969
Amounts receivable on issue of shares	52,182,577		165,078,673	
Amounts payable on cancellation of shares	(127,140,670)		(175,357,512)	
		(74,958,093)		(10,278,839)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		286,596,179		(234,262,223)
Dilution levy charged		-		1,121,550
Retained distribution on accumulation shares		2,735,185		5,168,566
Closing net assets attributable to shareholders		£674,746,294		£460,373,023

Balance sheet**As at 31 December 2009**

	Notes	As at 31 Dec 09 £	As at 31 Dec 08 £
ASSETS			
Investment assets		665,185,336	446,282,790
Debtors	7	9,810,606	2,910,920
Cash and bank balances	8	9,985,784	12,084,904
Total other assets		19,796,390	14,995,824
Total assets		684,981,726	461,278,614
LIABILITIES			
Creditors	9	10,235,432	905,591
Total liabilities		10,235,432	905,591
Net assets attributable to shareholders		£674,746,294	£460,373,023

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 12 and 13.

2. Net capital gains/(losses)

	31 Dec 09 £	31 Dec 08 £
Currency gains/(losses)	575,877	(720,171)
Forward currency contracts	(118,274)	-
Non-derivative securities	286,362,294	(233,485,350)
Transaction charges	(98,231)	(58,077)
Net capital gains/(losses)	£286,721,666	£(234,263,598)

3. Revenue

	31 Dec 09 £	31 Dec 08 £
Bank interest	65,869	186,078
Overseas dividends	10,397,271	12,242,050
Stock dividends	284,577	-
UK franked dividends	32,814	-
	£10,780,531	£12,428,128

4. Expenses

	31 Dec 09 £	31 Dec 08 £
<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	6,746,440	6,225,590
Registration fees	6,159	5,697
	6,752,599	6,231,287
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	49,300	45,756
	49,300	45,756
<i>Payable to other related parties and third parties:</i>		
Audit fees	7,873	9,160
FSA fees	-	70
Professional fees	380	-
Safe custody fees	433,690	444,771
Taxation fees	550	2,570
	442,493	456,571
	£7,244,392	£6,733,614

5. Taxation

(a) Analysis of tax charge

	31 Dec 09	31 Dec 08
	£	£
Corporation tax at 20%	-	1,190,631
Double tax relief	-	(1,147,183)
Overseas tax provision movement	167,539	-
Overseas tax suffered	753,657	1,375,297
Prior period adjustment	(4,027)	-
Total current tax (5.b)	917,169	1,418,745
Deferred tax	(122,684)	(21,021)
Total tax charge	£794,485	£1,397,724

(b) Factors affecting current tax charge

The tax charged for the year is higher than the special 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 08: 20%).

The differences are explained below:

	31 Dec 09	31 Dec 08
	£	£
Net revenue before taxation	3,532,392	5,674,165
Corporation tax at 20%	706,478	1,134,833
<i>Effects of:</i>		
Double tax relief	-	(1,147,183)
Movement in excess expenses	500,037	-
Movement in income accruals taxable on receipt	490,737	55,798
Movement in overseas tax provision	167,539	-
Overseas dividend revenue not subject to corporation tax	(1,609,916)	-
Overseas tax suffered	723,236	1,375,297
Prior period adjustment	(4,027)	-
Stock dividends not subject to corporation tax	(56,915)	-
	210,691	283,912
Total tax charge (5.a)	£917,169	£1,418,745

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

No deferred tax asset has been recognised in the accounts in relation to excess management expenses of £2,500,185 (31 Dec 08: nil) as it is unlikely that there will be sufficient taxable profits in future years to utilise these expenses.

6. Finance costs

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	31 Dec 09 £	31 Dec 08 £
Interim	1,730,218	784,401
Final	1,004,967	4,384,165
	2,735,185	5,168,566
Add: Revenue deducted on cancellation of shares	166,571	172,249
Deduct: Revenue received on issue of shares	(38,362)	(1,065,749)
Net distributions	2,863,394	4,275,066
Interest	3,747	20,349
Total finance costs	£2,867,141	£4,295,415
Net revenue after taxation	2,737,907	4,276,441
Add: Revenue brought forward	2,478	1,103
Add: Shortfall transfer to capital	2,860	-
Deduct: Revenue carried forward	(18,200)	(2,478)
Deduct: Tax relief on capital fees	138,349	-
Net distributions as above	£2,863,394	£4,275,066

Details of the distribution per share are set out in the table on page 130.

7. Debtors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Accrued revenue	489,859	2,085,633
Amounts receivable on issue of shares	267,677	634,260
Currency transactions awaiting settlement	6,891,998	-
Overseas tax recoverable	211,681	45,801
Sales awaiting settlement	1,949,391	145,226
	£9,810,606	£2,910,920

8. Cash & bank balances

	As at 31 Dec 09 £	As at 31 Dec 08 £
Cash and bank balances	9,985,784	12,084,904
	£9,985,784	£12,804,904

9. Creditors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts payable on cancellation of shares	576,563	106,534
Corporation tax payable	19,164	21,569
Currency transactions awaiting settlement	6,835,324	-
Deferred tax (note 9)	-	122,684
Expense accruals	864,676	547,476
Overseas tax provision	167,539	-
Purchases awaiting settlement	1,772,166	107,328
	£10,235,432	£905,591

10. Deferred tax

The deferred tax provision is made up as follows:

	As at 31 Dec 09 £	As at 31 Dec 08 £
Accrued revenue taxable on receipt	-	490,737
Double tax relief on accrued dividends	-	(368,053)
	-	£122,684
Provision at the start of the year	122,684	143,705
Credit	(122,684)	(21,021)
Provision at the end of the year	-	£122,684

11. 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 tables 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.

12. Contingent liabilities

At 31 December 2009 the contingent liabilities and commitments are as follows:

	As at 31 Dec 09 £	As at 31 Dec 08 £
Rights	-	30,457
	-	£30,457

13. 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 2009 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £684,110 and £663 respectively (31 Dec 2008: £474,424 and £437).

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 an ACD fee of 1.25% is payable. The aggregate value of these transactions during the period was £(2,705,000) (31 Dec 08: £4,810,000). As at 31 December 2009, the entity held 3,245,593 shares in the Fund with a market value of £10,275,223 (31 Dec 08: 4,446,992 shares with market value of £8,479,524).

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 period was £nil (31 Dec 08: £10,500,000). As at 31 December 2009, the entity held 182,345 shares in the Fund with a market value of £20,678,182 (31 Dec 08: 182,345 shares with market value of £12,268,258).

All dealing in the investment portfolio of the Fund was carried out through UBS Global Asset Management (UK) Ltd. During the period 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.

14. 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 5 and 6.

(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

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 09				
Brazilian Real	160,328	-	103,924,254	104,084,582
Czech Koruna	285	-	-	285
Hong Kong Dollar	43	-	136,154,996	136,155,039
Hungarian Florints	94	-	-	94
Indian Rupee	-	-	64,523,351	64,523,351
Indonesian Rupiah	8,760	-	24,391,053	24,399,813
Israeli Shekel	-	-	17,331	17,331
Mexican Peso	334	-	41,579,273	41,579,607
Philippine Peso	517	-	-	517
Polish Zloty	689	-	-	689
Russian Rouble	-	-	30,440	30,440
Singapore Dollar	2,047	-	-	2,047
South African Rand	3,878,933	-	35,621,135	39,500,068
Sterling	2,723,685	-	6,173,841	8,897,526
Taiwanese Dollar	2,679,006	-	64,640,081	67,319,087
Thai Bhat	-	-	20,670,233	20,670,233

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
Turkish Lira	59	-	20,083,726	20,083,785
US Dollar	531,004	-	157,186,228	157,717,232
	£9,985,784	-	£674,995,942	£684,981,726

31 Dec 08

Brazilian Real	202,656	-	62,925,604	63,128,260
Czech Koruna	41	-	7,167,931	7,167,972
Hong Kong Dollar	109,375	-	59,795,936	59,905,311
Hungarian Florint	134	-	4,082,768	4,082,902
Indian Rupee	136,345	-	23,798,501	23,934,846
Indonesian Rupiah	-	-	14,560,526	14,560,526
Israeli Shekel	-	-	19,571	19,571
Malaysian Ringitt	-	-	12,827,591	12,827,591
Mexican Peso	199	-	21,171,461	21,171,660
Philippine Peso	-	-	5,819,934	5,819,934
Polish Zloty	970	-	1,554,997	1,555,967
Russian Rouble	-	-	28,622	28,622
Singapore Dollar	2,246	-	-	2,246
South African Rand	12,694	-	35,047,407	35,060,101
South Korean Won	227	-	49,016,046	49,016,273
Sterling	8,653,042	-	4,939,290	13,592,332
Taiwanese Dollar	2,262,211	-	48,050,873	50,313,084
Thai Bhat	-	-	6,050,589	6,050,589
Turkish Lira	1,014	-	6,549,278	6,550,292
US Dollar	703,750	-	85,786,785	86,490,535
	£12,084,904	-	£449,193,710	£461,278,614

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 09			
Mexican Peso	-	365,990	365,990
South African Rand	-	5,828,222	5,828,222
Sterling	-	2,635,044	2,635,044
US Dollar	-	1,406,176	1,406,176
	-	£10,235,432	£10,235,432
31 Dec 08			
Hong Kong Dollar	-	107,328	107,328
Sterling	-	798,263	798,263
	-	£905,591	£905,591

(b) Currency exposure

A substantial proportion 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 £
31 Dec 09			
Brazilian Real	458,640	103,625,942	104,084,582
Czech Koruna	285	-	285
Hong Kong Dollar	43	136,154,996	136,155,039

Currency	Monetary exposures £	Non-monetary exposures £	Total £
Hungarian Florints	94	-	94
Indian Rupee	26,811	64,496,540	64,523,351
Indonesian Rupiah	8,760	24,391,053	24,399,813
Israeli Shekel	17,331	-	17,331
Mexican Peso	(88,440)	41,302,057	41,213,617
Philippine Peso	517	-	517
Polish Zloty	689	-	689
Russian Rouble	30,440	-	30,440
Singapore Dollar	2,047	-	2,047
South African Rand	102	33,671,744	33,671,846
Taiwanese Dollar	2,846,545	64,472,542	67,319,087
Thai Bhat	-	20,670,233	20,670,233
Turkish Lira	59	20,083,726	20,083,785
US Dollar	(5,447)	156,316,503	156,311,056
	3,298,476	665,185,336	668,483,812
Sterling	6,262,482	-	6,262,482
	£9,560,958	£665,185,336	£674,746,294

31 Dec 08

Brazilian Real	202,656	62,925,604	63,128,260
Czech Koruna	41	7,167,931	7,167,972
Hong Kong Dollar	109,375	59,688,608	59,797,983
Hungarian Florint	134	4,082,768	4,082,902
Indian Rupee	136,345	23,798,501	23,934,846
Indonesian Rupiah	-	14,560,526	14,560,526
Israeli Shekel	-	19,571	19,571
Malaysian Ringitt	-	12,827,591	12,827,591

Currency	Monetary exposures £	Non- monetary exposures £	Total £
Mexican Peso	199	21,171,461	21,171,660
Philippine Peso	-	5,819,934	5,819,934
Polish Zloty	970	1,554,997	1,555,967
Russian Rouble	-	28,622	28,622
Singapore Dollar	2,246	-	2,246
South African Rand	12,694	35,047,407	35,060,101
South Korean Won	227	49,016,046	49,016,273
Taiwanese Dollar	2,262,211	48,050,872	50,313,083
Thai Bhat	-	6,050,589	6,050,589
Turkish Lira	1,014	6,549,278	6,550,292
US Dollar	703,750	85,786,785	86,490,535
	3,431,862	444,147,091	447,578,953
Sterling	8,653,042	4,141,028	12,794,070
	£12,084,904	£448,288,119	£460,373,023

(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.

15. Portfolio transaction costs

Analysis of total purchase costs	£	31 Dec 09 £	31 Dec 08 £
Purchases in year before transaction costs		623,452,404	367,380,055
Commissions & taxes	1,626,319		752,103
Total purchase costs		1,626,319	752,103
Gross purchase total		£625,078,723	£368,132,158

Analysis of total sale costs	£	31 Dec 09 £	31 Dec 08 £
Gross sales in year before transaction costs		694,530,984	379,368,468
Commissions & taxes	(1,988,130)		(928,125)
Total sale costs		(1,988,130)	(928,125)
Total sales net of transaction costs		£692,542,854	£378,440,343

Distribution table**For the year from 1 January 2009 to 31 December 2009 (in pence per share)**

Final dividend distribution

Group 1: Shares purchased prior to 1 July 2009

Group 2: Shares purchased between 1 July 2009 and 31 December 2009

	Net revenue (p)	Equalisation (note 11) (p)	Distribution paid 28/02/10 (p)	<i>Distribution paid 28/02/09 (p)</i>
Class A - Accumulation				
Group 1	0.00	-	0.00	1.33
Group 2	0.00	0.00	0.00	1.33
Class B - Accumulation				
Group 1	0.40	-	0.40	0.88
Group 2	0.09	0.31	0.40	0.88
Class J – Accumulation				
Group 1	0.42	-	0.42	1.78
Group 2	0.00	0.42	0.42	1.78
Class K - Accumulation				
Group 1	79.71	-	79.71	115.57
Group 2	79.71	0.00	79.71	115.57

Interim dividend distribution

Group 1: Shares purchased prior to 1 January 2009

Group 2: Shares purchased between 1 January 2009 and 30 June 2009

	Net revenue (p)	Equalisation (note 11) (p)	Distribution paid 31/08/09 (p)	<i>Distribution paid 31/08/08 (p)</i>
Class A - Accumulation				
Group 1	0.50	-	0.50	0.00
Group 2	0.42	0.08	0.50	0.00
Class B - Accumulation				
Group 1	0.43	-	0.43	0.37
Group 2	0.39	0.04	0.43	0.37
Class J – Accumulation				
Group 1	0.73	-	0.73	0.42
Group 2	0.57	0.16	0.73	0.42
Class K – Accumulation				
Group 1	59.61	-	59.61	68.65
Group 2	59.61	0.00	59.61	68.65

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

Global equity markets began the year with a decline which was a continuation of the dramatic falls of 2008, only to hit the bottom in March and begin a recovery. The decline during the first quarter was, however, very steep. By March, signs of some economic stability set off a strong rally. The US Treasury rescue plan, concerted action by other Central Banks and signs of improvement in economic indicators were clearly helpful. Since then, the flow of economic data has been constructive and supportive of higher valuations.

Fund performance

The UBS Global Optimal Fund achieved performance of 27.5%* in Sterling terms during the reporting period from 1 January 2009 to 31 December 2009. Over the same period the Fund's benchmark, the MSCI World Index ex-UK, posted performance of 15.3% also in Sterling terms.

At a stock level, Rio Tinto, the third largest mining company in the world, was the largest contributor to performance during the period under review. With expectations of better growth in the US and Europe and continued demand from China we believe the stock has the potential to perform well in the future. The Fund was overweight the stock and the share price rose by over 190% in Sterling terms, during the period under review.

Telenor, which is the incumbent telecoms operator in Norway, was the second largest contributor to performance during the period under review. The company benefits from high market shares in both the fixed line and mobile sectors of the domestic market, along with several overseas operations in Eastern Europe and Asia. The shares have performed well recently as investors have recognised the strength of domestic cash-generation and the underlying value in the emerging market businesses.

Wells Fargo was the largest stock detractor to performance during the period under review. Wells Fargo is a diversified financial services company providing banking, insurance, investments, mortgage, leasing, credit cards and consumer finance. The stock has suffered as sentiment towards a number of financial stocks has taken longer to recover than it has towards other sectors. Shares in the company fell by over 16% in Sterling terms during the period under review.

Sumitomo Mitsui Financial Group (SMFG) was the second largest detractor to performance during the period under review. Banking stocks such as SMFG saw weakness on the back of concerns about the need for banks to increase their capital base to cope with the new regulations discussed at the Basle Committee. We are overweight the stock, however, as we believe the company has superior operating fundamentals, management quality and execution of strategy.

Outlook

Overall, equities remain attractive relative to other assets, valuation spreads are still wide and we continue to find compelling stock-picking opportunities in all sectors. However, we anticipate that macroeconomic data will continue to present mixed signals, as is typical in the trough of a cycle, and markets will need to digest the prospect of tighter monetary conditions ahead, and so further volatility is to be expected.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2009, based on A shares.

Percentage growth

	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	31/12/06 to 31/12/07 %	31/12/05 to 31/12/06 %	31/12/04 to 31/12/05 %
Class A – Accumulation Shares	27.47	-21.87	-1.24	2.50	19.55
Class B – Accumulation Shares	28.29	-21.36	-0.63	3.06	20.39

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: 1 July 2002.

UBS Global Asset Management Funds Ltd
27 April 2010

Performance record

1. Fund size

Accounting year 31 December		Number of shares in issue	Total net asset value per share (p)*	Total net asset value (£)
2007	Class A - Accumulation	10,973,032	63.8	7,003,606
	Class B - Accumulation	80,480,243	66.4	53,425,560
				£60,429,166
2008	Class A - Accumulation	9,283,759	50.9	4,722,316
	Class B - Accumulation	29,297,233	53.1	15,546,682
				£20,268,998
2009	Class A - Accumulation	6,740,827	63.3	4,265,725
	Class B - Accumulation	28,365,186	66.4	18,846,585
				£23,112,310

* rounded to one decimal place.

2. Total expense ratio

The total expense ratio (TER) below is calculated using the most recent audited results and as described in the Financial Services Authority's Collective Investment Schemes Sourcebook 4 Annex 1 R.

Share class	31 Dec 09 (%)	31 Dec 08 (%)
Class A - Accumulation	1.63	1.62
Class B - Accumulation	0.99	0.99

3. Portfolio turnover rate

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the year.

	31 Dec 09 (%)	31 Dec 08 (%)
	103.31	210.10

4. Share dealing price range and distribution record

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

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class A - Accumulation			
2005	63.34	50.69	0.37
2006	65.93	57.89	0.23
2007	69.01	60.94	0.31
2008	64.76	40.60	0.37
2009	64.92	39.14	0.17
Class B - Accumulation			
2005	64.89	51.71	0.61
2006	67.59	59.43	0.58
2007	71.28	63.06	0.74
2008	67.29	42.32	0.74
2009	68.17	40.88	0.45

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**As at 31 December 2009**

	Holding	Market value £	Percentage of total net assets %
Australia - 3.23% (31 Dec 08: 1.22%)			
	Qantas Airways	194,259	321,317 1.39
	Rio Tinto	10,201	424,555 1.84
Austria - 0.80% (31 Dec 08: 1.52%)			
	Telekom Austria	21,214	185,276 0.80
Belgium - 2.21% (31 Dec 08: 0.00%)			
	Anheuser-Busch InBev	9,081	293,643 1.27
	Delhaize Group	4,563	217,300 0.94
Bermuda - 0.80% (31 Dec 08: 0.00%)			
	Jardine Matheson	10,000	184,413 0.80
Canada - 3.77% (31 Dec 08: 4.94%)			
	Rogers Communications Income 'B'	14,400	278,060 1.20
	Teck Resources 'B'	13,300	288,323 1.25
	Ultra Petroleum	9,900	305,672 1.32
Cayman Islands - 1.08% (31 Dec 08: 0.00%)			
	Seagate Technology	22,200	250,065 1.08
Finland - 0.93% (31 Dec 08: 1.12%)			
	Sampo 'A'	14,243	214,621 0.93
France - 4.47% (31 Dec 08: 4.59%)			
	BNP Paribas	9,772	484,464 2.10
	Carrefour	7,330	218,560 0.95
	Total	8,233	329,202 1.42
Germany - 3.48% (31 Dec 08: 4.47%)			
	Daimler	8,568	282,421 1.22
	HeidelbergCement	5,336	225,572 0.98
	Metro	7,833	296,958 1.28

	Holding	Market value £	Percentage of total net assets %
Hong Kong - 0.98% (31 Dec 08: 2.99%)			
	New World Development	178,000	226,878 0.98
Ireland - 4.98% (31 Dec 08: 2.56%)			
	Accenture 'A'	14,700	377,775 1.63
	Covidien	14,000	415,097 1.80
	CRH	21,097	357,225 1.55
Japan - 10.88% (31 Dec 08: 12.71%)			
	Japan Tobacco	163	338,286 1.46
	Mitsubishi	29,000	444,642 1.92
	Mitsui O.S.K. Lines	44,000	142,536 0.62
	Nissan Motor	69,000	371,312 1.61
	Nomura	68,500	309,387 1.34
	Orix	5,160	214,522 0.93
	Ricoh	35,000	305,452 1.32
	Shin-Etsu Chemical	5,900	205,256 0.89
	Sumitomo Mitsui Financial Group	10,400	182,979 0.79
Netherlands - 3.26% (31 Dec 08: 4.87%)			
	ASML	11,733	249,718 1.08
	ING Groep	52,641	322,714 1.40
	James Hardie Industries	38,935	179,326 0.78
Norway - 3.00% (31 Dec 08: 1.28%)			
	Petroleum Geo-Services	33,150	236,312 1.02
	Telenor	52,700	457,590 1.98
Singapore - 1.09% (31 Dec 08: 0.00%)			
	CapitaLand	136,000	251,944 1.09

	Holding	Market value £	Percentage of total net assets %
Spain - 1.03% (31 Dec 08: 1.04%)			
Industria de Diseno Textil	6,189	238,591	1.03
Switzerland - 5.49% (31 Dec 08: 6.89%)			
Nobel Biocare	10,048	209,344	0.91
Roche (Genusscheine)	4,938	519,727	2.25
SGS	328	265,056	1.15
UBS	28,372	272,613	1.18
United States - 47.02% (31 Dec 08: 46.74%)			
AFLAC	11,600	332,229	1.44
Allergan	10,300	401,897	1.74
Altria Group	26,800	325,613	1.41
Autodesk	16,700	262,675	1.14
Bank of America	44,800	417,802	1.81
Bank of America Warrants	6,292	58,094	0.25
Comcast 'A'	31,400	327,835	1.42
Discover Financial Services	31,635	288,170	1.25
Dynegy 'A'	143,600	160,954	0.70
EOG Resources	5,800	349,469	1.51
Estee Lauder 'A'	7,500	224,603	0.97
Exelon	10,700	323,680	1.40
Fortune Brands	9,000	240,765	1.04
Genzyme	6,100	185,132	0.80
Halliburton	15,100	281,176	1.22
Hess	6,700	250,848	1.08
Hewlett Packard	14,100	449,408	1.94
Intel	30,800	389,089	1.68
Kraft Foods 'A'	14,700	247,329	1.07
Lowes	18,600	269,293	1.16
MDU Resources Group	9,600	140,298	0.61

	Holding	Market value £	Percentage of total net assets %
Mead Johnson Nutrition	11,307	305,562	1.32
Microsoft	32,800	619,094	2.68
Monsanto	5,600	283,494	1.23
Morgan Stanley	13,670	250,400	1.08
Peabody Energy	6,100	170,476	0.74
Pfizer	28,400	319,903	1.38
Pitney Bowes	23,300	328,395	1.42
Republic Services	16,000	280,298	1.21
Sempra Energy	9,500	329,325	1.42
Southwest Airlines	44,900	317,805	1.37
Sysco	18,600	321,470	1.39
Textron	18,800	218,636	0.95
United Health Group	13,200	249,066	1.08
VMware 'A'	14,480	379,295	1.64
Wells Fargo	17,980	299,954	1.30
Zimmer	7,400	270,686	1.17
Investment assets		22,764,922	98.50
Net other assets		347,388	1.50
Net assets		£23,112,310	100.00

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

Portfolio movements

For the year from 1 January 2009 to 31 December 2009

	Cost £
Major purchases	
Microsoft	528,212
Hewlett Packard	396,071
Accenture 'A'	387,640
Pitney Bowes	338,457
Pfizer	338,202
Bank of America	335,597
Ricoh	328,531
Mead Johnson Nutrition	322,351
Monsanto	305,262
Altria Group	300,542
Metro	293,199
Cisco Systems	287,960
Nissan Motor	278,034
Lowes	271,005
SGS	265,132
Republic Services	261,953
Autodesk	258,168
Roche (Genusscheine)	253,880
Kraft Foods 'A'	253,245
United Health Group	235,884
Total for the year (Note 14)	£13,562,922

Major purchases and sales are the twenty largest.

	Proceeds £
Major sales	
Dr Pepper Snapple Group	535,060
MunichRe	471,487
Wyeth	463,159
Canon	410,041
Apple	384,482
JC Penney	384,352
Adecco	351,161
Cisco Systems	350,205
Illinois Tool Works	347,187
Nestle	337,898
Philip Morris International	331,392
Ingersoll-Rand	316,143
Canadian National Railway Company	310,968
Bank of East Asia	304,282
Goldman Sachs Group	285,020
Rio Tinto	282,623
Coach	276,630
Honda Motor	269,413
Nokia	263,509
Sunoco	261,557
Total for the year (Note 14)	£15,203,220

Statement of total return**For the year from 1 January 2009 to 31 December 2009**

	Notes	£	31 Dec 09 £	£	31 Dec 08 £
Income					
Net capital gains/ (losses)	2		4,717,974		(7,904,253)
Revenue	3	420,379		732,644	
Expenses	4	(229,215)		(323,119)	
Finance costs: Interest	6	(5)		(352)	
Net revenue before taxation		191,159		409,173	
Taxation	5	(47,247)		(87,809)	
Net revenue after taxation			143,912		321,364
Total return before distributions			4,861,886		(7,582,889)
Finance costs: Distributions	6		(148,004)		(322,360)
Change in net assets attributable to shareholders from investment activities			£4,713,882		£(7,905,249)

Statement of change in net assets attributable to shareholders**For the year from 1 January 2009 to 31 December 2009**

	£	31 Dec 09 £	£	31 Dec 08 £
Opening net assets attributable to shareholders		20,268,998		60,429,166
Amounts receivable on issue of shares	2,742,366		3,010,570	
Amounts payable on cancellation of shares	(4,759,058)		(35,567,699)	
		(2,016,692)		(32,557,129)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		4,713,882		(7,905,249)
Dilution levy charged		-		52,083
Retained distribution on accumulation shares		146,127		250,127
Stamp duty reserve tax		(5)		-
Closing net assets attributable to shareholders		£23,112,310		£20,268,998

Balance sheet**As at 31 December 2009**

	Notes	As at 31 Dec 09 £	As at 31 Dec 08 £
ASSETS			
Investment assets		22,764,922	19,648,717
Debtors	7	66,090	130,977
Cash and bank balances	8	313,682	566,615
Total other assets		379,772	697,592
Total assets		23,144,694	20,346,309
LIABILITIES			
Creditors	9	32,384	77,311
Total liabilities		32,384	77,311
Net assets attributable to shareholders		£23,112,310	£20,268,998

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 12 and 13.

2. Net capital gains/(losses)

	31 Dec 09 £	31 Dec 08 £
Currency (losses)/gains	(35,169)	112,071
Derivative contracts	-	264
Non-derivative securities	4,759,831	(8,004,371)
Transaction charges	(6,688)	(12,217)
Net capital gains/(losses)	£4,717,974	£(7,904,253)

3. Revenue

	31 Dec 09 £	31 Dec 08 £
Bank interest	2,409	17,770
Overseas dividends	405,743	701,646
Stock dividends	12,227	13,228
	£420,379	£732,644

4. Expenses

	31 Dec 09 £	31 Dec 08 £
<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	209,699	296,422
Registration fees	7,806	9,701
	217,505	306,123
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	2,359	3,480
	2,359	3,480
<i>Payable to other related parties and third parties:</i>		
Audit fees	8,488	9,048
FSA fees	-	(210)
Safe custody fees	1,855	1,940
Taxation fees	(992)	2,738
	9,351	13,516
	£229,215	£323,119

5. Taxation

(a) Analysis of tax charge

	31 Dec 09 £	31 Dec 08 £
Corporation tax at 20%	9,202	81,601
Double tax relief	(9,202)	(81,601)
Overseas tax suffered	47,247	87,809
Total current tax (5.b)	47,247	87,809
Total tax charge	£47,247	£87,809

(b) Factors affecting current tax charge

The tax charged for the year is higher than the special 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 08: 20%).

The differences are explained below:

	31 Dec 09 £	31 Dec 08 £
Net revenue before taxation	191,159	409,173
Corporation tax at 20%	38,232	81,835
<i>Effects of:</i>		
Dividends not subject to corporation tax	(36,993)	-
Double tax relief	(9,202)	(81,601)
Movement in income accruals taxable on receipt	7,963	2,412
Overseas tax suffered	47,247	87,809
Stock dividends not subject to corporation tax	-	(2,646)
	9,015	5,974
Total tax charge (5.a)	£47,247	£87,809

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

As a result of changes in the Finance Act 2009, Eligible Unrelieved Foreign Tax ('EUFT') was abolished with effect from 1 July 2009 and as such no unrecognised Deferred Tax asset in relation to EUFT exists at the year end. As at 31 December 2008, after offset against accrued income taxable on receipt, there was an unrecognised Deferred Tax asset of £69,936 in relation to EUFT. No Deferred Tax asset was recognised in the prior year as it was considered unlikely the Fund would generate sufficient taxable profits in the future to utilise this asset.

6. Finance costs

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	31 Dec 09 £	31 Dec 08 £
Interim	114,925	166,527
Final	31,202	83,600
	146,127	250,127
Add: Revenue deducted on cancellation of shares	5,563	79,740
Deduct: Revenue received on issue of shares	(3,686)	(7,507)
Net distributions	148,004	322,360
Interest	5	352
Total finance costs	£148,009	£322,712
Net revenue after taxation	143,912	321,364
Add: Revenue brought forward	1,051	2,047
Add: Shortfall transfer to capital	4,993	-
Deduct: Revenue carried forward	(1,952)	(1,051)
Net distributions as above	£148,004	£322,360

Details of the distribution per share are set out in the table on page 145.

7. Debtors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Accrued revenue	21,905	39,872
Amounts receivable on issue of shares	7,810	58,226
Overseas tax recoverable	36,375	32,879
	£66,090	£130,977

8. Cash & bank balances

	As at 31 Dec 09 £	As at 31 Dec 08 £
Cash and bank balances	313,682	566,615
	£313,682	£566,615

9. Creditors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts payable on cancellation of shares	2,077	6,818
Expense accruals	30,307	46,079
Purchases awaiting settlement	-	24,414
	£32,384	£77,311

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 tables 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 2009 there were no contingent liabilities or commitments at the current or prior period 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 2009 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £19,779 and £731 respectively (31 December 2008: £32,187 and £1,218).

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 purchases in UBS shares to a value of £10,877 (31 Dec 08: £573,878). The value of the holding at the year end is £494,748 (31 Dec 08: £263,391).

All dealing in the investment portfolio of the Fund was carried out through UBS Global Asset Management (UK) Ltd. During the period 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 5 and 6.

(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

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 09				
Australian Dollar	1,628	-	925,198	926,826
Canadian Dollar	1,546	-	568,604	570,150
Euro	35,835	-	3,920,025	3,955,860
Hong Kong Dollar	11	-	230,105	230,116
Japanese Yen	1	-	2,514,370	2,514,371
Norwegian Krona	403	-	698,247	698,650
Singapore Dollar	1,992	-	251,944	253,936
Sterling	264,569	-	7,861	272,430
Swedish Krona	788	-	-	788
Swiss Francs	2,713	-	1,295,017	1,297,730
US Dollar	4,196	-	12,419,641	12,423,837
	£313,682		£22,831,012	£23,144,694

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 08				
Australian Dollar	3,907	-	246,841	250,748
Canadian Dollar	1,839	-	524,787	526,626
Euro	60,724	-	3,809,691	3,870,415
Hong Kong Dollar	18,312	-	614,127	632,439
Japanese Yen	459	-	2,586,362	2,586,821
Norwegian Krona	565	-	263,940	264,505
Singapore Dollar	394	-	-	394
Sterling	219,647	-	58,866	278,513
Swedish Krona	800	-	-	800
Swiss Francs	117,419	-	1,421,489	1,538,908
US Dollar	142,549	-	10,253,591	10,396,140
	£566,615	-	£19,779,694	£20,346,309

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 09			
Sterling	-	32,384	32,384
		£32,384	£32,384
31 Dec 08			
Sterling	-	52,897	52,897
US Dollar	-	24,414	24,414
	-	£77,311	£77,311

(b) Currency exposure

A significant proportion 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 £
31 Dec 09			
Australian Dollar	1,628	925,198	926,826
Canadian Dollar	3,767	566,383	570,150
Euro	39,596	3,916,264	3,955,860
Hong Kong Dollar	3,238	226,878	230,116
Japanese Yen	1	2,514,370	2,514,371
Norwegian Krona	4,747	693,902	698,649
Singapore Dollar	1,992	251,944	253,936
Swedish Krona	788	-	788
Swiss Francs	30,989	1,266,741	1,297,730
US Dollar	20,596	12,403,241	12,423,837
	107,342	22,764,921	22,872,263
Sterling	240,047	-	240,047
	£347,389	£22,764,921	£23,112,310

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 08			
US Dollar	142,549	10,229,177	10,371,726
Euro	60,724	3,809,691	3,870,415
Japanese Yen	459	2,586,362	2,586,821
Swiss Francs	117,419	1,421,489	1,538,908
Hong Kong Dollar	18,312	614,127	632,439
Canadian Dollar	1,839	524,787	526,626
Norwegian Krona	565	263,940	264,505
Australian Dollar	3,907	246,841	250,748
Swedish Krona	800	-	800
Singapore Dollar	394	-	394
	346,968	19,696,414	20,043,382
Sterling	219,647	5,969	225,616
	£566,615	£19,702,383	£20,268,998

(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 invests in exchange traded index futures for Efficient Portfolio Management purposes, consistent with the Investment Objective of the Fund, as discussed in the Risk Profile on pages 5 and 6. Investments in these instruments are used to gain low levels of exposure to certain indices on a longer-term basis and, in order to cover cashflows arising from subscriptions and redemptions in the Fund, to gain exposure to markets on a shorter-term basis, prior direct investment.

14. Portfolio transaction costs

Analysis of total purchase costs	£	31 Dec 09 £	£	31 Dec 08 £
Purchases in year before transaction costs		13,544,184		34,123,941
Commissions & taxes	18,738		39,613	
Total purchase costs		18,738		39,613
Gross purchase total		£13,562,922		£34,163,554

Analysis of total sale costs	£	31 Dec 09 £	£	31 Dec 08 £
Gross sales in year before transaction costs		15,221,614		65,884,536
Commissions & taxes	(18,394)		(52,182)	
Total sale costs		(18,394)		(52,182)
Total sales net of transaction costs		£15,203,220		£65,832,354

Distribution table**For the year from 1 January 2009 to 31 December 2009 (in pence per share)**

Final dividend distribution

Group 1: Shares purchased prior to 1 July 2009

Group 2: Shares purchased between 1 July 2009 and 31 December 2009

	Net revenue (p)	Equalisation (note 11) (p)	Distribution paid 28/02/10 (p)	<i>Distribution paid 28/02/09 (p)</i>
Class A - Accumulation				
Group 1	0.00	-	0.00	0.08
Group 2	0.00	0.00	0.00	0.08
Class B - Accumulation				
Group 1	0.11	-	0.11	0.26
Group 2	0.08	0.03	0.11	0.26

Interim dividend distribution

Group 1: Shares purchased prior to 1 January 2009

Group 2: Shares purchased between 1 January 2009 and 30 June 2009

	Net revenue (p)	Equalisation (note 11) (p)	Distribution paid 31/08/09 (p)	<i>Distribution paid 31/08/08 (p)</i>
Class A - Accumulation				
Group 1	0.17	-	0.17	0.29
Group 2	0.06	0.11	0.17	0.29
Class B - Accumulation				
Group 1	0.34	-	0.34	0.48
Group 2	0.21	0.13	0.34	0.48

UBS Global Optimal Thirds 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 portfolio will be weighted broadly equally, but not exclusively, between the three major geographical regions of North America, Europe and Asia. 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

Global equity markets began the year with a decline which was a continuation of the dramatic falls of 2008, only to hit the bottom in March and begin a recovery. The decline of the first quarter was very steep, however, with stocks losing nearly a quarter of their value. By March, signs of some economic stability set off a strong rally. The US Treasury rescue plan, concerted action by other Central Banks and signs of improvement in economic indicators were clearly helpful. Since then, the flow of economic data has been constructive and supportive of higher valuations.

Fund performance

The UBS Global Optimal Thirds Fund recorded performance of 28.0%* in Sterling terms during the reporting period from 1 January 2009 to 31 December 2009.

At a stock level, Rio Tinto, the third largest mining company in the world, was the largest contributor to performance during the period under review. With expectations of better growth in the US and Europe going forward and continued demand from China we believe the stock has the potential to continue to perform well in the future. The Fund was overweight the stock and the share price rose by over 190% in Sterling terms, during the period under review.

Telenor, which is the incumbent telecoms operator in Norway, was a top five contributor to performance during the period under review. The company benefits from high market shares in both the fixed line and mobile sectors of the domestic market, along with several overseas operations in Eastern Europe and Asia. The shares have performed well recently as investors have recognised the strength of domestic cash-generation and the underlying value in the emerging markets businesses.

Sumitomo Mitsui Financial Group (SMFG) was the largest detractor to performance during the period under review. Banking stocks such as SMFG saw weakness on the back of concerns about the need for banks to increase their capital base to cope with the new regulations discussed at the Basel Committee. We are overweight the stock

however, as we believe the company has superior operating fundamentals, management quality and execution of strategy.

The Fund's overweight position in Japan Tobacco negatively impacted performance on a relative basis. However, we expect the company's domestic business to continue to deliver stable cash flows. The turnaround of its overseas business appears to be on track, and we believe there is scope for further margin improvement on the back of trade-ups in emerging markets and price increases in developed markets. The Fund remained overweight the stock at the end of the reporting period.

Outlook

Overall, equities remain attractive relative to other assets, valuation spreads are still wide and we continue to find compelling stock-picking opportunities in all sectors. However, we anticipate that macroeconomic data will continue to present mixed signals, as is typical in the trough of a cycle, and markets will need to digest the prospect of tighter monetary conditions ahead, and so further volatility is to be expected.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2009, based on J shares.

Percentage growth

	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	31/12/06 to 31/12/07 %	31/12/05 to 31/12/06 %	31/12/04 to 31/12/05 %
Class J – Accumulation Shares	28.03	-22.11	2.30	4.62	24.62

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: 3 February 2003.

UBS Global Asset Management Funds Ltd
27 April 2010

Performance record

1. Fund size

Accounting year 31 December		Number of shares in issue	Total net asset value per share (p)*	Total net asset value (£)
2007	Class J – Accumulation	82,464,016	90.8	74,888,840
				£74,888,840
2008	Class J – Accumulation	79,039,478	71.8	56,748,570
				£56,748,570
2009	Class J – Accumulation	11,278,451	89.9	10,141,818
				£10,141,818

* rounded to one decimal place.

2. Total expense ratio

The total expense ratio (TER) below is calculated using the most recent audited results and as described in the Financial Services Authority's Collective Investment Schemes Sourcebook 4 Annex 1 R.

Share class	31 Dec 09 (%)	31 Dec 08 (%)
Class J - Accumulation	0.95	0.94

3. Portfolio turnover rate

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the year.

	31 Dec 09 (%)	31 Dec 08 (%)
	22.52	146.60

4. 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			
2005	85.17	65.61	0.63
2006	90.19	78.11	0.91
2007	95.16	85.54	0.92
2008	91.58	57.59	1.21
2009	92.17	55.92	0.74

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

As at 31 December 2009

		Market value £	Percentage of total net assets %			Market value £	Percentage of total net assets %		
	Holding				Holding				
Australia - 5.87% (31 Dec 08: 2.61%)				Hong Kong - 1.01% (31 Dec 08: 4.77%)					
	National Australia Bank	8,598	131,107	1.29		New World Development	80,000	101,968	1.01
	Qantas Airways	96,776	160,074	1.58	Ireland - 3.36% (31 Dec 08: 1.17%)				
	QBE Insurance Group	8,373	118,910	1.17		Accenture 'A'	3,300	84,807	0.84
	Rio Tinto	4,463	185,746	1.83		Covidien	3,763	111,572	1.10
Austria - 1.02% (31 Dec 08: 1.60%)						CRH	8,500	143,926	1.42
	Telekom Austria	11,852	103,512	1.02	Japan - 16.39% (31 Dec 08: 24.47%)				
Belgium - 1.94% (31 Dec 08: 0.00%)						Asahi Breweries	8,300	94,465	0.93
	Anheuser-Busch InBev	2,932	94,809	0.93		Canon	3,500	90,797	0.90
	Delhaize Group	2,144	102,102	1.01		Japan Tobacco	68	141,125	1.39
Bermuda - 0.80% (31 Dec 08: 0.83%)						Mitsubishi	12,700	194,722	1.92
	Jardine Matheson	4,400	81,142	0.80		Mitsui O.S.K. Lines	18,000	58,310	0.57
Canada - 3.18% (31 Dec 08: 2.25%)						Mitsui Sumitomo Insurance	5,400	84,951	0.84
	Teck Resources 'B'	5,700	123,567	1.22		Nissan Motor	31,200	167,898	1.66
	TransCanada	3,800	81,233	0.80		Nomura	27,500	124,206	1.22
	Ultra Petroleum	3,800	117,328	1.16		NTT DoCoMo	99	85,280	0.84
Cayman Islands - 0.00% (31 Dec 08: 0.63%)						Orix	3,150	130,958	1.29
Finland - 1.16% (31 Dec 08: 1.16%)						Ricoh	17,000	148,362	1.46
	Sampo 'A'	7,790	117,384	1.16		Shin-Etsu Chemical	4,500	156,551	1.54
France - 3.32% (31 Dec 08: 6.02%)						Sumitomo Mitsui Financial Group	5,795	101,958	1.01
	BNP Paribas	4,592	227,657	2.24		THK	7,600	82,807	0.82
	Carrefour	3,666	109,310	1.08	Luxembourg - 0.92% (31 Dec 08: 0.00%)				
Germany - 6.42% (31 Dec 08: 7.12%)						ArcelorMittal	3,249	92,892	0.92
	Daimler	4,758	156,835	1.54	Netherlands – 4.57% (31 Dec 08: 3.80%)				
	E.On	7,787	201,122	1.98		ASML	5,796	123,358	1.21
	HeidelbergCement	2,496	105,515	1.04		ING Groep	25,807	158,209	1.56
	Metro	4,978	188,722	1.86		James Hardie Industries	17,156	79,017	0.78

	Holding	Market value £	Percentage of total net assets %
Royal Dutch Shell 'A'	5,500	103,107	1.02
Norway - 3.24% (31 Dec 08: 0.82%)			
Petroleum Geo-Services	14,600	104,077	1.02
Telenor	25,900	224,887	2.22
Singapore - 1.96% (31 Dec 08: 1.66%)			
Jardine Cycle & Carriage	11,216	133,177	1.31
Olam International	56,400	65,924	0.65
Spain - 1.20% (31 Dec 08: 1.17%)			
Industria de Diseno Textil	3,165	122,013	1.20
Switzerland - 6.30% (31 Dec 08: 8.05%)			
Nobel Biocare	5,923	123,402	1.22
Roche (Genusscheine)	2,265	238,392	2.35
SGS	141	113,942	1.12
UBS	16,947	162,836	1.61
United States of America - 34.66% (31 Dec 08: 30.92%)			
Allergan	3,822	149,131	1.47
Altria Group	11,500	139,722	1.38
Autodesk	5,000	78,645	0.78
Bank of America	15,100	140,822	1.39
Bank of America (Depository shares & Warrants)	2,710	25,022	0.25
Bank of New York Mellon	5,583	96,666	0.95
Comcast 'A'	11,500	120,067	1.18
Discover Financial Services	12,445	113,364	1.12
Dynegy 'A'	62,600	70,165	0.69
Exelon	3,520	106,482	1.05
Fortune Brands	2,800	74,905	0.74
Genzyme	2,968	90,077	0.89
Halliburton	5,300	98,691	0.97

	Holding	Market value £	Percentage of total net assets %
Hess	2,900	108,576	1.07
Hewlett Packard	5,000	159,365	1.57
Kraft Foods 'A'	6,400	107,681	1.06
Lowes	6,700	97,003	0.96
MDU Resources Group	3,800	55,535	0.55
Mead Johnson Nutrition	4,359	117,798	1.16
Microsoft	11,000	207,623	2.05
Monsanto	1,900	96,185	0.95
Morgan Stanley	6,237	114,246	1.13
Peabody Energy	3,000	83,841	0.83
Pfizer	12,100	136,297	1.34
Pitney Bowes	7,900	111,344	1.10
Republic Services	5,600	98,104	0.97
Seagate Technology	8,400	94,619	0.93
Southwest Airlines	13,000	92,015	0.91
Sysco	7,300	126,168	1.24
Textron	8,100	94,199	0.93
United Health Group	5,200	98,117	0.97
VMware 'A'	3,895	102,027	1.00
Zimmer	3,000	109,738	1.08
Investment assets		9,870,211	97.32
Net other assets		271,607	2.68
Net assets		£10,141,818	100.00

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

Portfolio movements**For the year from 1 January 2009 to 31 December 2009**

Major purchases	Cost £
Pfizer	852,714
Metro	820,662
Microsoft	735,663
Cisco Systems	693,535
National Australia Bank	630,736
QBE Insurance Group	592,426
Dr Pepper Snapple Group	577,125
Roche (Genusscheine)	577,043
Hewlett Packard	566,801
United Health Group	546,762
Nissan Motor	531,116
Nokia	524,716
Mead Johnson Nutrition 'A'	500,587
Pitney Bowes	494,672
Bank of America	467,138
Ultra Petroleum	460,397
Nobel Biocare	447,908
Comcast 'A'	446,836
Altria Group	445,717
Anheuser-Busch InBev	423,044
Total for the year (Note 15)	£24,872,297

Major purchases and sales are the twenty largest

Major sales	Proceeds £
BNP Paribas	1,658,601
Dr Pepper Snapple Group	1,443,109
Roche (Genusscheine)	1,344,041
Rio Tinto	1,332,189
Nestle	1,294,416
Canon	1,130,000
ING Groep	1,125,511
Nokia	1,125,215
E.On	1,093,346
MunichRe	1,086,197
Japan Tobacco	1,078,112
National Australia Bank	1,059,770
Total	1,058,884
Siemens	1,047,377
Adecco	1,027,908
Mitsubishi	1,022,945
Honda Motor	1,020,621
Shin-Etsu Chemical	1,005,058
Comcast 'A'	1,004,728
Intel	981,459
Total for the year (Note 15)	£76,395,768

Statement of total return**For the year from 1 January 2009 to 31 December 2009**

	Notes	£	31 Dec 09 £	£	31 Dec 08 £
Income					
Net capital gains / (losses)	2		5,143,843		(17,301,532)
Revenue	3	798,736		1,947,520	
Expenses	4	(302,865)		(632,526)	
Finance costs: Interest	6	(6)		(1,412)	
Net revenue before taxation		495,865		1,313,582	
Taxation	5	(82,527)		(259,330)	
Net revenue after taxation			413,338		1,054,252
Total return before distributions			5,557,181		(16,247,280)
Finance costs: Distributions	6		(418,041)		(1,056,493)
Change in net assets attributable to shareholders from investment activities			£5,139,140		£(17,303,773)

Statement of change in net assets attributable to shareholders**For the year from 1 January 2009 to 31 December 2009**

	£	31 Dec 09 £	£	31 Dec 08 £
Opening net assets attributable to shareholders		56,748,570		74,888,840
Amounts receivable on issue of shares	21,026,701		9,815,532	
Amounts payable on cancellation of shares	(73,074,523)		(11,730,327)	
		(52,047,822)		(1,914,795)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		5,139,140		(17,303,773)
Dilution levy charged		-		32,091
Retained distribution on accumulation shares		301,930		1,046,207
Closing net assets attributable to shareholders		£10,141,818		£56,748,570

Balance sheet**As at 31 December 2009**

	Notes	As at 31 Dec 09 £	As at 31 Dec 08 £
ASSETS			
Investment assets		9,870,211	56,208,176
Debtors	7	235,715	321,161
Cash and bank balances	8	116,939	864,428
Total other assets		352,654	1,185,589
Total assets		10,222,865	57,393,765
LIABILITIES			
Creditors	9	81,047	645,195
Total liabilities		81,047	645,195
Net assets attributable to shareholders		£10,141,818	£56,748,570

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

Accounting policies of the Fund are as set out on pages 12 and 13.

2. Net capital gains/(losses)

	31 Dec 09	31 Dec 08
	£	£
Currency (losses)/gains	(29,336)	292,102
Non-derivative securities	5,185,506	(17,576,388)
Transaction charges	(12,327)	(17,246)
Net capital gains/(losses)	£5,143,843	£(17,301,532)

3. Revenue

	31 Dec 09	31 Dec 08
	£	£
Bank interest	1,951	32,658
Overseas dividends	772,486	1,897,936
Stock dividends	24,299	16,926
	£798,736	£1,947,520

4. Expenses

	31 Dec 09	31 Dec 08
	£	£
<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	288,199	605,487
	288,199	605,487
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	3,608	7,447
	3,608	7,447
<i>Payable to other related parties and third parties:</i>		
Audit fees	7,312	9,048
FSA fees	-	(70)
Safe custody fees	3,196	7,876
Taxation fees	550	2,738
	11,058	19,592
	£302,865	£632,526

5. Taxation

(a) Analysis of tax charge

	31 Dec 09 £	31 Dec 08 £
Corporation tax at 20%	89,652	254,479
Double tax relief	(83,078)	(207,253)
Overseas tax suffered	88,177	209,326
Total current tax (5.b)	94,751	256,552
Deferred tax	(12,224)	2,778
Total tax charge	£82,527	£259,330

(b) Factors affecting current tax charge

The tax charged for the year is less than the special 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 08: 20%).

The differences are explained below:

	31 Dec 09 £	31 Dec 08 £
Net revenue before taxation	495,865	1,313,582
Corporation tax at 20%	99,173	262,716
<i>Effects of:</i>		
Dividends not subject to corporation tax	(31,734)	-
Double tax relief	(83,078)	(207,253)
Movement in income accruals taxable on receipt	-	(4,851)
Overseas tax suffered	88,177	209,326
Revenue taxable in different periods	22,689	-
Stock dividends not subject to corporation tax	(476)	(3,386)
	(4,422)	(6,164)
Total tax charge (5.a)	£94,751	£256,552

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 revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	31 Dec 09 £	31 Dec 08 £
Interim	287,268	745,857
Final	14,662	300,350
	301,930	1,046,207
Add: Revenue deducted on cancellation of shares	198,972	19,803
Deduct: Revenue received on issue of shares	(82,861)	(9,517)
Net distributions	418,041	1,056,493
Interest	6	1,412
Total finance costs	£418,047	£1,057,905
Net revenue after taxation	413,338	1,054,252
Add: Revenue brought forward	4,979	7,220
Deduct: Revenue carried forward	(276)	(4,979)
Net distributions as above	£418,041	£1,056,493

Details of the distribution per share are set out in the table on page 161.

7. Debtors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Accrued revenue	9,713	103,747
Amounts receivable on issue of shares	854	491
Overseas tax recoverable	225,148	216,923
	£235,715	£321,161

8. Cash & bank balances

	As at 31 Dec 09 £	As at 31 Dec 08 £
Cash and bank balances	116,939	864,428
	£116,939	£864,428

9. Creditors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts payable on cancellation of shares	26,039	402,845
Corporation tax payable	36,315	68,643
Deferred tax (note 9)	-	12,224
Expense accruals	18,693	93,020
Purchases awaiting settlement	-	68,463
	£81,047	£645,195

10. Deferred tax

The deferred tax provision is made up as follows:

	As at 31 Dec 09 £	As at 31 Dec 08 £
Accrued revenue taxable on receipt	-	22,689
Double tax relief on accrued dividends	-	(10,465)
	-	£12,224
Provision at the start of the year	12,224	9,446
Credit	(12,224)	2,778
Provision at the end of the year	-	£12,224

11. 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 tables 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.

12. Contingent liabilities

At 31 December the contingent liabilities and commitments are as follows:

	As at 31 Dec 09 £	As at 31 Dec 08 £
Rights	-	10,683
	-	£10,683

13. 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 2009 the amounts included in creditors in respect of management fees due to the ACD are £7,730 (31 Dec 08: £79,577).

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.

During the year the Fund made net sales in UBS shares to a value of £579,381 (31 Dec 08: £177,823 – net sales). The value of the holding at year end is £234,034 (31 Dec 08: £644,622)

All dealing in the investment portfolio of the Fund was carried out through UBS Global Asset Management (UK) Ltd. During the period 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.

14. 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 5 and 6.

(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

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 09				
Australian Dollar	5,713	-	674,854	680,567
Canadian Dollar	8,958	-	205,523	214,481
Danish Krona	102	-	-	102
Euro	31,605	-	2,188,646	2,220,251
Hong Kong Dollar	230	-	103,389	103,619
Japanese Yen	466	-	1,664,102	1,664,568
Norwegian Krona	326	-	345,449	345,775
Singapore Dollar	12,601	-	199,100	211,701
Sterling	53,103	-	874	53,977
Swedish Krona	55	-	-	55
Swiss Francs	901	-	809,062	809,963
US Dollar	2,879	-	3,914,927	3,917,806
	£116,939	-	£10,105,926	£10,222,865

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 08				
Australian Dollar	21,813	-	1,483,864	1,505,677
Canadian Dollar	21,466	-	1,044,833	1,066,299
Danish Krona	1,019	-	-	1,019
Euro	23,818	-	12,550,528	12,574,346
Hong Kong Dollar	72,306	-	3,080,607	3,152,913
Japanese Yen	6,118	-	13,921,330	13,927,448
Norwegian Krona	290	-	481,169	481,459
Singapore Dollar	4,303	-	941,936	946,239
Sterling	596,201	-	1,069	597,270
Swedish Krona	55	-	-	55
Swiss Francs	58,743	-	4,729,245	4,787,988
US Dollar	58,296	-	18,294,756	18,353,052
	£864,428	-	£56,529,337	£57,393,765

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 09			
Sterling	-	81,047	81,047
	-	£81,047	£81,047
31 Dec 08			
Sterling	-	576,732	576,732
US Dollar	-	68,463	68,463
	-	£645,195	£645,195

(b) Currency exposure

A substantial proportion 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 £
31 Dec 09			
Australian Dollar	5,713	674,854	680,567
Canadian Dollar	9,681	204,800	214,481
Danish Krona	102	-	102
Euro	69,778	2,150,473	2,220,251
Hong Kong Dollar	1,651	101,968	103,619
Japanese Yen	2,178	1,662,390	1,664,568
Norwegian Krona	16,811	328,964	345,775
Singapore Dollar	12,600	199,101	211,701
Swedish Krona	55	-	55
Swiss Francs	171,391	638,572	809,963
US Dollar	8,717	3,909,089	3,917,806
	298,677	9,870,211	10,168,888
Sterling	(27,070)	-	(27,070)
	£271,607	£9,870,211	£10,141,818

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 08			
Australian Dollar	21,813	1,483,864	1,505,677
Canadian Dollar	21,466	1,044,833	1,066,299
Danish Krona	1,019	-	1,019
Euro	23,818	12,550,528	12,574,346
Hong Kong Dollar	72,306	3,080,607	3,152,913
Japanese Yen	6,118	13,921,330	13,927,448
Norwegian Krona	290	481,169	481,459
Singapore Dollar	4,303	941,936	946,239
Swiss Francs	58,743	4,729,245	4,787,988
Swedish Krona	55	-	55
US Dollar	58,296	18,226,293	18,284,589
	268,227	56,459,805	56,728,032
Sterling	596,201	(575,663)	20,538
	£864,428	£55,884,142	£56,748,570

(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 invests in exchange traded index futures for Efficient Portfolio Management purposes, consistent with the Investment Objective of the Fund, as discussed in the Risk Profile on pages 5 and 6. Investments in these instruments are used to gain low levels of exposure to certain indices on a longer-term basis and, in order to cover cashflows arising from subscriptions and redemptions in the Fund, to gain exposure to markets on a shorter-term basis, prior direct investment.

15. Portfolio transaction costs

Analysis of total purchase costs	£	31 Dec 09 £	£	31 Dec 08 £
Purchases in year before transaction costs		24,839,772		59,881,240
Commissions & taxes	32,525		75,351	
Total purchase costs		32,525		75,351
Gross purchase total		£24,872,297		£59,956,591
Analysis of total sale costs	£	31 Dec 09 £	£	31 Dec 08 £
Gross sales in year before transaction costs		76,435,513		60,189,965
Commissions & taxes	(39,745)		(62,473)	
Total sale costs		(39,745)		(62,473)
Total sales net of transaction costs		£76,395,768		£60,127,492

Distribution table**For the year from 1 January 2009 to 31 December 2009 (in pence per share)**

Final dividend distribution

Group 1: Shares purchased prior to 1 July 2009

Group 2: Shares purchased between 1 July 2009 and 31 December 2009

	Net revenue (p)	Equalisation (note 11) (p)	Distribution paid 28/02/10 (p)	<i>Distribution paid 28/02/09 (p)</i>
Class J - Accumulation				
Group 1	0.13	-	0.13	0.38
Group 2	-	0.13	0.13	0.38

Interim dividend distribution

Group 1: Shares purchased prior to 1 January 2009

Group 2: Shares purchased between 1 January 2009 and 30 June 2009

	Net revenue (p)	Equalisation (note 11) (p)	Distribution paid 31/08/09 (p)	<i>Distribution paid 31/08/08 (p)</i>
Class J - Accumulation				
Group 1	0.61	-	0.61	0.83
Group 2	0.49	0.12	0.61	0.83

UBS Inflation Linked Bond UK Plus Fund

Manager's report

Investment objective and policy

To seek to generate a return greater than the return provided by long-dated UK government index-linked 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

During 2009 index linked bonds outperformed nominal government bonds. In credit markets, financials came under particular pressure early in the year as concerns surrounding banks continued. In contrast, higher quality non financials saw a surge in issuance and improved investor demand. Investor sentiment changed notably in the second quarter with risk appetite returning and global bond yields moving significantly higher. Through the third quarter, despite a stabilisation in economic data and continued improvement in investor sentiment, yields on government bonds fell marginally as government bonds were supported by policy makers' vocal commitment to maintaining low levels of interest rates. The final quarter of 2009 saw a fairly muted performance from government bond markets with better than expected economic data and concerns over ballooning fiscal deficits putting pressure on some of the major sovereign bond markets late on in the quarter. Corporate bond markets outperformed as spreads narrowed significantly through 2009.

Fund Performance

Over 2009 UK index linked bonds outperformed nominal bonds as yields on shorter dated 2016 index linked bonds fell by 1.1% to yield 0.7%. 30 year index linked bond yields were unchanged at 0.65%. The over 5 years index-linked bond index returned +5.6%. UK government bonds posted negative returns, with the all stock gilt index returning -1.2%. Yields on five year government bonds rose by 0.4% to 2.8%, while 10 year bond yields rose by 1.0% to 4.0%. Corporate bonds outperformed government bonds with the all stock non gilt index returning 10.8% through 2009 as spreads tightened significantly over the year.

During 2009 the Fund achieved performance of 19.0%* outperforming its benchmark, the FTSE Over 5 Year Index Linked Index, which achieved performance of 5.6%. Both figures are quoted in Sterling terms.

During the first half of the year, given the high levels of prevailing uncertainty we reduced our active short duration position and our overweight to exposure to subordinated bank bonds in an effort to reduce the volatility of future returns. We also took steps to improve the overall liquidity of the portfolio increasing our ability to be more nimble and ensure a broad diversification of risks taking positions in US treasuries and Australian government bonds on a hedged basis at the expense of UK gilts. Within credit markets we favoured defensive sectors such as Telecoms and Utilities. Latterly in the period we reduced our Telecoms exposure whilst finding potential opportunities in the more robust of the high yield corporate bond issuers. Improving conditions for M&A activity, better valuations and less duration sensitivity are strong positives for the sector. While we maintain an overall bearish stance on global duration we introduced an overweight to Europe at the end of December. In currency markets we favoured Scandinavian currencies with a small overweight versus the Euro and Swiss Franc.

Outlook

Our strategy is to pursue a wide variety of investment views. The UK and US bond markets face similar challenges in terms of funding and economic recovery. The situation in Europe is more complex as some countries have uncomfortably large deficits that will be difficult to fund while others qualify as safe havens and do not have comparable fiscal challenges. Overall European data continues to lag that of the UK and US and we see the ECB as likely to be one of the last central banks to raise rates. Consequently we expect the spread widening of UK and US bonds relative to German bunds to continue. We maintain our view that investment grade credit markets, particularly some financials, offer value relative to government bonds.

* Source: UBS Global Asset Management. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2009, based on K Accumulation Gross shares.

Percentage growth

	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	Launch to 31/12/07 %
Class J – Accumulation Gross Shares	16.79	-10.45	7.13
Class K – Accumulation Gross Shares	19.00	-9.95	3.48

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 and J Accumulation Gross Shares: 6 March 2007.

UBS Global Asset Management Funds Ltd
27 April 2010

Performance record**1. Fund size**

Accounting year 31 December		Number of shares in issue	Total net asset value per share (p)*	Total net asset value (£)
2007	Class J – Accumulation Gross	934,936	1,069.6	10,000,097
	Class K – Accumulation Gross	97,409,028	51.6	50,260,577
				£60,260,674
2008	Class J – Accumulation Gross	15,223,321	957.7	145,794,237
	Class K – Accumulation Gross	45,785,691	46.5	21,296,625
				£167,090,862
2009	Class J – Accumulation Gross	15,226,837	1,122.8	170,959,927
	Class K – Accumulation Gross	8,035,743	55.6	4,464,218
				£175,424,145

* rounded to one decimal place.

2. Total expense ratio

The total expense ratio (TER) below is calculated using the most recent audited results and as described in the Financial Services Authority's Collective Investment Schemes Sourcebook 4 Annex 1 R.

Share class	31 Dec 09 (%)	31 Dec 08 (%)
Class J – Accumulation Gross	0.67	0.67
Class K – Accumulation Gross	0.02	0.02

3. Portfolio turnover rate

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the year.

	31 Dec 09 (%)	31 Dec 08 (%)
	243.21	71.05

4. 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 J Accumulation Gross shares were launched on 29 June 2007 at a price of £10.

Calendar year	Highest price (p)	Lowest price (p)	Distribution Per share (net) (p)
Class J – Accumulation Gross			
2007 †	1,071.28	992.96	7.26
2008	1,190.38	811.16	32.05
2009	1,142.95	887.61	7.79
Class K – Accumulation Gross			
2007 †	51.74	47.76	0.64
2008	57.73	39.38	1.91
2009	56.54	43.16	0.38

† covers period from launch to 31 December 2007.

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

As at 31 December 2009

	Holding	Market value £	Percentage of total net assets %
Bonds - 98.53% (31 Dec 08: 97.31%)			
Floating Rate Notes – 90.25% (31 Dec 08: 62.04%)			
Axius European 5.4910% FRN 2023	€381,906	33,931	0.02
Network Rail Infrastructure 1.4539% FRN 2037	£750,000	874,285	0.50
Treasury 0.5048% Index Linked 2050	£3,908,000	3,968,965	2.26
Treasury 0.625% Index-Linked 2042	£3,348,000	3,490,307	1.99
Treasury 0.75% Index-Linked 2047	£5,142,000	5,878,663	3.35
Treasury 1.125% Index-Linked 2037	£12,905,000	15,523,347	8.85
Treasury 1.25% Index Linked 2032	£3,100,000	3,391,535	1.93
Treasury 1.875% Index-Linked 2022	£8,010,595	9,313,550	5.31
Treasury 2.5% Index Linked 2016	£4,665,000	13,589,145	7.75
Treasury 2.5% Index-Linked 2020	£6,719,000	19,788,799	11.28
Treasury 4.125% Index-Linked 2030	£5,832,000	14,728,716	8.40
Treasury 1.3818% Index Linked 2055	£7,185,000	10,861,996	6.19
Treasury 1.3709% Index-Linked 2017	£6,690,000	7,762,039	4.42
Treasury 5.447% Index-Linked 2024	£7,724,000	20,142,647	11.48
Treasury 1.3685% Index-Linked 2027	£14,987,000	17,583,033	10.02
Treasury 2.4516% Index-Linked 2035	£7,162,108	11,406,373	6.50
Mortgage & Asset Backed Securities - 0.94% (31 Dec 08: 1.44%)			
Abacus FRN 2041	\$350,000	-	-
Adagio CLO III 4.79% FRN 2022	€400,000	85,293	0.05
Adagio CLO III 6.1900% Subordinated FRN 2022	€210,000	27,987	0.02
Aladdin CDO 25X FRN 2016	\$400,000	-	-
Ares Euro CLO I 'E' 4.4910% FRN 2024	€350,000	53,735	0.03
Atrium CDO 5X 3.9691% FRN 2020	\$300,000	83,599	0.05

	Holding	Market value £	Percentage of total net assets %
Avenue CLO III 4.2841% FRN 2018	\$320,000	29,724	0.02
Avoca CLO VI 0% 2023	€270,000	43,180	0.02
Black Diamond FRN 2018	\$100,000	13,004	0.01
Black Diamond 3.5806% FRN 2019	\$100,000	21,154	0.01
BlackRock Senior Income Series V 2019	\$150,000	12,539	0.01
Brentwood CLO I FRN 2022	\$88,340	8,206	-
Brushfield CDO FRN 2052	\$200,000	12	-
Cadogan Square CDO II 'E' 5.1330% FRN 2022	€420,000	93,290	0.05
C-Bass CBO XVIII 'A2' 5.538% FRN 2047	\$95,297	2,361	-
CELf Loan Partners II 1.6460% FRN 2021	€100,000	49,381	0.03
CELf Loan Partners III 4.3540% FRN 2023	€100,000	14,695	0.01
CIFC Funding 4.3606% FRN 2021	\$96,297	19,499	0.01
Clavos CDO Subordinated FRN 2023	€250,000	8,885	0.01
Clearwater Capital Partners 5.5100% FRN 2014	\$100,000	42,109	0.02
Duke Funding 8A FRN 2045	\$530,541	-	-
Duke Funding XI FRN 2046	€195,522	17	-
Eurocredit CDO FRN 2023	€150,000	9,329	0.01
Eurocredit CDO V 'E' 4.5750% FRN 2022	€100,000	13,292	0.01
FM Leveraged Capital Fund II 'E' 4.0225% FRN 2020	\$250,000	38,703	0.02
Fortius II Funding 'E' FRN 2042	\$103,110	6	-
Grosvenor Place 7.5000% FRN 2023	€500,000	44,424	0.03
GSC European CLO 1 FRN 2022	€210,000	1,866	-
GSC European 4.1140% FRN 2022	€370,000	26,299	0.02
Gulf Stream-Sext FRN 2021	\$100,000	13,624	0.01

	Holding	Market value £	Percentage of total net assets %		Holding	Market value £	Percentage of total net assets %
Harbourmaster 'C7' 12.00% FRN 2022	€100,000	7,108	-	Danske Bank 5.6838% Perpetual	£600,000	439,148	0.25
Hewett's Island 1.0253% FRN 2018	\$250,000	100,629	0.06	Empyrean Finance (Jersey) 5.45% 2013	£430,000	33,248	0.02
Hewett's Island 1.9253% FRN 2018	\$330,000	102,177	0.06	GMAC 7.5% 2013	\$750	448	-
Hewett's Island FRN 2018	\$283,453	61,435	0.04	Goldman Sachs Group 6.875% 2038	£1,980,000	2,058,335	1.17
Highlander CDO 4.3060% FRN 2012	€100,000	30,652	0.02	Imperial Tobacco Finance 9% 2022	£900,000	1,108,406	0.63
Independence CDO IV 3.7844% FRN 2038	\$1,017,350	6	-	LBG Capital No.1 7.8673% 2019	£350,000	278,684	0.16
IXIS CDO 3 6.6387% FRN 2046	\$100,000	-	-	Lloyds Banking Group 6.2669988% ADR Perpetual	\$3,400,000	1,263,275	0.72
Kingsland V 'E' 4.5344% FRN 2021	\$250,000	41,800	0.02	Marks & Spencer 6.125% 2019	£1,090,000	1,091,400	0.62
Kingsland V FRN 2021	\$100,000	3,716	-	Nisource Finance 6.125% 2022	\$510,000	322,309	0.18
Laurelin II 'E' 5.1290% FRN 2023	€100,000	19,546	0.01	Royal Bank of Scotland 7.0916% Perpetual	€800,000	345,653	0.20
Laurelin II 12.5024% FRN 2023	€260,000	34,650	0.02	Santander Finance 11.2999985% Non Cumulative Perpetual	£750,000	830,533	0.47
MC Funding 'E' 4.0419% FRN 2020	\$100,000	21,674	0.01	Tesco 6.125% 2022	£750,000	784,064	0.45
Menton CDO III 'E' FRN 2057	\$100,000	-	-	Wales & West Utility 5.125% 2016	£1,310,000	1,274,278	0.73
Mercator CLO III FRN 2024	€150,000	6,664	-	Derivatives - (0.21)% (31 Dec 08: (10.51)%)			
NACM CLO 1X 4.3331% FRN 2019	\$600,000	167,198	0.10	Contract for Difference - 0.00% (31 Dec 08: 0.02%)			
Queen Street CLO I 'E' 4.7740% FRN 2023	€100,000	23,847	0.01	Credit Default Swaps - (0.09)% (31 Dec 08: (1.45)%)			
Queen Street FRN 2024	€100,000	17,769	0.01	Goldman Sachs Credit Default Swap Masco Receive 5.875% 20 Sept 2012	800,000	11,139	0.01
Rockwall CLO 2.5306% FRN 2021	\$200,000	3,096	-	Goldman Sachs Credit Default Swap Portugal Telecom Pay 3.75% 20 Dec 2013	(2,750,000)	(54,635)	(0.03)
Sagittarius CLO I 'A' 0.9315% FRN 2051	\$125,000	-	-	Goldman Sachs Credit Default Swap Republic of South Africa Pay 6.5% 20 Dec 2013	(2,600,000)	(195,351)	(0.11)
Saturn CLO 'D' 4.2725% FRN 2022	\$100,000	25,123	0.01	Goldman Sachs Credit Default Swap Telecom Italia Receive 5.375% 20 Dec 2013	(2,750,000)	66,413	0.04
St. James's Park CDO 'F' 12.5562% FRN 2020	€300,000	71,966	0.04	Forwards - 0.24% (31 Dec 08: (4.28)%)			
Stanfield 1.8844% FRN 2018	\$300,000	92,888	0.05	Bought Euro 5,840,000			
Taberna 1.7281% FRN 2036 Preference	\$367,540	23	-	Sold Sterling 5,448,203		(255,809)	(0.15)
Taberna 1.7281% FRN 2037	\$204,333	13	-				
Valleriite CDO I 'A1' 1.5980% FRN 2017	€200,000	51,087	0.03				
Ordinary Fixed Interest – 7.34% (31 Dec 08: 33.83%)							
Anheuser-Busch InBev 9.75% 2024	£750,000	1,006,409	0.57				
Argon Capital 8.162% Perpetual	£2,100,000	1,008,000	0.57				
BAA Funding Limited 6.75% 2028	£440,000	438,536	0.25				
Barclays Bank 6.3688% Perpetual (STEP)	£800,000	605,619	0.35				

	Holding	Market value £	Percentage of total net assets %
Bought Sterling	9,953,875		
Sold Swiss Francs	16,185,000	254,529	0.15
Bought Sterling	5,699,160		
Sold Canadian Dollars	9,360,033	187,800	0.11
Bought Sterling	10,823,257		
Sold Swedish Krona	119,375,000	477,238	0.27
Bought Japanese Yen	969,500,000		
Sold Sterling	6,807,187	(328,321)	(0.19)
Bought Norwegian Krona	66,750,000		
Sold Sterling	7,483,863	(337,199)	(0.19)
Bought US Dollars	2,400,000		
Sold Sterling	1,503,225	(21,240)	(0.01)
Bought Canadian Dollars	9,360,033		
Sold US Dollars	9,141,595	(133,520)	(0.08)
Bought Swedish Krona	39,420,000		
Sold Euro	3,806,857	31,752	0.02
Bought Swedish Krona	59,130,000		
Sold Euro	5,722,177	37,055	0.02
Bought Swedish Krona	39,420,000		
Sold Euro	3,811,465	27,655	0.02
Bought Swedish Krona	40,290,000		
Sold Euro	3,911,278	14,311	0.01
Bought US Dollars	7,245,000		
Sold Swiss Francs	7,292,563	103,457	0.06
Bought Swedish Krona	40,200,000		
Sold Euro	3,872,116	41,330	0.02
Bought US Dollars	8,560,000		
Sold Japanese Yen	760,633,040	202,676	0.12
Bought US Dollars	5,385,000		
Sold Sterling	3,248,447	76,758	0.04

	Holding	Market value £	Percentage of total net assets %
Bought Swedish Krona	40,950,000		
Sold US Dollars	5,688,646	36,359	0.02
Bought Euro	9,840,000		
Sold US Dollars	14,306,474	(85,334)	(0.05)
Bought US Dollars	19,945,310		
Sold Euro	13,780,000	64,194	0.04
Bought Sterling	686,789		
Sold Japanese Yen	100,400,000	15,847	0.01
Futures - 0.34% (31 Dec 08: (0.73)%)			
Euro BOBL Future Mar 2010	(175)	140,025	0.08
Euro Bund Future Mar 2010	202	(44,257)	(0.02)
Japan 10 Year Bond Future Mar 2010	2	4,410	-
Long Gilt Future Mar 2010	(173)	640,380	0.37
US 10 Year Note Future Mar 2010	185	(339,108)	(0.19)
US 2 Year Note Future Mar 2010	(304)	196,499	0.11
US 5 Year Note Future Mar 2010	(291)	356,121	0.20
US Long Bond Future Mar 2010	119	(371,393)	(0.21)
Inflation Swaps - (0.42)% (31 Dec 08: (6.94)%)			
Barclays Inflation Swap HicPXT EUR			
Receive 2.59% 5 Sept 2028	7,100,000	198,112	0.11
Goldman Sachs Inflation Swap Japan			
CPI Pay 0.43% 4 Feb 2018	(1,300,000,000)	(645,656)	(0.37)
Goldman Sachs Inflation Swap UK RPI			
Pay 3.23% 11 Dec 2017	(12,750,000)	(280,589)	(0.16)
Interest Rate Swaps - (0.28)% (31 Dec 08: 2.87%)			
RBS Interest Rate Swap Receive 4.43%			
21 Oct 2038	(5,650,000)	20,509	0.01
UBS Interest Rate Swap Pay 0.0505%			
2 Jan 2013	(120,000,000)	(318,817)	(0.18)

	Holding	Market value £	Percentage of total net assets %
UBS Interest Rate Swap Pay 4.8875% 5 Mar 2038	(4,400,000)	(187,698)	(0.11)
Investment assets		172,470,598	98.32
Net other assets		2,953,547	1.68
Net assets		£175,424,145	100.00

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 2009, 96.3% of the debt securities were rated as investment grade, 3.0% were rated as non-investment grade and 0.7% were unrated.

Portfolio movements**For the year from 1 January 2009 to 31 December 2009**

	Cost £
Major purchases	
Treasury 2.5% Index Linked 2013	65,657,455
Treasury 8% 2013	29,948,480
Treasury 2.00% Index-Linked 2035	29,730,695
Treasury 1.875% Index-Linked 2022	23,346,060
Treasury 2.5% Index Linked 2016	12,294,809
Treasury 1.75% Index Linked 2055	9,506,230
Treasury 1.125% Index-Linked 2037	9,345,068
Treasury 1.25% Index-Linked 2017	7,202,761
Treasury 4.125% Index-Linked 2030	6,017,825
Treasury 0.75% Index-Linked 2047	5,347,936
Treasury 0.5% Index Linked 2050	3,852,624
Treasury 0.625% Index-Linked 2042	3,329,053
Treasury 1.25% Index Linked 2032	3,179,742
Royal Bank of Scotland FRN 2009	2,640,660
Lloyds Banking Group 6.2669988% Perpetual	2,153,898
Royal Bank of Scotland FRN 2009	1,987,920
Roche 5.5% 2015	1,986,440
Treasury 2.5% Index-Linked 2020	1,783,950
Imperial Tobacco Finance 9% 2022	1,598,272
Wales & West 5.125% 2016	1,296,533
Total for the year (Note 14)	£264,268,609

Major purchases and sales are the twenty largest.

	Proceeds £
Major sales	
Treasury 2.5% Index Linked 2013	65,637,252
Treasury 8% 2013	29,948,480
Treasury 1.25% Index-Linked 2027	22,996,949
Treasury 1.875% Index-Linked 2022	20,938,551
Treasury 2.00% Index-Linked 2035	19,950,774
Treasury 2.5% Index-Linked 2024	9,502,777
Treasury 1.125% Index-Linked 2037	5,403,933
Royal Bank of Scotland FRN 2009	3,872,880
Treasury 2.5% Index-Linked 2020	2,908,400
Deutsche Bank 0.0% Index Linked 2009	2,822,360
UBS Jersey 7.152% FRN Perpetual	2,742,974
Royal Bank of Scotland FRN 2009	2,450,039
Turkey 10% Index Linked 2012	2,334,158
Deutsche Bank Index Linked 2010	2,323,184
HBOS PLC Non-Cum 6.0884% Pref	2,153,898
Roche 5.5% 2015	2,116,480
Royal Bank of Scotland FRN 2009	1,987,926
Citigroup CAPXVIII 6.829% FRN 2067	1,706,511
Credit Agricole 7.589% FRN Perpetual	1,603,000
National Capital Trust 5.62% FRN Perpetual	1,534,000
Total for the year (Note 14)	£263,768,742

Statement of total return**For the year from 1 January 2009 to 31 December 2009**

		31 Dec 09		31 Dec 08	
	Notes	£	£	£	£
Income					
Net capital gains/(losses)	2		18,106,312		(28,069,810)
Revenue	3	9,715,121		7,891,705	
Expenses	4	(1,045,381)		(1,033,865)	
Finance costs: Interest	6	(53)		(20,627)	
Net revenue before taxation		8,669,687		6,837,213	
Taxation	5	-		-	
Net revenue after taxation			8,669,687		6,837,213
Total return before distributions			26,775,999		(21,232,597)
Finance costs: Distributions	6		(6,159,128)		(5,973,174)
Change in net assets attributable to shareholders from investment activities			£20,616,871		£(27,205,771)

Statement of change in net assets attributable to shareholders**For the year from 1 January 2009 to 31 December 2009**

	31 Dec 09		31 Dec 08	
	£	£	£	£
Opening net assets attributable to shareholders		167,090,862		60,260,674
Amounts receivable on issue of shares	20,730,482		196,431,431	
Amounts payable on cancellation of shares	(39,076,509)		(68,696,554)	
		(18,346,027)		127,734,877
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		20,616,871		(27,205,771)
Dilution levy charged		-		197,407
Retained distribution on accumulation shares		6,062,439		6,103,675
Closing net assets attributable to shareholders		£175,424,145		£167,090,862

Balance sheet**As at 31 December 2009**

	Notes	As at 31 Dec 09 £	As at 31 Dec 08 £
ASSETS			
Investment assets		176,069,525	203,140,692
Debtors	7	1,474,568	6,188,769
Cash and bank balances	8	2,056,821	19,215,469
Total other assets		3,531,389	25,404,238
Total assets		179,600,914	228,544,930
LIABILITIES			
Investment liabilities		3,598,927	58,107,243
Creditors	9	577,842	3,346,825
Total other liabilities		577,842	3,346,825
Total liabilities		4,176,769	61,454,068
Net assets attributable to shareholders		£175,424,145	£167,090,862

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 12 and 13.

2. Net capital gains/(losses)

	31 Dec 09 £	31 Dec 08 £
Currency gains	40,866	1,961,455
Derivative contracts	(16,299,860)	(1,424,114)
Forward currency contracts	13,386,138	(3,599,037)
Non-derivative securities	20,998,323	(24,999,881)
Transaction charges	(19,155)	(8,233)
Net capital gains/(losses)	£18,106,312	£(28,069,810)

3. Revenue

	31 Dec 09 £	31 Dec 08 £
Bank interest	21,249	435,753
Revenue from derivative contracts	(375,734)	(1,489,113)
Interest on debt securities	10,069,606	8,945,065
	£9,715,121	£7,891,705

4. Expenses

	31 Dec 09 £	31 Dec 08 £
<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	1,014,420	993,630
	1,014,420	993,630
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	15,862	19,546
	15,862	19,546
<i>Payable to other related parties and third parties:</i>		
Audit fees	7,874	8,813
Bank charges	101	-
Safe custody fees	7,724	7,596
Taxation fees	(600)	4,280
	15,099	20,689
	£1,045,381	£1,033,865

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 different to the special 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 08: 20%).

The differences are explained below:

	31 Dec 09 £	31 Dec 08 £
Net revenue before taxation	8,669,687	6,837,213
Corporation tax at 20%	1,733,937	1,367,443
<i>Effects of:</i>		
Allowable expenses charged to capital	198,846	144,558
Interest distributions	(1,231,825)	(1,195,270)
Relief from RPI allowance against indexation	(700,958)	(316,731)
	(1,733,937)	(1,367,443)
Total tax charge (5.a)	-	-

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 2009 the Fund had excess management expenses of £1,765,213 (31 Dec 08: £770,983). The deferred tax in respect of this would be £353,043 (31 Dec 08: £154,197). 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 revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	31 Dec 09 £	31 Dec 08 £
Interim – first quarter	2,057,195	1,668,991
Interim – second quarter	1,731,847	1,597,306
Interim – third quarter	1,056,690	2,039,421
Final	1,216,707	797,957
	6,062,439	6,103,675
Add: Revenue deducted on cancellation of shares	164,728	208,907
Deduct: Revenue received on issue of shares	(68,039)	(339,408)
Net distributions	6,159,128	5,973,174
Interest	53	20,627
Total finance costs	£6,159,181	£5,993,801
Net revenue after taxation	8,669,687	6,837,213
Add: Expenses charged to capital	1,045,280	1,033,865
Add: Revenue brought forward	4,192	1,016
Deduct: Indexation not distributable	(3,558,024)	(1,894,728)
Deduct: Revenue carried forward	(2,007)	(4,192)
Net distributions as above	£6,159,128	£5,973,174

Details of the distribution per share are set out in the table on page 182.

7. Debtors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts receivable on issue of shares	300,000	-
Interest receivable on debt securities	1,174,568	6,188,769
	£1,474,568	£6,188,769

8. Cash & bank balances

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts held at futures clearing houses and brokers	1,778,036	3,622,721
Cash and bank balances	278,785	15,592,748
	£2,056,821	£19,215,469

9. Creditors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts payable on cancellation of shares	400,000	-
Expense accruals	109,278	166,538
Interest payable on swaps	68,564	3,180,287
	£577,842	£3,346,825

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 tables 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 2009 there were no contingent liabilities or commitments at the current or prior period 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 2009 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £94,980 and £nil respectively (31 Dec 08: £150,727 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 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 period was £(18,414,907) (31 Dec 08: £40,911,901). As at December 2009, the entity held 8,035,743 shares in the fund with a market value of £4,455,016, (31 Dec 08: 45,785,691 shares in the fund with a market value of £21,296,625).

All dealing in the investment portfolio of the Fund was carried out through UBS Global Asset Management (UK) Ltd. During the period 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 5 and 6.

(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

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 09				
Australian Dollar	207,847	-	-	207,847
Canadian Dollar	2,327	-	5,511,360	5,513,687
Czech Koruna	99	-	-	99
Euro	1,294,974	345,653	14,397,201	16,037,828
Japanese Yen	153,771	-	6,483,276	6,637,047
New Zealand Dollar	883	-	-	883
Norwegian Krona	-	-	7,146,665	7,146,665
Polish Zloty	4,900	-	-	4,900
Singapore Dollar	1,428	-	-	1,428
South African Rand	545	-	-	545
Sterling	158,728,985	10,956,659	29,197,844	198,883,488
Swedish Krona	828	-	22,482,602	22,483,430
US Dollar	1,636,847	1,586,032	27,427,253	30,650,132
	£162,033,434	£12,888,344	£112,646,201	£287,567,979

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 08				
Australian Dollar	1,887	-	11,017,481	11,019,368
Canadian Dollar	2,227	-	8,724,423	8,726,650
Czech Koruna	18	-	9,162,810	9,162,828
Euro	10,601,772	1,192,133	29,346,796	41,140,701
Indian Rupee	-	-	2,307,527	2,307,527
Japanese Yen	251,864	-	35,714,319	35,966,183
Kuwaiti Dinar	-	-	17,177,647	17,177,647
Latvian Lats	-	-	4,606,845	4,606,845
Malaysian Ringitt	-	-	1,424,995	1,424,995
New Zealand Dollar	830,545	-	12,143,792	12,974,337
Norwegian Krona	-	-	8,472,009	8,472,009
Philippine Peso	-	-	1,094,127	1,094,127
Polish Zloty	127,466	-	545,366	672,832
Saudi Arabian Riyal	-	-	4,436,604	4,436,604
Singapore Dollar	1,565	-	987,237	988,802
Sterling	97,343,467	54,616,523	100,628,327	252,588,317
Swedish Krona	724	-	17,279,328	17,280,052
Swiss Francs	-	-	7,227,486	7,227,486
Taiwanese Dollar	-	-	991,882	991,882
Thai Bhat	-	-	2,792,318	2,792,318
Turkish Lira	2,231,759	-	1,109,846	3,341,605
United Arab Emirates Dirham	-	-	33,122,969	33,122,969
US Dollar	13,966,496	753,563	72,376,108	87,096,167
	£125,359,790	£56,562,219	£382,690,242	£564,612,251

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 09			
Canadian Dollar	-	5,511,360	5,511,360
Swiss Francs		14,069,633	14,069,633
Euro	-	31,132,244	31,132,244
Japanese Yen	-	6,399,671	6,399,671
New Zealand Dollar	-	318,817	318,817
Sterling	-	25,280,793	25,280,793
Swedish Krona		10,346,019	10,346,019
US Dollar	-	19,085,297	19,085,297
	-	£112,143,834	£112,143,834

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 08			
Australian Dollar	-	2,390,677	2,390,677
Canadian Dollar	-	8,724,424	8,724,424
Czech Krona	-	12,363,803	12,363,803
Euro	-	40,705,628	40,705,628
Indian Rupee	-	1,521,844	1,521,844
Japanese Yen	-	36,574,419	36,574,419
Kuwaiti Dinar	-	11,317,630	11,317,630
Latvian Lats	-	13,192,639	13,192,639
Malaysian Ringgit	-	2,154,758	2,154,758
New Zealand Dollar	-	17,632,601	17,632,601
Norwegian Krona	-	2,193,246	2,193,246
Philippine Peso	-	8,076,500	8,076,500
Polish Zloty	-	31,563	31,563
Saudi Arabian Riyal	-	4,436,604	4,436,604
Singapore Dollar	-	4,636,875	4,636,875
Swedish Krona	-	4,155,799	4,155,799
Swiss Francs	-	4,624,870	4,624,870
South African Rand	-	148,317	148,317
Sterling	-	86,568,200	86,568,200
Taiwanese Dollar	-	1,276,576	1,276,576
Thai Baht	-	5,740,195	5,740,195
Turkish Lira	-	3,095,756	3,095,756
United Arab Emirates Dirham	-	23,692,807	23,692,807
US Dollar	-	102,265,658	102,265,658
	-	£397,521,389	£397,521,389

iii) Fixed rate financial assets

Currency	Weighted average interest rate %	Weighted average period for which the rate is fixed in years
31 Dec 09		
Sterling	6.16	15.64
US Dollar	6.12	12.19
31 Dec 08		
Euro	8.12	4.64
Sterling	0.82	21.17
US Dollar	8.15	1.72

(b) Currency exposure

A proportion 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 £
31 Dec 09			
Australian Dollar	207,847	-	207,847
Canadian Dollar	2,327	-	2,327
Czech Koruna	99	-	99
Euro	(16,514,620)	1,420,204	(15,094,416)
Japanese Yen	878,622	(641,246)	237,376
New Zealand Dollar	883	(318,817)	(317,934)
Norwegian Krona	7,146,665	-	7,146,665
Polish Zloty	4,900	-	4,900
Singapore Dollar	1,428	-	1,428
South African Rand	545	-	545
Swedish Krona	12,137,411	-	12,137,411
Swiss Francs	(14,069,633)	-	(14,069,633)
US Dollars	9,583,767	1,981,068	11,564,835
	(619,759)	2,441,209	1,821,450
Sterling	3,982,844	169,619,851	173,602,695
	£3,363,085	£172,061,060	£175,424,145

Currency	Monetary exposures £	Non-monetary exposures £	Total £
31 Dec 08			
Australian Dollar	1,887	8,626,804	8,628,691
Canadian Dollar	2,227	-	2,227
Czech Koruna	18	(3,200,993)	(3,200,975)
Euro	1,546,536	(1,111,463)	435,073
Indian Rupee	-	785,683	785,683
Japanese Yen	251,864	(860,100)	(608,236)
Kuwaiti Dinars	-	5,860,017	5,860,017
Latvian Lats	-	(8,585,794)	(8,585,794)
Malaysian Ringitt	-	(729,763)	(729,763)
New Zealand Dollar	830,545	(5,488,809)	(4,658,264)
Norwegian Krona	-	6,278,763	6,278,763
Philippine Peso	-	(6,982,373)	(6,982,373)
Polish Zloty	127,466	513,804	641,270
Singapore Dollar	1,565	(3,649,638)	(3,648,073)
South African Rand	-	(148,317)	(148,317)
Swedish Krona	724	13,123,529	13,124,253
Swiss Francs	-	2,602,616	2,602,616
Taiwanese Dollar	-	(284,695)	(284,695)
Thai Bhat	-	(2,947,877)	(2,947,877)
Turkish Lira	-	245,849	245,849
United Arab Emirates Diram	-	9,430,161	9,430,161
US Dollar	8,168,508	(23,337,998)	(15,169,490)
	10,931,340	(9,860,594)	1,070,746
Sterling	8,284,129	157,735,987	166,020,116
	£19,215,469	£147,875,393	£167,090,862

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 period of time in all but a given percentage of circumstances. As at 31 December 2009, the Fund's VaR is 11.06%. This means that per the statistical analysis there is a 99% probability that, over a month, the maximum loss the Fund could suffer is 11.06% of its value.

Further information on risks can be found in the Risk Profile on pages 5 and 6

(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

Analysis of total purchase costs	£	31 Dec 09 £	£	31 Dec 08 £
Purchases in year before transaction costs		264,268,609		261,629,018
Commissions & taxes	-		-	
Total purchase costs		-		-
Gross purchase total		£264,268,609		£261,629,018

Analysis of total sale costs	£	31 Dec 09 £	£	31 Dec 08 £
Gross sales in year before transaction costs		263,768,742		134,629,938
Commissions & taxes	-		-	
Total sale costs		-		-
Total sales net of transaction costs		£263,768,742		£134,629,938

Distribution table**For the year from 1 January 2009 to 31 December 2009 (in pence per share)**

Final interest distribution

Group 1: Shares purchased prior to 1 October 2009

Group 2: Shares purchased between 1 October 2009 and 31 December 2009

	Gross revenue (p)	Income tax	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 28/02/10 (p)	Distribution paid 28/02/09 (p)
Class J – Accumulation Gross						
Group 1			7.790000	-	7.790000	4.580000
Group 2			6.014545	1.775455	7.790000	4.580000
Class K – Accumulation Gross						
Group 1			0.380000	-	0.380000	0.220000
Group 2			0.242489	0.137511	0.380000	0.220000

Third quarter interim interest distribution

Group 1: Shares purchased prior to 1 July 2009

Group 2: Shares purchased between 1 July 2009 and 30 September 2009

	Gross revenue (p)	Income tax	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/09 (p)	Distribution paid 31/08/08 (p)
Class J – Accumulation Gross						
Group 1			6.730000	-	6.730000	11.640000
Group 2			1.558226	5.171774	6.730000	11.640000
Class K – Accumulation Gross						
Group 1			0.340000	-	0.340000	0.560000
Group 2			0.340000	-	0.340000	0.560000

Second quarter interim interest distribution

Group 1: Shares purchased prior to 1 April 2009

Group 2: Shares purchased between 1 April 2009 and 30 June 2009

	Gross revenue (p)	Income tax	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/09 (p)	Distribution paid 30/11/08 (p)
Class J – Accumulation Gross						
Group 1			10.710000	-	10.710000	5.710000
Group 2			7.841932	2.868068	10.710000	5.710000
Class K – Accumulation Gross						
Group 1			0.550000	-	0.550000	1.130000
Group 2			0.550000	-	0.550000	1.130000

First quarter interim interest distribution

Group 1: Shares purchased prior to 1 January 2009

Group 2: Shares purchased between 1 January 2009 and 31 March 2009

	Gross revenue (p)	Income tax	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/09 (p)	Distribution paid 31/05/08 (p)
Class J – Accumulation Gross						
Group 1			11.960000	-	11.960000	10.120000
Group 2			11.960000	-	11.960000	10.120000
Class K – Accumulation Gross						
Group 1			0.580000	-	0.580000	0.000000
Group 2			0.054322	0.525678	0.580000	0.000000

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

UBS Long Dated Corporate Bond UK Plus Fund

Manager's report

Investment objective and policy

To seek to generate a return greater than the return provided by long-dated 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/or to manage interest rate, inflation, credit and currency exposures.

Market environment

Despite significantly underperforming government bonds in the first quarter, corporate bonds finished 2009 with one of the strongest annual returns recorded in the sector. Early in the year, credit markets continued to underperform government bonds as financials came under particular pressure due to continued concerns surrounding banks. In contrast, higher quality non financials saw a surge in issuance and improved investor demand. Investor sentiment changed notably in the second quarter with risk appetite returning and global bond yields moving significantly higher. Through the third quarter, despite a stabilisation in economic data and continued improvement in investor sentiment, yields on government bonds fell marginally, supported by policy makers' vocal commitment to maintaining low levels of interest rates. The final quarter of 2009 saw a fairly muted performance from government bond markets with better than expected economic data and concerns over ballooning fiscal deficits putting pressure on some of the major sovereign bond markets late on in the quarter. However, corporate bond markets continued to outperform as spreads narrowed further through the end of 2009.

Fund Performance

Over 2009 corporate bonds outperformed government bonds with the all stock non-gilt index returning 10.8% as spreads tightened significantly over the year. UK government bonds posted negative returns, with the all stock gilt index returning -1.2%. Yields on five year government bonds rose by 0.4% to 2.8%, while 10 year bond yields rose by 1.0% to 4.0%. UK index linked bonds outperformed nominal bonds as yields on shorter dated 2016 index linked bonds fell by 1.1% to yield 0.7%. 30 year index linked bond yields were unchanged at 0.65%.

During 2009 the Fund achieved performance of 31.0%* outperforming its benchmark, the iBoxx Sterling Non-Gilt Over 15 Year Index, which achieved performance of 12.7%. Both figures are quoted in Sterling terms.

During the first half of the year, given the high levels of prevailing uncertainty we reduced our active short duration position and our overweight exposure to subordinated bank bonds in an effort to reduce the volatility of future returns. We also took steps to improve the overall liquidity of the portfolio increasing our ability to be more flexible and ensure a broad diversification of risks taking positions in US treasuries and Australian government bonds on a hedged basis at the expense of UK gilts.

Within credit markets we favoured defensive sectors such as Telecoms and Utilities. Latterly in the period we reduced our Telecoms exposure. While we maintain an overall bearish stance on global duration we introduced an overweight to Europe at the end of December. In currency markets we favoured Scandinavian currencies with a small overweight versus the Euro and Swiss Franc.

Outlook

Our strategy is to pursue a wide variety of investment views. The UK and US bond markets face similar challenges in terms of funding and economic recovery. The situation in Europe is more complex as some countries have uncomfortably large deficits that will be difficult to fund while others qualify as safe havens and do not have comparable fiscal challenges. Overall European data continues to lag that of the UK and US and we see the European Central Bank as likely to be one of the last central banks to raise rates. Consequently we expect the spread widening of UK and US bonds relative to German bunds to continue. We maintain our view that investment grade credit markets, particularly some financials, offer value relative to government bonds.

* Source: UBS Global Asset Management. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2009, based on K Accumulation Gross shares.

Percentage growth

	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	Launch to 31/12/07 %
Class J – Accumulation Gross Shares	30.11	-16.52	1.83
Class K – Accumulation Gross Shares	30.98	-15.97	-4.10

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: 29 June 2007.

UBS Global Asset Management Funds Ltd
27 April 2010

Performance record

1. Fund size

Accounting year 31 December		Number of shares in issue	Total net asset value per share (p)*	Total net asset value (£)
2007	Class J – Accumulation Gross	2,834,073	1,015.8	28,789,864
	Class K – Accumulation Gross	171,488,352	47.7	81,870,688
				£110,660,552
2008	Class J – Accumulation Gross	5,037,330	849.0	42,767,598
	Class K – Accumulation Gross	107,486,529	40.2	43,256,569
				£86,024,167
2009	Class J – Accumulation Gross	4,591,334	1,097.4	50,386,748
	Class K – Accumulation Gross	63,963,103	52.4	33,489,985
				£83,876,733

* rounded to one decimal place.

2. Total expense ratio

The total expense ratio (TER) below is calculated using the most recent audited results and as described in the Financial Services Authority's Collective Investment Schemes Sourcebook 4 Annex 1 R.

Share class	31 Dec 09 (%)	31 Dec 08 (%)
Class J – Accumulation Gross	0.68	0.68
Class K – Accumulation Gross	0.03	0.03

3. Portfolio turnover rate

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the year.

	31 Dec 09 (%)	31 Dec 08 (%)
	479.52	60.10

4. 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 29 June 2007 at a price of £10.

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (p)
Class J – Accumulation Gross			
2007 †	1,030.99	991.77	29.41
2008	1,044.33	749.67	54.35
2009	1,117.88	793.63	69.49
Class K – Accumulation Gross			
2007 †	50.00	46.51	1.95
2008	49.19	35.52	2.82
2009	53.32	37.64	3.31

† covers period from launch to 31 December 2007.

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

As at 31 December 2009

	Holding	Market value £	Percentage of total net assets %		Holding	Market value £	Percentage of total net assets %
Bonds - 96.57% (31 Dec 08: 88.31%)				Clavos CDO Subordinated FRN 2023	€450,000	15,993	0.02
Floating Rate Notes - 2.36% (31 Dec 08: 27.80%)				Clavos CDO V FRN 2023	€100,000	23,100	0.03
Equity Release Funding (No.2) 'A2' 5.88% FRN 2032	£730,000	712,744	0.85	Colts Trust 'E' FRN 2021	\$150,000	27,866	0.03
Laurelin II 'E' FRN 2023	€250,000	48,866	0.06	Duke Funding CDO 'B' 8A FRN 2045	\$241,155	-	-
LBG Capital 8.5% FRN 2032	£300,000	231,000	0.28	Duke Funding CDO 'B1E' 11X FRN 2046	€293,284	26	-
Prudential 5.875% FRN 2029	£200,000	184,062	0.22	Duke Funding CDO XIII FRN 2047	\$250,000	-	-
Royal Bank of Scotland FRN 2010	£550,000	629,090	0.75	Eurocredit CDO 'E' VI FRN 2022	€300,000	39,875	0.05
Tube Lines Finance 11.1776% FRN 2031	£50,140	12,535	0.01	Eurocredit CDO 'E' VII FRN 2023	€94,788	17,685	0.02
W&DB 'A3' FRN 2032	£200,000	160,101	0.19	Eurocredit CDO VII FRN 2023	€200,000	12,439	0.01
Mortgage & Asset Backed Securities - 3.88% (31 Dec 08: 9.90%)				Grosvenor Place CLO II FRN 2023	€300,000	26,654	0.03
Adagio CLO III FRN 2022	€200,000	42,647	0.05	GSC European CDO 'E' FRN 2022	€125,000	8,885	0.01
Adagio CLO III Subordinated FRN 2022	€100,000	13,327	0.02	GSC European CDO FRN 2022	€125,000	1,111	-
Aladdin CDO 25X FRN 2016	\$200,000	-	-	Gulf Stream-Sextant CLO FRN 2021	\$150,000	20,435	0.02
Ares Euro CLO I 'E' FRN 2024	€300,000	46,058	0.05	Harbourmaster CLO 'B2' FRN 2022	€250,000	66,635	0.08
Aspire Defence Finance A 4.674% 2040	£1,200,000	949,426	1.13	Hewett's Island CDO 'C' FRN 2018	\$250,000	100,629	0.12
Avoca CLO VI 0% 2023	€180,000	28,787	0.03	Highlander CDO 2012	€400,000	122,609	0.15
Axius European CDO 'E' FRN 2023	€381,906	33,931	0.04	Kingsland CDO FRN 2021	\$200,000	7,431	0.01
Black Diamond CDO FRN 2018	\$100,000	13,004	0.02	Laurelin CLO II FRN 2023	€300,000	39,981	0.05
BlackRock Senior Income Series V 2019	\$300,000	25,080	0.03	Mercator CDO 'B1' III FRN 2024	€100,000	10,662	0.01
Brentwood CLO 'D' FRN 2022	\$220,849	20,513	0.02	Mercator CDO 'C' III FRN 2024	€300,000	13,327	0.02
Brushfield CDO 'B2L' FRN 2052	\$350,000	22	-	Premiertel 'B' 6.175% 2032	£199,730	157,357	0.19
Cadogan Square CLO 'E' II FRN 2022	€100,000	22,212	0.03	Queen Street CLO 'F' FRN 2024	€250,000	44,424	0.05
C-Bass CDO 'A2' XVIII FRN 2047	\$190,595	4,721	0.01	Queen Street CLO I 'E' FRN 2023	€275,000	65,578	0.08
CELF Loan Partners CLO 'C' FRN 2021	€150,000	74,072	0.09	Sagittarius CLO I 'A' FRN 2051	\$225,000	-	-
CELF Loan Partners CLO 'E' FRN 2023	€100,000	14,695	0.02	St. James's Park CDO 'F' 2020	€550,000	131,938	0.16
CIFC Funding CLO 'B2L' FRN 2021	\$288,891	58,499	0.07	Taberna CDO 'A3' FRN 2036 Preference	\$147,016	9	-
				Taberna CDO 'A3L' FRN 2037Preference	\$204,333	13	-

	Holding	Market value £	Percentage of total net assets %
Taberna CDO 'B1L' FRN 2037 Preference	\$213,205	13	-
Telereal Securitisation 'B3' 5.4252% 2031	£966,000	712,961	0.85
Trimaran CLO 'B1L' FRN 2021	\$200,000	69,356	0.08
Trimaran CLO 'B2L' FRN 2018	\$200,000	47,162	0.06
Unique Pub Finance 6.464% 2032	£50,000	29,367	0.03
Valleriite CDO I 'A1' FRN 2017	€350,000	89,403	0.11
Valleriite CDO I FRN 2017	€100,000	2,870	-
Ordinary Fixed Interest - 90.27% (31 Dec 08: 50.56%)			
Alliance & Leicester 5.875% 2031	£750,000	702,968	0.84
Anglian Water Service Finance 6.293% 2030	£390,000	410,213	0.49
Annington Finance (No.4) 8.07% 2023	£80,000	80,369	0.10
Apria Healthcare 11.25% 2014	\$450,000	305,833	0.36
AT&T 7% 2040	£650,000	778,699	0.93
Aviva 6.125% FRN 2036	£1,400,000	1,236,430	1.47
BAA Funding 6.45% FRN 2033 'A'	£1,190,000	1,158,476	1.38
Barclays Bank 4.75% FRN Perpetual	€1,000,000	507,238	0.60
Barclays Bank 6% FRN Perpetual	£830,000	619,923	0.74
BAT International Finance 6% 2034	£330,000	331,094	0.39
BNP Paribas 5.945% FRN Perpetual	£650,000	532,656	0.63
British Telecommunications 5.75% 2028	£500,000	434,654	0.52
British Telecommunications 6.375% 2037	£900,000	827,628	0.99
Broadgate Financing A4 4.821% 2036	£750,000	630,990	0.75
Canary Wharf Finance II A3 5.952% 2037	£250,000	248,061	0.30
Centrica 7% 2033	£700,000	814,288	0.97
Citigroup 5.15% 2026	£1,850,000	1,553,330	1.85
Citigroup 7.375% 2039	£930,000	1,033,874	1.23
Dali Capital 4.79924% 2037	£850,000	694,108	0.83

	Holding	Market value £	Percentage of total net assets %
E.ON International 6.75% 2039	£1,500,000	1,775,297	2.12
E.ON International 5.875% 2037	£1,000,000	1,052,828	1.26
EDF 6.125% 2034	£2,950,000	3,186,325	3.80
Empyrean Finance (Jersey) 7.545% 2013	£1,000,000	77,320	0.09
Enel 5.75% 2040	£2,250,000	2,251,557	2.68
Enterprise Inns 6.375% 2031	£1,260,000	906,823	1.08
European Investment Bank 5.5% 2025	£1,450,000	1,558,547	1.86
European Investment Bank 5.625% 2032	£2,000,000	2,252,916	2.69
European Investment Bank 6% 2028	£2,100,000	2,422,493	2.89
Ford Motor 9.875% 2011	\$460,000	298,251	0.36
Freshwater Finance 4.556% 2036	£300,000	250,202	0.30
Freshwater Finance 4.607% 2036	£1,400,000	1,166,466	1.39
Friends Provident 6.875% STEP Perpetual	£300,000	197,156	0.24
GE Capital UK Funding 5.875% 2033	£592,000	568,162	0.68
GE Capital UK Funding 6.25% 2038	£1,295,000	1,297,383	1.55
GE Capital UK Funding 8% 2039	£260,000	319,765	0.38
General Electric Capital 4.875% 2037	£1,900,000	1,514,587	1.81
GlaxoSmithKline Capital 5.25% 2042	£1,700,000	1,656,455	1.97
GMAC 7.5% 2013	\$750	448	-
Goldman Sachs 7.25% 2028	£750,000	854,908	1.02
Goldman Sachs Group 6.875% 2038	£650,000	675,716	0.81
Greene King Finance 5.702% FRN 2034	£71,000	50,382	0.06
Heidelbergcement 8% 2017	€370,000	341,062	0.41
Heinz (H.J.) 6.25% 2030	£600,000	605,783	0.72
HSBC Bank 7% 2039	\$3,450,000	2,393,317	2.85
HSBC Capital Funding 5.844% FRN Perpetual	£640,000	520,111	0.62
KFW 5.75% 2032	£750,000	856,980	1.02
KFW Bankengruppe 4.875% 2037	£500,000	521,351	0.62
KON KPN 5.75% EMTN 2029	£960,000	943,383	1.12

	Holding	Market value £	Percentage of total net assets %
Land Securities Capital Markets 5.125% FRN 2036	£550,000	484,172	0.58
Legal & General Finance 5.875% 2031	£850,000	764,615	0.91
Lloyds Banking Group 13% STEP Perpetual	£588,000	624,750	0.74
Lunar Funding I Series 4 5.75% 2033	£410,000	396,461	0.47
Merrill Lynch 8.125% 2028	£1,250,000	1,323,745	1.58
National Grid Electricity 7.375% 2031	£500,000	612,687	0.73
National Grid Gas 6% 2038	£1,000,000	1,072,191	1.28
Nisource Finance 6.125% 2022	\$410,000	259,111	0.31
Northern Rock 9.375% 2021	£150,000	90,000	0.11
Octagon Healthcare 5.333% FRN 2035	£597,599	534,765	0.64
Peterborough Progress Health 5.58% 2042	£800,000	654,332	0.78
Pfizer 6.5% 2038	£1,050,000	1,206,787	1.44
Procter & Gamble 5.25% 2033	£575,000	568,670	0.68
Punch Taverns Finance 6.468% 2033	£600,000	414,593	0.49
Reseau Ferre de 5.25% 2035	£1,900,000	2,008,766	2.39
Royal Bank of Scotland 5.625% FRN Perpetual	£750,000	442,500	0.53
Royal Bank of Scotland 5.625% STEP Perpetual	£800,000	472,000	0.56
RWE Finance 6.125% 2039	£1,500,000	1,640,511	1.96
Santander 7.125% STEP Perpetual	£825,000	660,000	0.79
Scottish & Southern Energy 6.25% 2038	£1,000,000	1,095,006	1.31
Segro 6.75% 2024	£250,000	238,574	0.28
Smurfit Kappa Acquisition 7.25% 2017	€330,000	285,866	0.34
Southern Water Services Finance 5% Wrapped 2041	£156,000	138,536	0.17
Sovereign Housing Capital 5.705% 2039	£450,000	440,640	0.53
Statohydro 6.875% 2031	£500,000	589,829	0.70

	Holding	Market value £	Percentage of total net assets %
T.H.F.C. (Funding No.2) 6.35% 2041	£1,185,000	1,263,165	1.51
Tesco 4.875% 2042	£1,000,000	864,576	1.03
Tesco 5.5% 2033	£340,000	327,344	0.39
Treasury 4% Gilt 2060	£2,200,000	2,070,200	2.47
Treasury 4.25% 2055	£1,555,000	1,541,472	1.84
UBS 8.75% 2025	£45,000	49,660	0.06
Vattenfall 6.875% 2039	£1,750,000	2,117,510	2.52
Virgin Media Finance 8.875% 2019	£260,000	263,900	0.31
Vodafone Group 5.9% 2032	£1,156,000	1,183,172	1.41
Wachovia 4.875% 2035	£1,500,000	1,160,517	1.38
Wal-Mart Stores 4.875% 2039	£1,000,000	933,033	1.11
Wal-Mart Stores 5.25% 2035	£1,750,000	1,717,399	2.05
White City Property Finance 5.1202%	£548,603	501,986	0.60
William Hill 7.125% 2016	£170,000	171,700	0.20
Wind Acquisition Finance 11.75% 2017	€290,000	280,202	0.33
Yorkshire Water Services Finance 6.375% 2039	£750,000	834,352	0.99
Zero Coupon Bonds - 0.06% (31 Dec 08: 0.05%)			
Annington Finance No.4 0% 2022	£110,000	53,948	0.06
Derivatives - (0.35)% (31 Dec 08: (7.22)%)			
Contract for Difference - 0.00% (31 Dec 08: (0.03)%)			
Credit Default Swaps - (0.11)% (31 Dec 08: (1.72)%)			
Goldman Sachs Credit Default Swap Masco 5.875% Receive 20 Sept 12	800,000	11,139	0.01
Goldman Sachs Credit Default Swap Portugal Telecom 3.75% Pay 20 Dec 13	(1,631,250)	(32,408)	(0.04)
Goldman Sachs Credit Default Swap South Africa 6.5% Pay 20 Dec 13	(1,500,000)	(112,702)	(0.13)

		Market value £	Percentage of total net assets %			Market value £	Percentage of total net assets %
	Holding				Holding		
Goldman Sachs Credit Default Swaps				Bought Sterling 614,965			
Telecom Italia 5.375% Receive 20 Dec 13	1,631,250	39,395	0.05	Sold US Dollar 1,000,000	(2,530)	-	
JPM Credit Default Swaps Johnson & Johnson				Bought Sterling 687,452			
3.8% Receive 20 Dec 14	1,400,000	27,161	0.03	Sold Norwegian Krona 6,290,000	14,006	0.02	
JPM Credit Default Swaps Mckes 7.65% Pay				Bought Sterling 750,406			
20 Dec 14	(1,400,000)	(26,788)	(0.03)	Sold Japanese Yen 109,700,000	17,315	0.02	
Forwards - 0.33% (31 Dec 08: (6.02)%)				Bought Sterling 1,305,927			
Bought Canadian Dollar 5,757,141				Sold US Dollar 2,085,000	18,452	0.02	
Sold US Dollar 5,622,784		(82,125)	(0.10)	Bought Sterling 3,507,534			
Bought Euro 2,610,000				Sold Canadian Dollar 5,757,141	117,624	0.14	
Sold Sterling 2,433,326		(112,753)	(0.13)	Bought Sterling 5,670,357			
Bought Euro 4,675,000				Sold Swiss Francs 9,220,000	144,995	0.17	
Sold US Dollar 6,797,029		(40,542)	(0.05)	Bought Sterling 6,475,639			
Bought Japanese Yen 584,400,000				Sold Swedish Krona 71,423,000	285,535	0.34	
Sold Sterling 4,103,270		(197,907)	(0.24)	Bought Swedish Krona 11,070,000			
Bought New Zealand Dollar 1,060,000				Sold Sterling 976,377	(16,960)	(0.02)	
Sold Sterling 480,666		(6,158)	(0.01)	Bought Swedish Krona 19,420,000			
Bought Norwegian Krona 38,330,000				Sold US Dollar 2,697,766	17,242	0.02	
Sold Sterling 4,297,475		(193,630)	(0.23)	Bought Swedish Krona 20,000,000			
Bought Sterling 402,738				Sold Euro 1,926,426	20,562	0.02	
Sold Euro 450,000		2,639	-	Bought Swedish Krona 20,080,000			
Bought Sterling 405,836				Sold Euro 1,939,160	16,174	0.02	
Sold Japanese Yen 60,000,000		4,875	0.01	Bought Swedish Krona 20,080,000			
Bought Sterling 517,155				Sold Euro 1,941,507	14,087	0.02	
Sold Euro 565,000		14,808	0.02	Bought Swedish Krona 20,100,000			
Bought Sterling 522,118				Sold Euro 1,951,271	7,140	0.01	
Sold Euro 590,000		(2,457)	-	Bought Swedish Krona 30,150,000			
				Sold Euro 2,917,701	18,894	0.02	

	Holding	Market value £	Percentage of total net assets %
Bought Swiss Francs 1,240,000			
Sold Sterling 748,176		(5,069)	(0.01)
Bought US Dollar 495,000			
Sold Sterling 300,419		5,241	0.01
Bought US Dollar 1,325,000			
Sold Sterling 799,293		18,886	0.02
Bought US Dollar 1,505,000			
Sold Sterling 907,387		21,941	0.03
Bought US Dollar 3,625,000			
Sold Swiss Francs 3,648,798		51,764	0.06
Bought US Dollar 4,060,000			
Sold Japanese Yen 360,767,540		96,129	0.11
Bought US Dollar 9,473,298			
Sold Euro 6,545,000		30,490	0.04
Futures - 0.12% (31 Dec 08: (1.28)%)			
Euro BOBL Future Mar 2010	(88)	70,413	0.08
Euro BUND Future Mar 2010	89	(19,088)	(0.02)
Japan 10 Year Bond Future Mar 2010	(1)	2,205	-
Long Gilt Future Mar 2010	(16)	64,205	0.08
US 10 Year Note Future Mar 2010	85	(155,806)	(0.19)
US 2 Year Note Future Mar 2010	(155)	100,189	0.12
US 5 Year Note Future Mar 2010	(138)	168,882	0.20
US Long Bond Future Mar 2010	41	(127,959)	(0.15)
Inflation Swaps - (0.26)% (31 Dec 08: (5.85)%)			
Barclays Inflation Swap EUR 2.59% Receive 5 Sep 28	3,250,000	90,685	0.11
Barclays Inflation Swap Japan CPI 0.505% Pay 3 Oct 17	(600,000,000)	(309,748)	(0.37)

	Holding	Market value £	Percentage of total net assets %
Interest Rate Swaps - (0.43)% (31 Dec 08: 7.68%)			
RBS Interest Rate Swaps 4.43% Receive 21 Oct 38	2,400,000	8,712	0.01
UBS Interest Rate Swap 4.8875% Pay 5 Mar 38	(4,000,000)	(170,635)	(0.20)
UBS Interest Rate Swaps - NZD 0.048% Pay 20 Nov 12	(56,000,000)	(200,277)	(0.24)
Investment assets		80,707,478	96.22
Net other assets		3,169,255	3.78
Net assets		£83,876,733	100.00

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 2009, 90.9% of the debt securities were rated as investment grade, 6.6% were rated as non-investment grade and 2.5% were unrated.

Portfolio movements**For the year from 1 January 2009 to 31 December 2009**

	Cost £
Major purchases	
Treasury 1.875% Index-Linked 2022	29,610,371
Treasury FRN Index-Linked 2035	29,189,511
Treasury 2.5% 2013	28,401,179
Treasury 8% 2013	15,457,280
Treasury 5% 2025	7,172,128
Treasury 4.75% 2038	6,910,300
Treasury 6% 2028	6,503,737
European Investment Bank 6% 2028	5,569,523
Treasury 0% Strip 2028	5,537,203
Treasury 4.25% 2027	4,323,550
Royal Bank of Scotland FRN July 2009	4,321,080
Royal Bank of Scotland FRN March 2009	4,111,380
Reseau Ferre de 5.25% 2035	3,981,496
EDF 6.125% 2034	3,173,210
Treasury 4.25% 2032	3,060,612
Wal-Mart Stores 5.25% 2035	2,766,560
Treasury 1.125% Index-Linked 2037	2,728,988
Treasury 4.25% 2055	2,566,200
European Investment Bank 5% 2039	2,406,624
KFW 6% 2028	2,375,300
Total for the year (Note 14)	£232,941,252

Major purchases and sales are the twenty largest.

	Proceeds £
Major sales	
Treasury 1.875% Index-Linked 2022	29,610,385
Treasury FRN Index-Linked 2035	29,189,521
Treasury 2.5% 2013	28,395,050
Treasury 8% 2013	15,457,280
Treasury 6% 2028	8,465,187
Royal Bank of Scotland FRN March 2009	7,760,619
Treasury 5% 2025	7,252,997
Treasury 4.75% 2038	6,799,622
Treasury 0% Strip 2028	5,568,303
Treasury 4.25% 2027	4,414,238
Royal Bank of Scotland FRN January 2009	4,111,393
Royal Bank of Scotland FRN July 2009	3,463,001
European Investment Bank 6% 2028	3,165,309
Treasury 4.25% 2032	3,051,065
Treasury 1.125% Index-Linked 2037	2,701,959
KFW 6% 2028	2,427,355
Treasury 4.25% 2039	2,371,872
European Investment Bank 5% 2039	2,357,071
France Telecom 5.25% 2025	2,341,670
Royal Bank of Scotland Call Options October 2009	2,233,513
Total for the year (Note 14)	£243,607,478

Statement of total return**For the year from 1 January 2009 to 31 December 2009**

	Notes	31 Dec 09 £	31 Dec 08 £
Income			
Net capital gains / (losses)	2	18,422,636	(24,090,258)
Revenue	3	6,602,426	7,922,847
Expenses	4	(329,287)	(437,917)
Finance costs: Interest	6	(405)	(30,126)
Net revenue before taxation		6,272,734	7,454,804
Taxation	5	-	-
Net revenue after taxation		6,272,734	7,454,804
Total return before distributions		24,695,370	(16,635,454)
Finance costs: Distributions	6	(6,605,851)	(7,899,178)
Change in net assets attributable to shareholders from investment activities		£18,089,519	£(24,534,632)

Statement of change in net assets attributable to shareholders**For the year from 1 January 2009 to 31 December 2009**

	31 Dec 09 £	31 Dec 08 £
Opening net assets attributable to shareholders	86,024,167	110,660,552
Amounts receivable on issue of shares	7,073,276	54,741,677
Amounts payable on cancellation of shares	(33,785,026)	(62,762,445)
	(26,711,750)	(8,020,768)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)	18,089,519	(24,534,632)
Dilution levy charged	-	479,619
Retained distribution on accumulation shares	6,474,797	7,439,396
Closing net assets attributable to shareholders	£83,876,733	£86,024,167

Balance sheet**As at 31 December 2009**

	Notes	As at 31 Dec 09 £	As at 31 Dec 08 £
ASSETS			
Investment assets		82,523,020	102,359,927
Debtors	7	3,741,025	4,153,465
Cash and bank balances	8	1,136,222	14,118,613
Total other assets		4,877,247	18,272,078
Total assets		87,400,267	120,632,005
LIABILITIES			
Investment liabilities		1,815,542	32,603,227
Creditors	9	1,707,992	2,004,611
Total other liabilities		1,707,992	2,004,611
Total liabilities		3,523,534	34,607,838
Net assets attributable to shareholders		£83,876,733	£86,024,167

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 12 and 13.

2. Net capital gains/(losses)

	31 Dec 09 £	31 Dec 08 £
Currency gains	1,904	1,773,867
Derivative contracts	6,292,510	5,589,905
Forward currency contracts	3,238,595	(4,494,066)
Non-derivative securities	8,909,732	(26,950,015)
Transaction charges	(20,105)	(9,949)
Net capital gains/(losses)	£18,422,636	£(24,090,258)

3. Revenue

	31 Dec 09 £	31 Dec 08 £
Bank interest	10,979	240,422
Revenue from derivative contracts	(380,936)	(1,181,103)
Interest on debt securities	6,972,383	8,863,528
	£6,602,426	£7,922,847

4. Expenses

	31 Dec 09 £	31 Dec 08 £
<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	303,703	402,187
	303,703	402,187
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	9,242	14,098
	9,242	14,098
<i>Payable to other related parties and third parties:</i>		
Audit fees	7,874	8,813
Safe custody fees	9,068	8,539
Taxation fees	(600)	4,280
	16,342	21,632
	£329,287	£437,917

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 different to the special 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 08: 20%).

The differences are explained below:

	31 Dec 09 £	31 Dec 08 £
Net revenue before taxation	6,272,734	7,454,804
Corporation tax at 20%	1,254,547	1,490,961
<i>Effects of:</i>		
Allowable expenses charged to capital	65,857	87,583
Interest distributions	(1,320,404)	(1,578,544)
	(1,254,547)	(1,490,961)
Total tax charge (5.a)	-	-

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 2009 the Fund had excess interest distributions of £883,527 (31 Dec 08: £554,240). The deferred tax in respect of this would be £176,705 (31 Dec 08: £110,848). 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 revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	31 Dec 09 £	31 Dec 08 £
Interim – first quarter	1,921,449	1,511,389
Interim – second quarter	1,513,813	3,597,880
Interim – third quarter	1,589,250	880,895
Final	1,450,285	1,449,232
	6,474,797	7,439,396
Add: Revenue deducted on cancellation of shares	201,765	591,397
Deduct: Revenue received on issue of shares	(70,711)	(131,615)
Net distributions	6,605,851	7,899,178
Interest	405	30,126
Total finance costs	£6,606,256	£7,929,304
Net revenue after taxation	6,272,734	7,454,804
Add: Expenses charged to capital	329,286	437,917
Add: Revenue brought forward	4,430	10,887
Deduct: Revenue carried forward	(599)	(4,430)
Net distributions as above	£6,605,851	£7,899,178

Details of the distribution per share are set out in the table on pages 203 and 204.

7. Debtors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Interest receivable on debt securities	2,076,409	4,153,465
Interest receivable on swaps	55,317	-
Sales awaiting settlement	1,609,299	-
	£3,741,025	£4,153,465

8. Cash & bank balances

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts held at futures clearing houses and brokers	136,153	2,472,569
Cash and bank balances	1,000,069	11,646,044
	£1,136,222	£14,118,613

9. Creditors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Expense accruals	42,759	58,864
Interest payable on swaps	48,917	1,945,747
Purchases awaiting settlement	1,616,316	-
	£1,707,992	£2,004,611

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 tables 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 2009 there were no commitments or contingent liabilities at the current or prior period 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 2009 the amounts included in creditors in respect of management fees due to the ACD are £28,002 (31 December 2008: £44,855).

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 K Accumulation Gross shares on which no ACD fee is payable. The aggregate value of these transactions during the period was £(22,221,625) (31 Dec 08: £29,592,735). As at 31 December 2009, the entity held 63,963,103 shares in the fund with a market value of £33,753,329 (31 Dec 08: 107,486,529 shares market value of £43,256,569).

All dealing in the investment portfolio of the Fund was carried out through UBS Global Asset Management (UK) Ltd. During the period 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 5 and 6.

(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

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 09				
Australian Dollar	163,724	-	-	163,724
Canadian Dollar	1,710	-	3,389,910	3,391,620
Czech Koruna	249	-	-	249
Euro	1,439,553	1,414,368	6,683,744	9,537,665
Japanese Yen	(242,818)	-	4,217,316	3,974,498
New Zealand Dollar	(198,463)	-	730,102	531,639
Norwegian Krona	-	-	4,103,845	4,103,845
Polish Zloty	851	-	-	851
Singapore Dollar	652	-	-	652
South African Rand	687	-	-	687
Sterling	3,950,884	71,098,721	24,420,090	99,469,695
Swedish Krona	528	-	12,211,552	12,212,080
Swiss Francs	-	-	743,108	743,108
US Dollar	668,588	3,256,960	13,170,571	17,096,119
	£5,786,145	£75,770,049	£69,670,238	£151,226,432

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 08				
Australian Dollar	2,904	-	5,477,221	5,480,125
Canadian Dollar	1,636	-	4,169,244	4,170,880
Czech Koruna	218	-	4,524,972	4,525,190
Euro	5,950,109	1,497,628	19,077,380	26,525,117
Indian Rupee	-	-	1,426,303	1,426,303
Japanese Yen	116,505	-	16,356,282	16,472,787
Kuwaiti Dinar	-	-	12,114,894	12,114,894
Latvian Lats	-	-	4,777,469	4,777,469
Malaysian Ringgit	-	-	639,228	639,228
Mexican Peso	-	-	1,306,836	1,306,836
New Zealand Dollar	498,366	-	6,282,829	6,781,195
Norwegian Krona	-	-	4,164,982	4,164,982
Philippine Peso	-	-	513,421	513,421
Polish Zloty	86,826	-	371,841	458,667
Saudi Arabian Riyal	-	-	2,720,524	2,720,524
Singapore Dollar	715	-	294,481	295,196
Sterling	26,251,693	36,558,160	67,713,697	130,523,550
Swedish Krona	536	-	8,863,066	8,863,602
Swiss Francs	-	-	4,087,516	4,087,516
Taiwanese Dollar	-	-	532,048	532,048
Thai Bhat	-	-	1,357,797	1,357,797
Turkish Lira	1,190,500	-	691,663	1,882,163
United Arab Emirates Dirham	-	-	21,890,094	21,890,094
US Dollar	12,477,431	5,499,474	48,097,964	66,074,869
	£46,577,439	£43,555,262	£237,451,752	£327,584,453

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 09			
Canadian Dollar	-	3,389,910	3,389,910
Euro	-	16,789,912	16,789,912
Japanese Yen	-	3,854,697	3,854,697
New Zealand Dollar	-	200,277	200,277
Norwegian Krona	-	673,446	673,446
Sterling	-	16,705,466	16,705,466
Swedish Krona	-	6,190,104	6,190,104
Swiss Francs	-	7,712,013	7,712,013
US Dollar	-	11,833,874	11,833,874
	-	£67,349,699	£67,349,699

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 08			
Australian Dollar	-	1,098,354	1,098,354
Canadian Dollar	-	4,169,243	4,169,243
Czech Krona	-	6,180,753	6,180,753
Euro	-	26,201,228	26,201,228
Indian Rupee	-	940,476	940,476
Japanese Yen	-	16,877,480	16,877,480
Kuwaiti Dinar	-	9,054,104	9,054,104
Latvian Lats	-	9,316,064	9,316,064
Malaysian Ringgit	-	957,571	957,571
New Zealand Dollar	-	8,970,758	8,970,758
Norwegian Krona	-	548,312	548,312
Philippine Peso	-	3,909,163	3,909,163
Polish Zloty	-	21,520	21,520
Saudi Arabian Riyal	-	2,720,524	2,720,524
Singapore Dollar	-	2,247,231	2,247,231
South African Rand	-	271,207	271,207
Sterling	-	45,574,518	45,574,518
Swedish Krona	-	2,215,547	2,215,547
Swiss Francs	-	2,557,490	2,557,490
Taiwanese Dollar	-	865,929	865,929
Thai Baht	-	2,842,043	2,842,043
Turkish Lira	-	1,743,898	1,743,898
United Arab Emirates Dirham	-	16,951,567	16,951,567
US Dollar	-	75,325,306	75,325,306
	-	£241,560,286	£241,560,286

iii) Fixed rate financial assets

Currency	Weighted average interest rate %	Weighted average period for which the rate is fixed in years
31 Dec 09		
Euro	8.16	7.48
Sterling	5.87	26.47
US Dollar	6.33	22.95
31 Dec 08		
Euro	6.65	3.39
Sterling	6.16	26.63
US Dollar	7.49	22.95

(b) Currency exposure

A 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:

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 09			
Australian Dollar	163,724	-	163,724
Canadian Dollar	1,710	-	1,710
Czech Koruna	249	-	249
Euro	(9,873,402)	2,621,155	(7,252,247)
Japanese Yen	427,344	(307,543)	119,801
New Zealand Dollar	531,639	(200,277)	331,362
Norwegian Krona	3,430,399	-	3,430,399
Polish Zloty	851	-	851
Singapore Dollar	652	-	652
South African Rand	687	-	687
Swedish Krona	6,021,976	-	6,021,976
Swiss Francs	(6,968,905)	-	(6,968,905)
US Dollar	1,888,339	3,373,906	5,262,245
	(4,374,737)	5,487,241	1,112,504
Sterling	7,822,661	74,941,568	82,764,229
	3,447,924	80,428,809	83,876,733

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 08			
Australian Dollar	2,904	4,378,867	4,381,771
Canadian Dollar	1,636	-	1,636
Czech Koruna	218	(1,655,781)	(1,655,563)
Euro	1,401,259	(1,077,370)	323,889
Indian Rupee	-	485,827	485,827
Japanese Yen	116,505	(521,198)	(404,693)
Kuwaiti Dinars	-	3,060,790	3,060,790
Latvian Lats	-	(4,538,595)	(4,538,595)
Malaysian Ringgitt	-	(318,342)	(318,342)
Mexican Peso	-	1,306,836	1,306,836
New Zealand Dollar	498,366	(2,687,929)	(2,189,563)
Norwegian Krona	-	3,616,671	3,616,671
Philippine Peso	-	(3,395,743)	(3,395,743)
Polish Zloty	86,826	350,321	437,147
Singapore Dollar	715	(1,952,749)	(1,952,034)
South African Rand	-	(271,207)	(271,207)
Swedish Krona	536	6,647,519	6,648,055
Swiss Francs	-	1,530,026	1,530,026
Taiwanese Dollar	-	(333,882)	(333,882)
Thai Bhat	-	(1,484,246)	(1,484,246)
Turkish Lira	-	138,266	138,266
United Arab Emirates Dirham	-	4,938,526	4,938,526
US Dollar	9,894,286	(19,144,723)	(9,250,437)
	12,003,251	(10,928,116)	1,075,135
Sterling	2,115,362	82,833,670	84,949,032
	£14,118,613	£71,905,554	£86,024,167

(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 period of time in all but a given percentage of circumstances. As at 31 December 2009, the Fund's VaR is 8.29%. This means that per the statistical analysis there is a 99% probability that, over a month, the maximum loss the Fund could suffer is 8.29% of its value.

Further information on risks can be found in the Risk Profile on pages 5 and 6

14. Portfolio transaction costs

Analysis of total purchase costs	£	31 Dec 09 £	31 Dec 08 £
Purchases in year before transaction costs		232,941,252	93,849,722
Commissions & taxes	-		-
Total purchase costs		-	-
Gross purchase total		£232,941,252	£93,849,722
Analysis of total sale costs	£	31 Dec 09 £	31 Dec 08 £
Gross sales in year before transaction costs		243,610,951	97,386,522
Commissions & taxes	(3,473)		-
Total sale costs		(3,473)	-
Total sales net of transaction costs		£243,607,478	£97,386,522

Distribution table**For the year from 1 January 2009 to 31 December 2009 (in pence per share)**

Final interest distribution

Group 1: Shares purchased prior to 1 October 2009

Group 2: Shares purchased between 1 October 2009 and 31 December 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 28/02/10 (p)	<i>Distribution paid 28/02/09 (p)</i>
Class J – Accumulation Gross						
Group 1	18.910000	-	18.910000	-	18.910000	14.260000
Group 2	18.910000	-	18.910000	0.000000	18.910000	14.260000
Class K – Accumulation Gross						
Group 1	0.910000	-	0.910000	-	0.910000	0.680000
Group 2	0.910000	-	0.910000	0.000000	0.910000	0.680000

Second quarter interim interest distribution

Group 1: Shares purchased prior to 1 April 2009

Group 2: Shares purchased between 1 April 2009 and 30 June 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/09 (p)	<i>Distribution paid 31/08/08 (p)</i>
Class J – Accumulation Gross						
Group 1	15.030000	-	15.030000	-	15.030000	23.500000
Group 2	15.030000	-	15.030000	0.000000	15.030000	23.500000
Class K – Accumulation Gross						
Group 1	0.710000	-	0.710000	-	0.710000	1.180000
Group 2	0.710000	-	0.710000	0.000000	0.710000	1.180000

Third quarter interim interest distribution

Group 1: Shares purchased prior to 1 July 2009

Group 2: Shares purchased between 1 July 2009 and 30 September 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/09 (p)	Distribution paid 30/11/08 (p)
Class J – Accumulation Gross						
Group 1	16.610000	-	16.610000	-	16.610000	8.480000
Group 2	16.610000	-	16.610000	0.000000	16.610000	8.480000
Class K – Accumulation Gross						
Group 1	0.790000	-	0.790000	-	0.790000	0.400000
Group 2	0.790000	-	0.790000	0.000000	0.790000	0.400000

First quarter interim interest distribution

Group 1: Shares purchased prior to 1 January 2009

Group 2: Shares purchased between 1 January 2009 and 31 March 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/09 (p)	Distribution paid 31/05/08 (p)
Class J – Accumulation Gross						
Group 1	18.940000	-	18.940000	-	18.940000	8.110000
Group 2	18.940000	-	18.940000	0.000000	18.940000	8.110000
Class K – Accumulation Gross						
Group 1	0.900000	-	0.900000	-	0.900000	0.560000
Group 2	0.900000	-	0.900000	0.000000	0.900000	0.560000

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

UBS Long Dated Fixed Interest UK Plus Fund

Manager's report

Investment objective and policy

To seek to generate a return greater than the return provided by long-dated 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

Although 2009 began with government bonds continuing to outperform corporate bonds, UK Gilts finished the year posting negative returns. In credit markets financials came under particular pressure early in the year as concerns surrounding banks continued. In contrast, higher quality non financials saw a surge in issuance and improved investor demand. Investor sentiment changed notably in the second quarter with risk appetite returning and global bond yields moving significantly higher. Through the third quarter, despite a stabilisation in economic data and continued improvement in investor sentiment, yields on government bonds fell marginally as government bonds were supported by policy makers' vocal commitment to maintaining low levels of interest rates. The final quarter of 2009 saw a fairly muted performance from government bond markets with better than expected economic data and concerns over ballooning fiscal deficits putting pressure on some of the major sovereign bond markets late on in the quarter. Corporate bond markets outperformed as spreads narrowed significantly through 2009.

Fund Performance

Over 2009 UK government bonds posted negative returns, with the all stock gilt index returning -1.2%. Yields on five year government bonds rose by 0.4% to 2.8%, while 10 year bond yields rose by 1.0% to 4.0%. UK index linked bonds outperformed nominal bonds as yields on shorter dated 2016 index linked bonds fell by 1.1% to yield 0.7%. 30 year index linked bond yields were unchanged at 0.65%. The over 5 years index-linked bond index returned +5.6%. Corporate bonds outperformed government bonds with the

all stock non gilt index returning 10.8% through 2009 as spreads tightened significantly over the year.

During 2009 the Fund achieved performance of 12.1%* outperforming its benchmark, the FTSE Over 15 Year Gilt Index, which achieved performance of -4.8%. Both figures are quoted in Sterling terms.

During the first half of the year, given the high levels of prevailing uncertainty we reduced our active short duration position and our overweight to exposure to subordinated bank bonds in an effort to reduce the volatility of future returns. We also took steps to improve the overall liquidity of the portfolio increasing our ability to be more nimble and ensure a broad diversification of risks taking positions in US treasuries and Australian government bonds on a hedged basis at the expense of UK gilts. Within credit markets we favoured defensive sectors such as Telecoms and Utilities. Latterly in the period we reduced our Telecoms exposure whilst finding potential opportunities in the more robust of the high yield corporate bond issuers. Improving conditions for M&A activity, better valuations and less duration sensitivity are strong positives for the sector. While we maintain an overall bearish stance on global duration we introduced an overweight to Europe at the end of December. In currency markets we favoured Scandinavian currencies with a small overweight versus the Euro and Swiss Franc.

Outlook

Our strategy is to pursue a wide variety of investment views. The UK and US bond markets face similar challenges in terms of funding and economic recovery. The situation in Europe is more complex as some countries have uncomfortably large deficits that will be difficult to fund while others qualify as safe havens and do not have comparable fiscal challenges. Overall European data continues to lag that of the UK and US and we see the ECB as likely to be one of the last central banks to raise rates. Consequently we expect the spread widening of UK and US bonds relative to German bunds to continue. We maintain our view that investment grade credit markets, particularly some financials, offer value relative to government bonds.

* Source: UBS Global Asset Management. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2009, based on K Accumulation Gross shares.

Percentage growth

	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	Launch to 31/12/07 %
Class J – Accumulation Gross Shares	10.24	-2.43	5.22
Class K – Accumulation Gross Shares	12.10	-1.82	-2.18

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: 29 June 2007.

UBS Global Asset Management Funds Ltd
27 April 2010

Performance record

1. Fund size

Accounting year 31 December		Number of shares in issue	Total net asset value per share (p)*	Total net asset value (£)
2007	Class J – Accumulation Gross	945,648	1,049.9	9,928,701
	Class K – Accumulation Gross	108,213,096	48.8	52,816,902
				£62,745,603
2008	Class J – Accumulation Gross	6,682,917	1,030.2	68,847,667
	Class K – Accumulation Gross	50,043,489	48.2	24,117,737
				£92,965,404
2009	Class J – Accumulation Gross	5,383,014	1,130.8	60,871,472
	Class K – Accumulation Gross	3,665,532	53.8	1,971,638
				£62,843,110

* rounded to one decimal place.

2. Total expense ratio

The total expense ratio (TER) below is calculated using the most recent audited results and as described in the Financial Services Authority's Collective Investment Schemes Sourcebook 4 Annex 1 R.

Share class	31 Dec 09 (%)	31 Dec 08 (%)
Class J – Accumulation Gross	0.68	0.68
Class K – Accumulation Gross	0.03	0.03

3. Portfolio turnover rate

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the year.

	31 Dec 09 (%)	31 Dec 08 (%)
	400.18	45.66

4. 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 29 June 2007 at a price of £10.

Calendar Year	Highest price (p)	Lowest price (p)	Distribution per share (p)
Class J – Accumulation Gross			
2007†	1,053.35	991.47	23.51
2008	1,088.04	900.75	46.98
2009	1,180.82	923.30	61.19
Class K – Accumulation Gross			
2007†	50.02	45.87	1.63
2008	50.79	42.12	2.56
2009	56.09	43.21	2.91

† covers period from launch to 31 December 2007.

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

As at 31 December 2009

	Holding	Market value £	Percentage of total net assets %
Bonds - 96.67% (31 Dec 08: 97.17%)			
Floating Rate Notes - 3.95% (31 Dec 08: 20.43%)			
Alliance & Leicester 6.222% Perpetual STEP	£2,000	1,445	-
Barclays Bank 6% FRN Perpetual	£450,000	336,103	0.54
Barclays Bank 6.3688% Call Perpetual Preference (STEP)	£250,000	189,256	0.30
Credit Agricole FRN Perpetual	£100,000	95,709	0.15
Eurocredit CDO FRN 2023	€150,000	9,329	0.02
HBOS Capital Funding FRN Perpetual	£250,000	155,000	0.25
Laurelin II 'E' FRN 2023	€100,000	19,546	0.03
Lloyds Banking Group ADR	\$1,200,000	445,862	0.71
Royal Bank of Scotland FRN 2010	£400,000	457,520	0.73
Royal Bank of Scotland FRN Perpetual	€750,000	324,050	0.52
Santander Finance Preferred	£400,000	442,951	0.70
Mortgage & Asset Backed Securities - 1.23% (31 Dec 08: 1.49%)			
Adagio CLO III FRN 2022	€100,000	21,323	0.03
Adagio CLO III Subordinated FRN 2022	€100,000	13,327	0.02
Aladdin CDO 25X FRN 2016	\$200,000	-	-
Ares Euro CLO I 'E' FRN 2024	€200,000	30,706	0.05
Avoca CLO VI 0% 2023	€150,000	23,989	0.04
Axius European FRN 2023	€334,167	29,690	0.05
Black Diamond FRN 2018	\$100,000	13,004	0.02
Black Diamond FRN 2019	\$250,000	52,884	0.08
BlackRock Senior Income Series V 13/08/19	\$200,000	16,720	0.03
Brentwood CLO I FRN 2022	\$88,340	8,206	0.01
Brushfield CDO FRN 2052	\$200,000	12	-

	Holding	Market value £	Percentage of total net assets %
Cadogan Square CDO II 'E' FRN 2022	€200,000	44,424	0.07
C-Bass CBO XVIII 'A2' FRN 2047	\$95,297	2,360	-
Celf Loan Partners II FRN 2021	€100,000	49,381	0.08
Celf Loan Partners III FRN 2023	€100,000	14,695	0.02
CIFC Funding FRN 2021	\$96,297	19,500	0.03
Clavos CDO Subordinated FRN 2023	€250,000	8,885	0.01
Colts 'E' FRN 2021	\$100,000	18,578	0.03
Duke Funding 8A FRN 2045	\$241,155	-	-
Duke Funding XI FRN 2046	€195,522	17	-
Eurocredit CDO V 'E' FRN 2022	€100,000	13,292	0.02
Fortius II Funding 'E' FRN 2042	\$103,110	6	-
Grosvenor Place FRN 2023	€300,000	26,654	0.04
GSC European CLO 1 FRN 2022	€125,000	1,111	-
GSC European FRN 2022	€125,000	8,885	0.01
Gulf Stream-Sext FRN 2021	\$100,000	13,624	0.02
Harbourmaster CLO 2 'B2' FRN 2022	€100,000	26,654	0.04
Highlander CDO 2012	€100,000	30,652	0.05
IXIS CDO 3 FRN 2046	\$150,000	-	-
Kingsland V FRN 2021	\$100,000	3,716	0.01
Laurelin II FRN 2023	€200,000	26,654	0.04
Menton CDO III 'E' FRN 2057	\$100,000	-	-
Mercator CLO FRN 2024	€100,000	10,662	0.02
Mercator CLO III FRN 2024	€150,000	6,664	0.01
Queen Street CLO I 'E' FRN 2023	€200,000	47,693	0.08
Queen Street FRN 2024	€100,000	17,769	0.03
Sagittarius CLO I 'A' FRN 2051	\$150,000	-	-
St. James's Park CDO 'F' 2020	€300,000	71,966	0.11

	Holding	Market value £	Percentage of total net assets %
Taberna FRN 2036 Preference	\$210,023	13	-
Taberna FRN 2037	\$204,333	13	-
Taberna FRN 2037	\$213,205	13	-
Trimaran CLO VI FRN 2018	\$200,000	47,162	0.08
Valleriite CDO I 'A1' FRN 2017	€250,000	63,859	0.10
Ordinary Fixed Interest - 78.62% (31 Dec 08: 55.09%)			
Anheuser-Busch InBev 9.75% 2024	£350,000	469,657	0.75
BAA Funding Limited 6.75% 2028	£160,000	159,468	0.25
Empyrean Finance (Jersey) FRN 2013	£700,000	54,124	0.09
General Electric Capital UK Funding 5.875% 2033	£577,000	553,766	0.88
GMAC 7.5% 2013	\$750	448	-
Goldman Sachs Group 6.875% 2038	£419,000	435,577	0.69
Imperial Tobacco Finance 9% 2022	£350,000	431,047	0.69
NiSource Finance 6.125% 2022	\$190,000	120,076	0.19
Tesco 6.125% 2022	£400,000	418,167	0.67
Treasury 4.00% 2060	£500,000	470,495	0.76
Treasury 4.25% 2027	£1,985,000	1,936,963	3.08
Treasury 4.25% 2032	£3,171,000	3,085,066	4.91
Treasury 4.25% 2036	£4,165,000	4,031,720	6.41
Treasury 4.25% 2039	£2,530,000	2,457,895	3.91
Treasury 4.25% 2046	£6,080,000	5,982,720	9.52
Treasury 4.25% 2055	£8,009,000	7,939,322	12.63
Treasury 4.5% 2034	£1,705,000	1,708,580	2.72
Treasury 4.5% 2042	£4,695,000	4,785,144	7.61
Treasury 4.75% 2030	£2,370,000	2,459,586	3.91
Treasury 4.75% 2038	£5,397,000	5,692,756	9.06
Treasury 5% 2025	£3,300,000	3,503,940	5.58

	Holding	Market value £	Percentage of total net assets %
Treasury 6% 2028	£1,870,000	2,249,610	3.58
Wales & West Utilities 5.125% 2016	£470,000	457,183	0.73
Zero Coupon Bonds - 12.87% (31 Dec 08: 20.16%)			
Treasury 4.25% 2036	£1,960,000	594,417	0.95
Treasury Strip 2024	£2,000,000	1,017,578	1.62
UK Treasury 0% Strip 2025	£4,000,000	1,980,928	3.15
UK Treasury 0% Strip 2028	£10,675,000	4,493,737	7.15
Derivatives - (0.34)% (31 Dec 08: (8.23)%)			
Contract for Difference - 0.00% (31 Dec 08: (0.02)%)			
Credit Default Swaps - (0.11)% (31 Dec 08: (0.64)%)			
Goldman Sachs Credit Default Swap Masco Corp Receive 5.875% 20 Sep 12	\$600,000	8,354	0.01
Goldman Sachs Credit Default Swap Portugal Telecom Pay 3.75% 20 Dec 13	€1,225,000	(24,337)	(0.04)
Goldman Sachs Credit Default Swap Republic of South Africa Pay 6.5% 20 Sep 13	\$1,100,000	(82,648)	(0.13)
Goldman Sachs Credit Default Swap Telecom Italia Receive 5.375% 20 Dec 13	€1,225,000	29,583	0.05
Forwards - 0.31% (31 Dec 08: (3.80)%)			
Bought Canadian Dollar 4,044,190 Sold US Dollar 3,949,809		(57,690)	(0.09)
Bought Euro 720,000 Sold Sterling 651,964		(11,805)	(0.02)
Bought Euro 1,315,000 Sold Sterling 1,225,986		(56,809)	(0.09)
Bought Euro 3,460,000 Sold US Dollar 5,030,529		(30,006)	(0.05)
Bought Japanese Yen 395,700,000 Sold Sterling 2,778,117		(133,778)	(0.21)

Holding	Market value £	Percentage of total net assets %
Bought New Zealand Dollar 765,000 Sold Sterling 348,856	(6,404)	(0.01)
Bought Norwegian Krona 27,420,000 Sold Sterling 3,074,272	(138,518)	(0.22)
Bought Sterling 277,675 Sold Japanese Yen 41,400,000	1,012	-
Bought Sterling 286,673 Sold US Dollar 465,000	(462)	-
Bought Sterling 300,299 Sold Japanese Yen 43,900,000	6,929	0.01
Bought Sterling 332,853 Sold Norwegian Krona 3,050,000	6,301	0.01
Bought Sterling 2,463,920 Sold Canadian Dollar 4,044,190	82,627	0.13
Bought Sterling 4,019,065 Sold Swiss Francs 6,535,000	102,771	0.17
Bought Sterling 4,467,478 Sold Swedish Krona 49,274,000	196,988	0.31
Bought Swedish Krona 14,550,000 Sold US Dollar 2,021,240	12,919	0.02
Bought Swedish Krona 15,200,000 Sold Euro 1,464,084	15,627	0.03
Bought Swedish Krona 15,270,000 Sold Euro 1,482,383	5,424	0.01
Bought Swedish Krona 15,790,000 Sold Euro 1,524,867	12,719	0.02
Bought Swedish Krona 15,790,000 Sold Euro 1,526,713	11,077	0.02

		Market value £	Percentage of total net assets %
Holding			
Bought Swedish Krona 23,680,000 Sold Euro 2,291,580		14,839	0.02
Bought Swiss Francs 790,000 Sold Sterling 473,944		(513)	-
Bought US Dollar 1,340,000 Sold Sterling 839,301		(11,859)	(0.02)
Bought US Dollar 2,405,000 Sold Sterling 1,450,792		34,281	0.05
Bought US Dollar 2,740,000 Sold Swiss Francs 2,757,988		39,127	0.06
Bought US Dollar 3,095,000 Sold Japanese Yen 275,018,605		73,281	0.12
Bought US Dollar 7,012,701 Sold Euro 4,845,000		22,570	0.04
Futures - 0.26% (31 Dec 08: (0.97)%)			
Euro-BOBL Future 8 Mar 10	(65)	52,009	0.08
Euro-Bund Future 8 Mar 10	71	(15,514)	(0.02)
Japanese Govt 10 Year Bond Future 11 Mar 10	1	2,205	-
Long Gilt Future 29 Mar 10	(54)	216,863	0.35
US 10 Year Treasury Note Future 22 Mar 10	61	(111,814)	(0.18)
US 2 Year Treasury Note Future 31 Mar 10	(125)	80,797	0.13
US 5 Year Treasury Note Future 31 Mar 10	(93)	113,812	0.18
US Long Bond Future 22 Mar 10	57	(177,894)	(0.28)

	Holding	Market value £	Percentage of total net assets %
Inflation Swaps - (0.28)% (31 Dec 08: (5.71)%)			
Barclays Inflation Swap HICPxt EUR Receive 2.59% 5 Sep 28	€2,550,000	71,153	0.11
UBS Inflation Swap Japan CPI Pay 0.385% 3 Mar 18	¥450,000,000	(243,025)	(0.39)
Interest Rate Swaps - (0.52)% (31 Dec 08: 2.91%)			
UBS Interest Rate Swap Pay 0.048% 20 Nov 12	NZD 28,000,000	(100,138)	(0.16)
UBS Interest Rate Swap Pay 0.0505% 02 Jan 13	NZD16,400,00 0	(43,572)	(0.07)
UBS Interest Rate Swap Pay 4.8875% 05 Mar 38	\$4,300,000	(183,432)	(0.29)
Investment assets		60,534,554	96.33
Net other assets		2,308,556	3.67
Net assets		£62,843,110	100.00

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 2009, 95.5% of the debt securities were rated as investment grade, 2.7% were rated as non-investment grade and 1.8% were unrated.

Portfolio movements**For the year 1 January 2009 to 31 December 2009**

	Cost £
Major purchases	
Treasury 2.5% 2013	29,871,304
Treasury 1.875% Index-Linked 2022	25,252,247
Treasury FRN Index-Linked 2035	25,026,195
Treasury 8% 2013	15,578,040
Treasury 4.25% 2039	6,351,912
Treasury 5% 2025	5,493,022
Treasury 4.75% 2038	4,657,396
Royal Bank of Scotland FRN 2009	4,201,050
Treasury 6% 2028	3,824,914
Royal Bank of Scotland FRN March 2009	3,162,600
Treasury 1.125% Index-Linked 2037	3,001,887
Treasury 4.5% 2042	2,924,412
Treasury 4.25% 2046	2,553,885
Treasury 4.25% 2027	2,325,108
Treasury 2.25% 2014	1,919,477
Treasury 4.5% 2034	1,733,477
Royal Bank of Scotland Call Options Oct 2009	1,511,595
Treasury 4.25% 2032	1,473,150
Roche 5.5% 2015	1,340,847
Treasury 4.25% 2036	1,308,686
Total for the year (Note 14)	£169,115,125

Major purchases and sales are the twenty largest.

	Proceeds £
Major sales	
Treasury 2.5% 2013	29,862,905
Treasury 1.875% Index-Linked 2022	26,493,710
Treasury FRN Index-Linked 2035	25,026,206
Treasury 8% 2013	15,578,040
Royal Bank of Scotland FRN March 2009	6,161,400
UK Treasury 0% Strip 2028	5,896,592
Treasury 4.25% 2055	5,395,481
Treasury 5% 2025	4,186,545
Treasury 4.25% 2039	4,066,978
Royal Bank of Scotland FRN 2009	3,470,816
Treasury 4.25% 2036	3,215,118
Royal Bank of Scotland FRN January 2009	3,162,610
Treasury 1.125% Index-Linked 2037	2,972,187
Treasury 4.25% 2032	2,951,754
Treasury 4.25% 2027	2,798,603
Treasury 6% 2028	2,610,580
Treasury 4.75% 2038	2,288,138
Treasury 2.25% 2014	1,916,456
Royal Bank of Scotland Call Options Oct 2009	1,744,246
Deutsche Bank FRN 2009	1,714,440
Total for the year (Note 14)	£197,027,941

Statement of total return**For the year from 1 January 2009 to 31 December 2009**

	Notes	31 Dec 09 £	31 Dec 08 £
Income			
Net capital gains/(losses)	2	2,496,566	(5,710,505)
Revenue	3	4,342,823	5,735,753
Expenses	4	(415,377)	(482,971)
Finance costs: Interest	6	(10)	(24,121)
Net revenue before taxation		3,927,436	5,228,661
Taxation	5	-	-
Net revenue after taxation		3,927,436	5,228,661
Total return before distributions		6,424,002	(481,844)
Finance costs: Distributions	6	(4,343,698)	(5,717,879)
Change in net assets attributable to shareholders from investment activities		£2,080,304	£(6,199,723)

Statement of change in net assets attributable to shareholders**For the year from 1 January 2009 to 31 December 2009**

	31 Dec 09 £	31 Dec 08 £
Opening net assets attributable to shareholders	92,965,404	62,745,603
Amounts receivable on issue of shares	16,026,189	75,212,171
Amounts payable on cancellation of shares	(52,211,443)	(44,717,005)
	(36,185,254)	30,495,166
Dilution levy charged	-	353,154
Change in net assets attributable to shareholders from investment activities (see Statement of total return)	2,080,304	(6,199,723)
Retained distribution on accumulation shares	3,982,656	5,571,204
Closing net assets attributable to shareholders	£62,843,110	£92,965,404

Balance sheet**As at 31 December 2009**

	Notes	As at 31 Dec 09 £	As at 31 Dec 08 £
ASSETS			
Investment assets		61,964,772	112,649,019
Debtors	7	1,305,851	2,906,010
Cash and bank balances	8	1,859,097	9,323,261
Total other assets		3,164,948	12,229,271
Total assets		65,129,720	124,878,290
LIABILITIES			
Investment liabilities		1,430,218	29,969,547
Creditors	9	856,392	1,943,339
Total other liabilities		856,392	1,943,339
Total liabilities		2,286,610	31,912,886
Net assets attributable to shareholders		£62,843,110	£92,965,404

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 12 and 13.

2. Net capital gains/(losses)

	31 Dec 09 £	31 Dec 08 £
Currency gains	1,399,093	1,259,318
Derivative contracts	4,792,773	1,224,902
Forward currency contracts	1,593,850	(1,294,958)
Non-derivative securities	(5,270,173)	(6,892,344)
Transaction charges	(18,977)	(7,423)
Net capital gains/(losses)	£2,496,566	£(5,710,505)

3. Revenue

	31 Dec 09 £	31 Dec 08 £
Bank interest	9,632	312,513
Revenue from derivative contracts	(248,271)	(679,807)
Interest on debt securities	4,581,462	6,103,047
	£4,342,823	£5,735,753

4. Expenses

	31 Dec 09 £	31 Dec 08 £
<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	395,916	452,145
	395,916	452,145
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	8,067	12,976
	8,067	12,976
<i>Payable to other related parties and third parties:</i>		
Audit fees	7,874	8,813
Bank charges	138	-
Safe custody fees	3,982	4,757
Taxation fees	(600)	4,280
	11,394	17,850
	£415,377	£482,971

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 different to the special 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 08: 20%).

The differences are explained below:

	31 Dec 09 £	31 Dec 08 £
Net revenue before taxation	3,927,436	5,228,661
Corporation tax at 20%	785,487	1,045,732
<i>Effects of:</i>		
Allowable expenses charged to capital	83,075	96,595
Interest distributions	(868,562)	(1,142,327)
	(785,487)	(1,045,732)
Total tax charge (5.a)	-	-

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

There is no material unprovided deferred tax.

6. Finance costs

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	31 Dec 09 £	31 Dec 08 £
Interim – first quarter	1,573,484	1,845,584
Interim – second quarter	739,606	1,543,977
Interim – third quarter	801,419	1,009,945
Final	868,147	1,171,698
	3,982,656	5,571,204
Add: Revenue deducted on cancellation of shares	419,387	424,413
Deduct: Revenue received on issue of shares	(58,345)	(277,738)
Net distributions	4,343,698	5,717,879
Interest	10	24,121
Total finance costs	£4,343,708	£5,742,000
Net revenue after taxation	3,927,436	5,228,661
Add: Expenses charged to capital	415,239	482,971
Add: Revenue brought forward	1,382	7,629
Deduct: Revenue carried forward	(359)	(1,382)
Net distributions as above	£4,343,698	£5,717,879

Details of the distribution per share are set out in the table on page 224.

7. Debtors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts receivable on issue of shares	800,001	-
Interest receivable on debt securities	478,191	1,224,854
Interest receivable on swaps	27,659	1,681,156
	£1,305,851	£2,906,010

8. Cash & bank balances

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts held at futures clearing houses and brokers	1,711,670	2,273,996
Cash and bank balances	147,427	7,049,265
	£1,859,097	£9,323,261

9. Creditors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts payable on cancellation of shares	-	368,500
Expense accruals	44,560	85,106
Interest payable on swaps	39,937	1,489,733
Purchases awaiting settlement	771,895	-
	£856,392	£1,943,339

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 tables 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 2009 there were no contingent liabilities or commitments at the current or prior period 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 2009 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £33,506 and £nil respectively (31 December 2008: £71,301 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 K Accumulation Gross shares on which no ACD fee is payable. The aggregate value of these transactions during the period was £(23,724,283) (31 Dec 08: £28,743,512). As at 31 December 2009, the entity held 3,665,532 shares in the fund with a market value of £1,981,220 (31 Dec 08: 50,043,489 shares market value of £24,117,737

All dealing in the investment portfolio of the Fund was carried out through UBS Global Asset Management (UK) Ltd. During the period 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 5 and 6.

(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

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 09				
Australian Dollar	178,212	-	-	178,212
Canadian Dollar	2,173	-	2,381,294	2,383,467
Czech Koruna	331	-	-	331
Euro	897,731	338,625	5,000,302	6,236,658
Japanese Yen	(175,711)	-	2,889,570	2,713,859
New Zealand Dollar	(142,283)	-	513,820	371,537
Norwegian Krona	-	-	2,935,754	2,935,754
Polish Zloty	2,269	-	-	2,269
Singapore Dollar	1,118	-	-	1,118
South African Rand	321	-	-	321
Sterling	1,458,281	58,589,911	13,595,891	73,644,083
Swedish Krona	389	-	8,691,089	8,691,478
Swiss Francs	-	-	473,431	473,431
US Dollar	399,081	492,091	10,715,406	11,606,578
	£2,621,912	£59,420,627	£47,196,557	£109,239,096

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 08				
Australian Dollar	454	-	5,996,089	5,996,543
Canadian Dollar	2,079	-	3,960,782	3,962,861
Czech Koruna	293	-	4,777,242	4,777,535
Euro	3,292,454	974,974	15,005,545	19,272,973
Indian Rupee	-	-	1,026,507	1,026,507
Japanese Yen	125,810	-	18,497,448	18,623,258
Kuwaiti Dinar	-	-	10,419,764	10,419,764
Latvian Lats	-	-	3,337,403	3,337,403
Malaysian Ringitt	-	-	506,354	506,354
Mexican Peso	-	-	1,386,191	1,386,191
New Zealand Dollar	334,659	-	7,272,531	7,607,190
Norwegian Krona	-	-	4,127,236	4,127,236
Philippine Peso	-	-	305,712	305,712
Polish Zloty	58,465	-	247,894	306,359
Saudi Arabian Riyal	-	-	2,740,909	2,740,909
Singapore Dollar	1,225	-	412,757	413,982
Sterling	17,824,970	68,072,729	52,049,388	137,947,087
Swedish Krona	395	-	9,162,987	9,163,382
Swiss Francs	-	-	4,051,575	4,051,575
Taiwanese Dollar	-	-	514,691	514,691
Thai Bhat	-	-	732,733	732,733
Turkish Lira	1,283,470	-	580,095	1,863,565
United Arab Emirates Dirham	-	-	21,221,650	21,221,650
US Dollar	6,798,293	880,365	43,134,158	50,812,816
	£29,722,567	£69,928,068	£211,467,641	£311,118,276

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 09			
Canadian Dollar	-	2,381,294	2,381,294
Euro	-	11,717,962	11,717,962
Japanese Yen	-	2,650,922	2,650,922
New Zealand Dollar	-	143,710	143,710
Norwegian Krona	-	326,552	326,552
Sterling	-	11,659,686	11,659,686
Swedish Krona	-	4,270,490	4,270,490
Swiss Francs	-	5,569,101	5,569,101
US Dollar	-	7,676,269	7,676,269
	-	£46,395,986	£46,395,986
31 Dec 08			
Australian Dollar	-	1,209,886	1,209,886
Canadian Dollar	-	3,960,781	3,960,781
Czech Krona	-	6,581,301	6,581,301
Euro	-	18,878,135	18,878,135
Indian Rupee	-	677,022	677,022
Japanese Yen	-	18,687,256	18,687,256
Kuwaiti Dinar	-	7,125,077	7,125,077
Latvian Lats	-	8,292,321	8,292,321
Malaysian Ringgit	-	953,855	953,855
New Zealand Dollar	-	10,100,741	10,100,741
Norwegian Krona	-	480,766	480,766

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
Philippine Peso	-	3,921,597	3,921,597
Polish Zloty	-	14,347	14,347
Saudi Arabian Riyal	-	2,740,909	2,740,909
Singapore Dollar	-	2,367,920	2,367,920
Swedish Krona	-	1,702,778	1,702,778
Swiss Francs	-	2,329,935	2,329,935
South African Rand	-	177,980	177,980
Sterling	-	45,374,330	45,374,330
Taiwan Dollar	-	785,585	785,585
Thailand Baht	-	2,598,807	2,598,807
Turkish Lira	-	1,820,503	1,820,503
United Arab Emirates Dirham	-	15,881,679	15,881,679
US Dollar	-	61,489,361	61,489,361
	-	£218,152,872	£218,152,872

iii) Fixed rate financial assets

Currency	Weighted average interest rate %	Weighted average period for which the rate is fixed in years
31 Dec 09		
Euro	7.09	13.30
Sterling	4.34	27.88
US Dollar	6.24	12.17
31 Dec 08		
Euro	7.17	4.31
Sterling	4.59	29.39
US Dollar	8.65	2.03

(b) Currency exposure

A proportion 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 £
31 Dec 09			
Australian Dollar	178,212	-	178,212
Canadian Dollar	2,173	-	2,173
Czech Koruna	331	-	331
Euro	(6,536,076)	1,054,772	(5,481,304)
Japanese Yen	303,757	(240,820)	62,937
New Zealand Dollar	371,537	(143,710)	227,827
Norwegian Krona	2,609,202	-	2,609,202
Polish Zloty	2,269	-	2,269
Singapore Dollar	1,118	-	1,118
South African Rand	321	-	321
Swedish Krona	4,420,988	-	4,420,988
Swiss Francs	(5,095,670)	-	(5,095,670)
US Dollar	3,520,938	409,371	3,930,309
	(220,900)	1,079,613	858,713
Sterling	2,720,104	59,264,293	61,984,397
	£2,499,204	£60,343,906	£62,843,110

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 08			
Swedish Krona	395	7,460,209	7,460,604
United Arab Emirates Diram	-	5,339,971	5,339,971
Australian Dollar	454	4,786,203	4,786,657
Norwegian Krona	-	3,646,470	3,646,470
Kuwaiti Dinars	-	3,294,688	3,294,688
Swiss Francs	-	1,721,640	1,721,640
Mexican Peso	-	1,386,191	1,386,191
Euro	682,089	(287,251)	394,838
Indian Rupee	-	349,484	349,484
Polish Zloty	58,465	233,547	292,012
Turkish Lira	-	43,064	43,064
Canadian Dollar	2,079	-	2,079
Japanese Yen	125,810	(189,808)	(63,998)
South African Rand	-	(177,980)	(177,980)
Taiwanese Dollar	-	(270,894)	(270,894)
Malaysian Ringitt	-	(447,501)	(447,501)
Czech Koruna	293	(1,804,059)	(1,803,766)
Thai Bhat	-	(1,866,074)	(1,866,074)
Singapore Dollar	1,225	(1,955,163)	(1,953,938)
New Zealand Dollar	334,659	(2,828,210)	(2,493,551)
Philippine Peso	-	(3,615,885)	(3,615,885)

Currency	Monetary exposures £	Non- monetary exposures £	Total £
Latvian Lats	-	(4,954,918)	(4,954,918)
US Dollar	3,750,691	(14,427,236)	(10,676,545)
	4,956,160	(4,563,512)	392,648
Sterling	4,367,101	88,205,655	92,572,756
	£9,323,261	£83,642,143	£92,965,404

(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 period of time in all but a given percentage of circumstances. As at 31 December 2009, the Fund's VaR is 9.75%. This means that per the statistical analysis there is a 99% probability that, over a month, the maximum loss the Fund could suffer is 9.75% of its value.

Further information on risks can be found in the Risk Profile on pages 5 and 6.

14. Portfolio transaction costs

Analysis of total purchase costs	£	31 Dec 09 £	£	31 Dec 08 £
Purchases in year before transaction costs		169,115,125		102,808,840
Commissions & taxes	-		-	
Total purchase costs		-		-
Gross purchase total		£169,115,125		£102,808,840

Analysis of total sale costs	£	31 Dec 09 £	£	31 Dec 08 £
Gross sales in year before transaction costs		197,027,941		67,323,544
Commissions & taxes	-		-	
Total sale costs		-		-
Total sales net of transaction costs		£197,027,941		£67,323,544

Distribution table**For the year from 1 January 2009 to 31 December 2009 (in pence per share)**

Final interest distribution

Group 1: Shares purchased prior to 1 October 2009

Group 2: Shares purchased between 1 October 2009 and 31 December 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 11) (p)	Distribution paid 28/02/10 (p)	Distribution paid 28/02/09 (p)
Class J - Accumulation Gross						
Group 1	15.610000	-	15.610000	-	15.610000	12.890000
Group 2	0.000000	-	0.000000	15.610000	15.610000	12.890000
Class K - Accumulation Gross						
Group 1	0.760000	-	0.760000	-	0.760000	0.620000
Group 2	0.480262	-	0.480262	0.279738	0.760000	0.620000

Third quarter interest distribution

Group 1: Shares purchased prior to 1 July 2009

Group 2: Shares purchased between 1 July 2009 and 30 September 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 11) (p)	Distribution paid 30/11/09 (p)	Distribution paid 30/11/08 (p)
Class J - Accumulation Gross						
Group 1	13.400000	-	13.400000	-	13.400000	10.580000
Group 2	6.427819	-	6.427819	6.972181	13.400000	10.580000
Class K - Accumulation Gross						
Group 1	0.630000	-	0.630000	-	0.630000	0.480000
Group 2	0.630000	-	0.630000	0.000000	0.630000	0.480000

Second quarter interest distribution

Group 1: Shares purchased prior to 1 April 2009

Group 2: Shares purchased between 1 April 2009 and 30 June 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 11) (p)	Distribution paid 31/08/09 (p)	Distribution paid 31/08/08 (p)
Class J - Accumulation Gross						
Group 1	10.380000	-	10.380000	-	10.380000	7.570000
Group 2	9.265838	-	9.265838	1.114162	10.380000	7.570000
Class K - Accumulation Gross						
Group 1	0.680000	-	0.680000	-	0.680000	0.920000
Group 2	0.680000	-	0.680000	0.000000	0.680000	0.920000

First quarter interest distribution

Group 1: Shares purchased prior to 1 January 2009

Group 2: Shares purchased between 1 January 2009 and 31 March 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 11) (p)	Distribution paid 31/05/09 (p)	Distribution paid 31/05/08 (p)
Class J - Accumulation Gross						
Group 1	21.800000	-	21.800000	-	21.800000	15.940000
Group 2	21.800000	-	21.800000	0.000000	21.800000	15.940000
Class K - Accumulation Gross						
Group 1	0.840000	-	0.840000	-	0.840000	0.540000
Group 2	0.840000	-	0.840000	0.000000	0.840000	0.540000

Gross shareholders receive a distribution without the deduction of income tax

UBS Managed Fund

Manager's report

Notice of Fund wind up

The UBS Managed Fund commenced termination on 23 November 2007. Termination will be completed once all assets and liabilities have been settled.

Percentage growth

	31/12/06 to termination %	31/12/05 to 31/12/06 %	31/12/04 to 31/12/05 %
UBS Managed Fund	-4.54	9.81	16.90

Source: Lipper Hindsight. Figures are shown to the termination date – 23 November 2007.

UBS Global Asset Management Funds Ltd
27 April 2010

Performance record

1. Fund size

Accounting year 31 December		Number of shares in Issue	Total net asset value per share (p)*	Total net asset value (£)
2007	Class A - Accumulation	-	-	2,967
	Class B - Accumulation	-	-	212,197
	Class J - Income	-	-	6,328
				£221,492
2008	Class A - Accumulation	-	-	3,239
	Class B - Accumulation	-	-	231,666
	Class J - Income	-	-	6,908
				£241,813
2009	Class A - Accumulation	-	-	3,530
	Class B - Accumulation	-	-	252,449
	Class J - Income	-	-	7,528
				£263,506

* rounded to one decimal place.

2. Share dealing price range and distribution record

The Fund was launched on 28 June 2002 at a price of 50p for Accumulation A and B shares, and on 10 November 2006 at a price of 50p for Income J shares.

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class A - Accumulation			
2003	51.10	38.28	0.82
2004	55.77	49.60	0.87
2005	65.36	55.40	1.05
2006	71.62	63.11	1.17
2007 to 23 November	75.57	68.26	1.24
Class B - Accumulation			
2003	51.69	38.50	1.18
2004	56.78	50.39	1.20
2005	66.90	56.51	1.39
2006	73.72	64.75	1.56
2007 to 23 November	77.95	70.49	1.62
Class J – Income			
2006 *	51.12	49.20	0.13
2007 to 23 November	54.09	48.09	1.46

* covers the period from 10 November 2006 to 31 December 2006.

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

Statement of total return

for the year 1 January 2009 to 31 December 2009

			31 Dec 09	31 Dec 08
	Notes	£	£	£
Income				
Net capital gains	2		26,447	2,172
Revenue	3	2,307		28,044
Expenses	4	(7,061)		(9,723)
Net revenue before taxation		(4,754)		18,321
Taxation	5	-		(172)
Net revenue after taxation			(4,754)	18,149
Total return before distributions			21,693	20,321
Finance costs: Distributions	6		-	-
Change in net assets attributable to shareholders from investment activities			£21,693	£20,321

Statement of change in shareholders' net assets

for the year 1 January 2009 to 31 December 2009

		31 Dec 09	31 Dec 08
	£	£	£
Net assets at the start of the year		241,813	221,492
<i>Movement due to sales and repurchases of shares</i>			
Amounts receivable on issue of shares	-		-
Less: Amounts payable on cancellation of shares	-		-
		-	-
Change in net assets attributable to shareholders (see statement of total return)		21,693	20,321
Net assets at the end of the year		£263,506	£241,813

Portfolio statement

as at 31 December 2009

	Market value £	Percentage of total net assets %
Investment assets	-	-
Net other assets	263,506	100.00
Net assets	£263,506	100.00

There are no holdings to disclose due to the Fund termination

Balance sheet

as at 31 December 2009

	Notes	As at 31 Dec 09 £	As at 31 Dec 08 £
ASSETS			
Investment assets		-	-
Debtors	7	61,833	53,163
Cash and bank balances		340,903	334,424
Total other assets		402,736	387,587
Total assets		402,736	387,587
LIABILITIES			
Creditors	8	139,230	145,774
Total liabilities		139,230	145,774
Net assets attributable to shareholders		£263,506	£241,813

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 12 and 13.

The accounts for this Fund are prepared on a break-up basis.

2. Net capital gains

Net gains on investments during the year comprise:

	31 Dec 09 £	31 Dec 08 £
Currency gains/(losses)	26,094	(1,196)
Non-derivative securities	455	4,211
Transaction charges	(102)	(843)
Net gains on investments	£26,447	£2,172

3. Revenue

	31 Dec 09 £	31 Dec 08 £
Bank interest	2,307	29,596
Overseas dividends	-	(2,414)
UK dividends	-	862
	£2,307	£28,044

4. Expenses

	31 Dec 09 £	31 Dec 08 £
<i>Payable to the Authorised Corporate Director, associates of the Authorised Corporate Director and agents of either of them:</i>		
Registration fees	-	(883)
	-	(883)
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	-	580
	-	580
<i>Payable to other related parties and third parties:</i>		
Audit fees	7,475	7,638
Safe custody fees	-	323
Taxation fees	(414)	2,065
	7,061	10,026
	£7,061	£9,723

5. Taxation

(a) Analysis of tax charge

	31 Dec 09	31 Dec 08
	£	£
Corporation tax	-	6,786
Double tax relief	-	(2,813)
Overseas tax suffered	-	1,162
Total current tax for the year (5.b)	-	5,135
Deferred tax	-	(4,963)
Total tax charge for the year	-	£172

(b) Factors affecting current tax charge for the year

The tax charged for the year is different to the special 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 08: 20%).

The differences are explained below:

	31 Dec 09	31 Dec 08
	£	£
Net (expense)/revenue before taxation	(4,754)	18,321
Corporation tax at 20%	(951)	3,663
<i>Effects of:</i>		
Dividends not subject to corporation tax	-	(172)
Double tax relief	-	(2,813)
Overseas tax suffered	-	1,162
Movement in income accruals taxable on receipt	951	6,842
Stock dividends not taxable	-	(3,547)
	-	1,472
Current tax charge for the year (5.a)	-	£5,135

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 distribution takes account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	31 Dec 09	31 Dec 08
	£	£
Net distribution	-	-
Interest	-	-
Total finance costs	-	-
Net revenue after taxation	(4,754)	18,149
Add: Revenue brought forward	143,358	125,209
Deduct: Revenue carried forward	(138,604)	(143,358)
Net distribution as above	-	-

7. Debtors

	As at 31 Dec 09	As at 31 Dec 08
	£	£
Overseas tax recoverable	61,833	53,163
	£61,833	£53,163

8. Creditors

	As at 31 Dec 09	As at 31 Dec 08
	£	£
Corporation tax payable	64,051	68,026
Expense accruals	7,638	10,207
Payable to UBS Global Allocation Fund (UK)	67,541	67,541
	£139,230	£145,774

9. Deferred tax

The deferred tax provision is made up as follows:

	As at 31 Dec 09 £	As at 31 Dec 08 £
Accrued revenue taxable on receipt	-	34,213
Double tax relief on accrued dividends	-	(34,213)
	-	-
Provision at the start of the year	-	4,963
Charge	-	(4,963)
Provision at the end of the year	-	-

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 tables 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 2009 there were no commitments or contingent liabilities 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 2009 there were no amounts included in creditors in respect of management fees and registration fees due to the ACD (31 Dec 08: nil and nil).

UBS Managed Fund merged into UBS Global Allocation Fund (UK) on 23 November 2007. The remaining balances on the UBS Managed Fund, the net value of which at 31 December 2009 were £263,506 (31 Dec 08: £241,813), are in the process of being settled and will be transferred into the ongoing Fund.

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 Shareholders' Net Assets.

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

All dealing in the investment portfolio of the Fund was carried out through UBS Global Asset Management (UK) Ltd. During the period no dealing commission was paid to UBS Global Asset Management (UK) 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 5 and 6.

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

The interest rate risk profile of the Fund's financial net assets and liabilities at the year 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 £
31 Dec 09				
Euro	76,244	-	649	76,893
Norwegian Krona	-	-	15,508	15,508
Sterling	254,769	-	-	254,769
Swiss Franc	-	-	45,676	45,676
US Dollar	9,890	-	-	9,890
	£340,903	-	£61,833	£402,736
31 Dec 08				
Australian Dollar	6,233	-	-	6,233
Canadian Dollar	26	-	-	26
Danish Krona	1	-	-	1
Euro	60,104	-	12,037	72,141
Hong Kong Dollar	827	-	-	827
Norwegian Krona	-	-	9,729	9,729
Singapore Dollar	30	-	-	30
Sterling	258,214	-	-	258,214
Swedish Krona	755	-	-	755
Swiss Franc	50	-	31,397	31,447
US Dollar	8,184	-	-	8,184
	£334,424	-	£53,163	£387,587

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 09			
Sterling	-	139,230	139,230
	-	£139,230	£139,230
31 Dec 08			
Sterling	-	145,774	145,774
	-	£145,774	£145,774

(b) Currency exposure

A substantial proportion 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 £
31 Dec 09			
Euro	76,244	649	76,893
Swiss Franc	-	45,676	45,676
Norwegian Krona	-	15,508	15,508
US Dollar	9,890	-	9,890
	86,134	61,833	147,967
Sterling	254,769	(139,230)	115,539
	£340,903	(£77,397)	£263,506
31 Dec 08			
Euro	60,104	12,037	72,141
Swiss Franc	50	31,397	31,447
Norwegian Krona	-	9,729	9,729
US Dollar	8,184	-	8,184
Australian Dollar	6,233	-	6,233
Swedish Krona	755	-	755
Hong Kong Dollar	827	-	827
Canadian Dollar	26	-	26
Singapore Dollar	30	-	30
Danish Krona	1	-	1
	76,210	53,163	129,373
Sterling	258,214	(145,774)	112,440
	£334,424	(£92,611)	£241,813

(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.

UBS Medium Term Fixed Interest Fund

Manager's report

Investment objective and policy

The Fund invests in a portfolio consisting primarily of gilts, money market instruments and other debt securities. The primary objective of the Fund is to limit the risk of overall loss to an investor over the short to medium term. Subject to this, the Fund will aim to maximise returns relative to the Barclays Capital 1 to 5 Year Gilt Index over time. 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

Despite the stabilisation in economic data, improving sentiment and a rally in risk assets, the yields on global government bonds fell marginally over the period under review. Government bonds were supported by policy makers' vocal commitment to maintaining the current low levels of interest rates. In addition, a number of central banks continued to implement quantitative easing programmes.

The third quarter of 2009 brought confirmation that the worst of the downturn may have passed as signs of stabilisation in economic data increased. In some cases data suggested that a recovery in global economic activity, albeit gradual, was already be under way. The better news led market participants to upgrade their forecast for near term future economic growth, including the IMF, which revised up its global growth forecast for 2010 to 3.0% from 2.5%.

Whereas the third quarter had been more positive, the final quarter of 2009 saw more of a muted performance from bond markets. In particular, better than expected economic data and concerns over ballooning fiscal deficits put pressure on some of the major sovereign bond markets late on in the quarter.

Fund Performance

The UBS Medium Term Fixed Interest Fund posted positive performance of 2.3% during the period under review compared to the 3.21% delivered by the Barclays 1-5 year GILT Index.

The actions of policymakers responding to the global financial crisis had a significant impact on bond markets during the first half of the period under review. In addition to reducing the bank rate from 2% to just 0.5%, the Bank of England announced plans to achieve quantitative easing through the purchase of up to £150bn of government and high quality corporate bonds. At the Monetary Policy Committee meeting in March 2009, it was agreed that initially £75bn of mostly government securities with maturities of between 5 and 25 years would be purchased over the following three months.

In credit markets, the performance of corporate bonds continued to be very weak at the start of the year, due to the government's decision to convert its holdings of high coupon preference shares in RBS into equity, which raised concerns of outright nationalisation. However, towards the end of the first quarter, sentiment towards bank debt improved somewhat as banks sought to buy back some of their subordinated debt at prices above the distressed levels reached in early March. In addition, the market for higher quality non-financial corporate bonds saw a surge in issuance during the first quarter, which was met with strong investor demand. Therefore, over the second quarter, corporate bond markets staged a significant recovery.

At the end of the reporting period investments continue to be held in UK Government bonds, AAA rated supranational bonds, floating rate notes issued by financial institutions and AAA rated UK residential and commercial mortgage backed securities.

Outlook

There are clear signs that some policy measures are having the desired effect; short term funding market conditions have clearly improved throughout 2009, signs of financial stress have fallen and issuance of non-financial corporate bonds improved towards the end of the period under review. However, while credit spreads have fallen substantially from their highs, they remain wide by historical standards. The rate of economic growth may have reversed from negative to positive and while the speed of the slowdown has been great, unemployment remains a threat and public finances will need time, especially in a number of developed economies to return to a more positive position.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2009, based on A shares.

Percentage growth

	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	31/12/06 to 31/12/07 %	31/12/05 to 31/12/06 %	31/12/04 to 31/12/05 %
Class A – Accumulation					
Net Shares	2.30	6.62	4.91	1.05	3.05

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 Accumulation Net Shares: 20 January 2003.

UBS Global Asset Management Funds Ltd
27 April 2010

Performance record**1. Fund size**

Accounting year 31 December		Number of shares in issue	Total net asset value per share (p)*	Total net asset value (£)
2007	Class A - Accumulation	10,945,958	56.6	6,199,183
				£6,199,183
2008	Class A - Accumulation	8,749,234	60.3	5,277,175
				£5,277,175
2009	Class A - Accumulation	6,459,535	61.7	3,987,833
				£3,987,833

* rounded to one decimal place.

2. Total expense ratio

The total expense ratio (TER) below is calculated using the most recent audited results and as described in the Financial Services Authority's Collective Investment Schemes Sourcebook 4 Annex 1 R.

Share class	31 Dec 09 (%)	31 Dec 08 (%)
Class A - Accumulation	1.23	1.28

3. Portfolio turnover rate

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the year.

	31 Dec 09 (%)	31 Dec 08 (%)
	102.76	59.07

4. Share dealing price range and distribution record

The Fund was launched on 20 January 2003 at a price of 50p for Class A Accumulation shares.

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class A - Accumulation			
2005	53.43	51.58	1.86
2006	54.12	53.34	2.01
2007	56.64	53.84	1.81
2008	60.39	55.78	2.03
2009	62.24	60.17	1.62

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**As at 31 December 2009**

		Market value £	Percentage of total net assets %
	Holding		
Bonds - 96.28% (31 Dec 08: 97.93%)			
Floating Rate Notes - 3.05% (31 Dec 08: 5.18%)			
Bank of Scotland FRN 2011	£75,000	72,133	1.81
Citigroup FRN 2010	£50,000	49,422	1.24
Mortgage & Asset Backed Securities - 6.52% (31 Dec 08: 7.40%)			
Epic 'A' FRN 2017	£98,537	71,987	1.80
Fleet Street Financial FRN 2014	£14,275	11,420	0.29
Granite Master 'A8' FRN 2054	£69,326	61,286	1.54
Paragon FRN 2034	£41,279	31,372	0.79
REC Retail Parks FRN 2014	£31,250	23,957	0.60
Tahiti Finance 'A' FRN 2015	£92,249	59,962	1.50
Ordinary Fixed Interest - 11.34% (31 Dec 08: 16.96%)			
Bank of Scotland 4.625% 2011	£100,000	104,949	2.63
European Investment Bank 4.50% 2013	£120,000	126,825	3.18
Network Rail Infrastructure Finance 4.875% 2012	£110,000	116,637	2.92
Royal Bank of Scotland 4.125% 2011	£100,000	104,108	2.61
UK Gilts - 75.37% (31 Dec 08: 68.39%)			
Treasury 2.75% 2015	£280,000	275,912	6.92
Treasury 2.25% 2014	£780,000	767,988	19.26
Treasury 4.25% 2011	£80,000	83,224	2.09
Treasury 4.5% 2013	£720,000	770,112	19.31
Treasury 5% 2012	£210,000	225,435	5.65
Treasury 5% 2014	£85,000	93,194	2.34
Treasury 5.25% 2012	£265,000	286,624	7.19

		Market value £	Percentage of total net assets %
	Holding		
Treasury 6.25% 2010	£95,000	99,797	2.50
Treasury 8% 2013	£335,000	402,972	10.11
Investment assets		3,839,316	96.28
Net other assets		148,517	3.72
Net assets		£3,987,833	100.00

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

As at 31 December 2009, 97.6% of the debt securities were rated as investment grade and 2.4% were unrated.

Portfolio movements**For the year from 1 January 2009 to 31 December 2009**

	Cost £
Major purchases	
Treasury 2.25% 2014	755,445
Treasury 4.5% 2013	584,231
Treasury 0% 2015	400,266
Treasury 5% 2014	350,666
Treasury 5% 2012	320,919
Bank of Scotland 4.625% 2011	105,370
Royal Bank of Scotland 4.125% 2011	104,352
Treasury 3.25% 2011	103,903
Treasury 5.25% 2012	82,305
Permanent Financing No.3 'A2' FRN 2033	50,000
Total for the year (Note 14)	£2,857,457

Major purchases and sales are the twenty largest.

	Proceeds £
Major sales	
Treasury 5% 2014	1,337,345
Treasury 4.75% 2010	507,748
Treasury 8% 2013	242,682
Treasury 4.5% 2013	225,618
Network Rail Infrastructure Finance 4.875% 2012	212,978
Treasury 4.25% 2011	210,092
Asian Development Bank 4.5% 2011	209,057
Treasury 5% 2012	177,436
Treasury 5.75% 2009	168,587
Permanent Financing No.3 'A2' FRN 2033	150,000
Kreditanstalt für Wiederaufbau 5.25% 2012	133,915
Treasury 0% 2015	123,925
Bank of Scotland FRN 2011	116,250
Euro Investment Bank 4.50% 2013	106,147
Treasury 3.25% 2011	103,629
Treasury 6.25% 2010	74,639
Citigroup FRN 2010	49,287
Granite Master 'A8' FRN 2054	19,697
REC Retail Parks FRN 2014	18,750
Paragon Mortgages No.7 FRN 2034	1,303
Total for the year (Note 14)	£4,190,390

Statement of total return**For the year from 1 January 2009 to 31 December 2009**

		31 Dec 09		31 Dec 08	
	Notes	£	£	£	£
Income					
Net capital gains	2		37,827		185,209
Revenue	3	182,910		277,864	
Expenses	4	(62,648)		(75,643)	
Finance costs: Interest	6	(11)		(37)	
Net revenue before taxation		120,251		202,184	
Taxation	5	-		-	
Net revenue after taxation			120,251		202,184
Total return before distributions			158,078		387,393
Finance costs: Distributions	6		(171,277)		(260,752)
Change in net assets attributable to shareholders from investment activities			£(13,199)		£126,641

Statement of change in net assets attributable to shareholders**For the year from 1 January 2009 to 31 December 2009**

	31 Dec 09		31 Dec 08	
	£	£	£	£
Opening net assets attributable to shareholders		5,277,175		6,199,183
Amounts receivable on issue of shares	204,958		245,698	
Amounts payable on cancellation of shares	(1,606,971)		(1,491,943)	
		(1,402,013)		(1,246,245)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		(13,199)		126,641
Dilution levy charged		-		850
Retained distribution on accumulation shares		125,870		196,746
Closing net assets attributable to shareholders		£3,987,833		£5,277,175

Balance sheet**As at 31 December 2009**

	Notes	As at 31 Dec 09 £	As at 31 Dec 08 £
ASSETS			
Investment assets		3,839,316	5,167,739
Debtors	7	42,731	78,556
Cash and bank balances	8	143,890	75,692
Total other assets		186,621	154,248
Total assets		4,025,937	5,321,987
LIABILITIES			
Creditors	9	38,104	44,812
Total liabilities		38,104	44,812
Net assets attributable to shareholders		£3,987,833	£5,277,175

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

Accounting policies of the Fund are as set out on pages 12 and 13.

2. Net capital gains

	31 Dec 09	31 Dec 08
	£	£
Non-derivative securities	38,288	185,690
Transaction charges	(461)	(481)
Net capital gains	£37,827	£185,209

3. Revenue

	31 Dec 09	31 Dec 08
	£	£
Bank interest	558	10,036
Interest on debt securities	182,352	267,828
	£182,910	£277,864

4. Expenses

	31 Dec 09	31 Dec 08
	£	£
<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	51,004	59,081
Registration fees	3,571	4,122
	54,575	63,203
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	585	756
	585	756
<i>Payable to other related parties and third parties:</i>		
Audit fees	7,874	8,813
FSA fees	-	(70)
Safe custody fees	214	203
Taxation fees	(600)	2,738
	7,488	11,684
	£62,648	£75,643

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 different to the special 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 08: 20%).

The differences are explained below:

	31 Dec 09 £	31 Dec 08 £
Net revenue before taxation	120,251	202,184
Corporation tax at 20%	24,050	40,436
<i>Effects of:</i>		
Allowable expenses charged to capital	10,205	11,817
Interest distributions	(34,255)	(52,253)
	(24,050)	(40,436)
Total tax charge (5.a)	-	-

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 revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	31 Dec 09 £	31 Dec 08 £
Interim	96,601	130,762
Final	64,581	118,237
	161,182	248,999
Add: Revenue deducted on cancellation of shares	11,319	14,075
Deduct: Revenue received on issue of shares	(1,224)	(2,322)
Net distributions	171,277	260,752
Interest	11	37
Total finance costs	£171,288	£260,789
Net revenue after taxation	120,251	202,184
Add: Expenses charged to capital	51,004	59,081
Add: Revenue brought forward	600	87
Deduct: Revenue carried forward	(578)	(600)
Net distributions as above	£171,277	£260,752

Details of the distribution per share are set out in the table on page 248.

7. Debtors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Accrued revenue	42,731	78,556
	£42,731	£78,556

8. Cash & bank balances

	As at 31 Dec 09 £	As at 31 Dec 08 £
Cash and bank balances	143,890	75,692
	£143,890	£75,692

9. Creditors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts payable on cancellation of shares	10,291	-
Expense accruals	12,353	20,258
Income tax payable	15,460	24,554
	£38,104	£44,812

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 tables 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 2009 there were no contingent liabilities and commitments at the current or prior period 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 2009 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £3,415 and £240 respectively (31 Dec 08: £8,650 and £606).

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 period 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 5 and 6.

(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

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 09				
Sterling	525,429	3,457,777	42,731	4,025,937
	£525,429	£3,457,777	£42,731	£4,025,937
31 Dec 08				
Sterling	739,909	4,503,522	78,556	5,321,987
	£739,909	£4,503,522	£78,556	£5,321,987

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 09			
Sterling	-	38,104	38,104
	-	£38,104	£38,104
31 Dec 08			
Sterling	-	44,812	44,812
	-	£44,812	£44,812

iii) Financial rate financial assets

Currency	Weighted average interest rate %	Weighted average period for which the rate is fixed in years
31 Dec 09		
Sterling	2.22	3.30
31 Dec 08		
Sterling	4.54	3.96

(b) Currency exposure

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

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

Analysis of total purchase costs	£	31 Dec 09 £	£	31 Dec 08 £
Purchases in year before transaction costs		2,857,457		2,203,467
Commissions & taxes	-		-	
Total purchase costs		-		-
Gross purchase total		£2,857,457		£2,203,467

Analysis of total sale costs	£	31 Dec 09 £	£	31 Dec 08 £
Gross sales in year before transaction costs		4,190,390		3,023,815
Commissions & taxes	-		-	
Total sale costs		-		-
Total sales net of transaction costs		£4,190,390		£3,023,815

15. Post Balance Sheet Event – termination of Funds

The UBS Medium Term Fixed Interest Fund was terminated on 10 February 2010 following FSA approval.

Distribution table**For the year from 1 January 2009 to 31 December 2009 (in pence per share)**

Final interest distribution

Group 1: Shares purchased prior to 1 July 2009

Group 2: Shares purchased between 1 July 2009 and 31 December 2009

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 28/02/10 (p)	<i>Distribution paid 28/02/09 (p)</i>
Class A - Accumulation						
Group 1	0.937500	0.187500	0.750000	-	0.750000	1.060000
Group 2	0.585486	0.117097	0.468389	0.281611	0.750000	1.060000

Interim interest distribution

Group 1: Shares purchased prior to 1 January 2009

Group 2: Shares purchased between 1 January 2009 and 30 June 2009

	Gross revenue (p)	Income Tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/09 (p)	<i>Distribution paid 31/08/08 (p)</i>
Class A - Accumulation						
Group 1	1.08750	0.217500	0.870000	-	0.870000	0.970000
Group 2	0.52652	0.105306	0.421223	0.448777	0.870000	0.970000

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

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 FSA rules.

Market environment

Although the UK economy remained in recession throughout the course of 2009, the rate of the decline eased throughout the year. Negative news had already been priced into most valuations by the market and they benefited from positive signs ahead, as debate became more focussed on how sustainable the recovery would be and the 'shape' it would take, towards the end of the year.

The Bank of England dropped the base rate to an all time low of 0.5% in March 2009, and it stayed at this level for the remainder of the year. Feedback from service and manufacturing surveys¹ improved over the year and unemployment appeared to hit its peak. The high unemployment figure also meant that inflationary wage pressure was kept in check. Household consumption increased marginally over the third quarter of 2009 and both retail sales and confidence continued to improve.

In the housing market, month-on-month price rises also provided stimulus to the recovery which was partly reflected in the brisk acceleration in the headline CPI rate of inflation, while the core measure continued on its gentle upward trend.

Fund performance

During the period under review the Fund achieved performance of +14.5%*, underperforming the Fund's benchmark, the FTSE All-Share Index, which rose by 30.1%, with both figures in Sterling terms.

During the period under review the largest stock contributor to performance on a relative basis was the Fund's holding in Debenhams. The Fund had a zero weighting in the company by 31 December 2009, as the manager locked in gains, with the share price rising by more than 225% during the year.

The timing of trades proved beneficial to the Fund's position in HSBC. The Fund benefited from a material holding in the stock earlier in the year but the decision to hold

an underweight position to the stock proved positive, as negative sentiment affected the banking sector as a whole during the fourth quarter of 2009.

Elsewhere, an ultimate overweight position to Randgold Resources proved beneficial, as the company share price rose by more than 70% over the year and by more than 30% in December, with both figures in Sterling terms.

Detractors from relative performance included limited exposure to Rio Tinto, the diversified multi-national mining stock, with a zero weight to the stock throughout the fourth quarter. The company represents more than 3% of the Fund's index and its share price rose by more than 27% over this period and by more than 180% over the year as a whole. As above, all performance figures are in Sterling terms.

The timing of trades in Prudential, in which the Fund now has a neutral weight, was the second largest detractor to performance during the period under review. The share price rose by more than 60%, in Sterling terms, over the year and we remain convinced that the company remains one of the most attractive franchises in European life insurance.

Elsewhere, the timing of trades in BT Group, and an overweight to BAE Systems also proved detrimental.

At a sector level, stock selection within Real Estate was highly beneficial but detrimental in Insurance and Industrial Goods and Services.

Outlook

Following the dramatic rally since March 2009 we expect the market to be more discerning in judging individual company prospects during 2010.

We continue to favour 'Mega-caps' which offer tremendous absolute, as well as relative, value with high and sustainable dividend yields. In addition, we will continue to hold a selective number of cyclical companies, as valuations remain attractive.

One positive factor for the year ahead, is the likely uplift in Merger and Acquisition activity. Indeed financing conditions in the UK are currently at their most favourable levels since 2006-2007. Therefore, although we expect a challenging environment ahead, with possible setbacks along the way, we believe UK equities still continue to offer reasonable value.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2009, based on A income shares.

Percentage growth

	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	Launch to 31/12/07 %
Class A – Accumulation Shares	15.65	-29.90	0.46
Class A – Income Shares	14.47	-28.97	0.48
Class B – Accumulation Shares	16.15	-29.46	0.94
Class B – Income Shares	15.00	-28.43	0.96

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 and Class A and B Income Shares: 31 March 2007.

UBS Global Asset Management Funds Ltd
27 April 2010

Performance record**1. Fund size**

Accounting year 31 December		Number of shares in issue	Total net asset value per share (p)*	Total net asset value (£)
2007	Class A - Accumulation	18,863,721	50.1	9,456,152
	Class A - Income	4,717,256	48.6	2,294,428
	Class B - Accumulation	500,181	50.4	251,930
	Class B - Income	7,111,495	48.8	3,470,044
				£15,472,554
2008	Class A - Accumulation	27,679,048	35.1	9,716,281
	Class A - Income	16,229,178	31.9	5,173,862
	Class B - Accumulation	16,661,529	35.5	5,914,176
	Class B - Income	19,335,836	32.2	6,223,944
				£27,028,263
2009	Class A - Accumulation	29,748,681	40.7	12,107,660
	Class A - Income	21,233,221	34.5	7,320,316
	Class B - Accumulation	23,439,895	41.3	9,690,808
	Class B - Income	49,832,053	35.0	17,426,944
				£46,545,728

* rounded to one decimal place.

2. Total expense ratio

The total expense ratio (TER) below is calculated using the most recent audited results and as described in the Financial Services Authority's Collective Investment Schemes Sourcebook.

Share class	31 Dec 09 (%)	31 Dec 08 (%)
Class A - Accumulation	1.61	1.64
Class A - Income	1.61	1.64
Class B - Accumulation	0.97	1.00
Class B - Income	0.96	1.00

3. Portfolio turnover rate

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the year.

	31 Dec 09 (%)	31 Dec 08 (%)
	461.78	813.67

4. Share dealing price range and distribution record

The Fund was launched on 1 April 2007 at a price of 50p for all share classes.

Calendar Year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class A – Accumulation			
2007 †	53.02	46.24	1.48
2008	50.67	29.01	2.60
2009	41.11	29.94	2.58
Class A – Income			
2007 †	52.73	45.92	1.50
2008	49.25	27.34	2.41
2009	35.88	27.21	2.29
Class B – Accumulation			
2007 †	53.21	46.35	1.53
2008	50.92	29.31	2.59
2009	41.71	30.31	2.63
Class B – Income			
2007 †	52.79	46.03	1.58
2008	49.49	27.61	2.46
2009	36.40	27.51	2.34

† covers the period from launch to 31 December 2007

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

As at 31 December 2009

	Holding	Market value £	Percentage of total net assets %
United Kingdom – 95.82% (31 Dec 08: 94.87%)			
Aerospace & Defence – 1.15% (31 Dec 08: 2.02%)			
BAE Systems	150,000	535,950	1.15
Banks – 12.48% (31 Dec 08: 2.45%)			
Barclays	504,245	1,389,195	2.98
HSBC	315,080	2,233,287	4.80
Lloyds Banking Group	1,872,000	938,808	2.02
Standard Chartered	80,119	1,249,856	2.68
Beverages – 0.00% (31 Dec 08: 1.77%)			
Chemicals – 0.86% (31 Dec 08: 0.96%)			
Croda International	50,000	400,000	0.86
Electronics & Electrical Equipment – 1.01% (31 Dec 08: 0.00%)			
Morgan Crucible	300,000	469,500	1.01
Fixed Line Telecommunications – 3.95% (31 Dec 08: 3.13%)			
BT Group	600,000	809,400	1.74
Cable & Wireless	500,000	706,500	1.52
Virgin Media Finance 9.75% 2014	30,000	321,300	0.69
Food & Drug Retailers – 2.70% (31 Dec 08: 2.32%)			
Tesco	294,050	1,255,594	2.70
Food Producers & Processors – 2.78% (31 Dec 08: 2.08%)			
Unilever	65,000	1,294,800	2.78
Gas, Water & Multiutilities – 5.96% (31 Dec 08: 7.28%)			
National Grid	249,871	1,692,876	3.64
Severn Trent	100,000	1,082,000	2.32

	Holding	Market value £	Percentage of total net assets %
General Financial – 6.55% (31 Dec 08: 1.40%)			
3i Group	200,000	565,200	1.22
Evolution Group	225,947	304,351	0.65
Intermediate Capital Group	150,000	411,000	0.88
Man Group	425,000	1,304,750	2.80
Provident Financial	50,000	464,000	1.00
General Retailers – 1.28% (31 Dec 08: 2.97%)			
Inchcape	2,000,000	597,000	1.28
Health Care Equipment & Services – 0.21% (31 Dec 08: 0.44%)			
Aortech International	68,625	96,075	0.21
Industrial Engineering – 2.25% (31 Dec 08: 2.16%)			
Charter International	70,000	505,400	1.09
Melrose	300,000	539,100	1.16
Insurance – 2.13% (31 Dec 08: 1.53%)			
RSA Insurance Group	825,000	992,475	2.13
Life Insurance – 2.23% (31 Dec 08: 6.35%)			
Aviva	150,000	594,000	1.28
Prudential	70,000	444,150	0.95
Media – 0.00% (31 Dec 08: 2.28%)			
Mining – 6.22% (31 Dec 08: 0.71%)			
Anglo American	45,000	1,219,050	2.62
Randgold Resources	10,000	499,000	1.07
Xstrata	105,000	1,177,050	2.53

	Holding	Market value £	Percentage of total net assets %
Mobile Telecommunications – 6.16% (31 Dec 08: 7.56%)			
Vodafone Group	2,000,000	2,868,000	6.16
Non-Life Insurance – 0.94% (31 Dec 08: 1.22%)			
Admiral Group	36,959	437,225	0.94
Oil & Gas Producers – 15.35% (31 Dec 08: 16.05%)			
BP	596,083	3,576,498	7.68
Royal Dutch Shell 'B'	197,106	3,569,590	7.67
Oil Equipment, Services & Distribution – 0.85% (31 Dec 08: 0.00%)			
AMEC	50,000	395,500	0.85
Pharmaceuticals & Biotechnology – 7.10% (31 Dec 08: 11.76%)			
GlaxoSmithKline	250,192	3,300,032	7.10
Real Estate – 2.75% (31 Dec 08: 0.00%)			
Safestore	400,000	642,000	1.38
Songbird Estate	400,000	637,000	1.37
Software & Computer Services – 1.20% (31 Dec 08: 0.00%)			
Invensys	187,660	559,039	1.20
Speciality & Other Finance – 1.09% (31 Dec 08: 1.92%)			
3i Infrastructure	501,358	509,380	1.09
Support Services – 2.03% (31 Dec 08: 2.45%)			
Electrocomponents	300,000	485,100	1.04
Rentokil Initial	400,000	462,000	0.99
Tobacco – 5.63% (31 Dec 08: 9.75%)			
British American Tobacco	81,453	1,642,092	3.53
Imperial Tobacco Group	50,000	977,000	2.10
Travel & Leisure – 0.96% (31 Dec 08: 4.31%)			
Domino's Pizza	150,000	447,000	0.96

	Holding	Market value £	Percentage of total net assets %
Investment assets		44,599,123	95.82
Net other assets		1,946,605	4.18
Net assets		£46,545,728	100.00

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

Portfolio movements
For the year from 1 January 2009 to 31 December 2009

	Cost £
Major purchases	
BP	5,342,809
Vodafone Group	5,015,691
HSBC	4,762,946
Royal Dutch Shell 'B'	4,050,193
Anglo American	3,253,819
Barclays	3,083,512
GlaxoSmithKline	2,999,987
Xstrata	2,958,242
Lloyds Banking Group	2,710,819
National Grid	2,521,674
Man Group	2,257,593
AstraZeneca	2,109,901
Standard Chartered	1,930,290
Aviva	1,766,843
Rio Tinto	1,704,368
Randgold Resources	1,663,106
3i Group	1,522,874
Cable & Wireless	1,421,610
Unilever	1,264,819
British American Tobacco	1,256,557
Total for the year (Note 14)	£103,988,205

Major purchases and sales are the twenty largest.

	Proceeds £
Major sales	
Vodafone Group	4,146,113
HSBC	4,073,722
BP	3,787,104
Royal Dutch Shell 'B'	3,616,387
AstraZeneca	3,031,889
Xstrata	2,263,905
Anglo American	2,246,491
Barclays	1,791,507
Aviva	1,633,878
Lloyds Banking Group	1,500,275
GlaxoSmithKline	1,479,523
Debenhams	1,475,559
Prudential	1,462,685
Randgold Resources	1,459,657
National Grid	1,431,638
BG Group	1,315,922
BAE Systems	1,311,527
British Airways	1,262,999
Rio Tinto	1,260,450
Next	1,193,274
Total for the year (Note 14)	£90,079,209

Statement of total return
For the year from 1 January 2009 to 31 December 2009

	Notes	31 Dec 09 £	31 Dec 08 £
Income			
Net capital gains/(losses)	2	4,770,187	(9,658,959)
Revenue	3	2,883,872	1,553,678
Expenses	4	(467,300)	(325,177)
Finance costs: Interest	6	(340)	(5,596)
Net revenue before taxation		2,416,232	1,222,905
Taxation	5	(83,900)	36
Net revenue after taxation		2,332,332	1,222,941
Total return before distributions		7,102,519	(8,436,018)
Finance costs: Distributions	6	(2,694,316)	(1,543,755)
Change in net assets attributable to shareholders from investment activities		£4,408,203	£(9,979,773)

Statement of change in net assets attributable to shareholders
For the year from 1 January 2009 to 31 December 2009

	31 Dec 09 £	31 Dec 08 £
Opening net assets attributable to shareholders	27,028,263	15,472,554
Amounts receivable on issue of shares	17,600,468	23,191,211
Amounts payable on cancellation of shares	(3,825,176)	(2,724,838)
	13,775,292	20,466,373
Change in net assets attributable to shareholders from investment activities (see Statement of total return)	4,408,203	(9,979,773)
Dilution levy charged	-	22,700
Retained distribution on accumulation shares	1,352,832	1,063,135
Stamp duty reserve tax	(18,862)	(16,726)
Closing net assets attributable to shareholders	£46,545,728	£27,028,263

Balance sheet**As at 31 December 2009**

	Notes	As at 31 Dec 09 £	As at 31 Dec 08 £
ASSETS			
Investment assets		44,599,123	25,641,794
Debtors	7	1,213,524	607,842
Cash and bank balances	8	2,062,889	1,499,890
Total other assets		3,276,413	2,107,732
Total assets		47,875,536	27,749,526
LIABILITIES			
Creditors	9	558,707	284,815
Distribution payable		771,101	436,448
Total liabilities		1,329,808	721,263
Net assets attributable to shareholders		£46,545,728	£27,028,263

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 12 and 13.

2. Net capital gains/(losses)

	31 Dec 09 £	31 Dec 08 £
Currency (losses)/gains	(6,991)	4,789
Derivative contracts	(244,388)	(24,737)
Non-derivative securities	5,048,333	(9,630,433)
Transaction charges	(26,767)	(8,578)
Net capital gains/(losses)	£4,770,187	£(9,658,959)

3. Revenue

	31 Dec 09 £	31 Dec 08 £
Bank interest	17,358	54,529
Option income	683,709	154,656
Overseas dividends	81,239	72,877
Property income distributions	6,900	-
Stock dividends	-	17,163
UK franked dividends	1,878,263	1,198,221
Underwriting commission	216,403	56,232
	£2,883,872	£1,553,678

4. Expenses

	31 Dec 09 £	31 Dec 08 £
<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	434,951	296,048
Registration fees	19,002	12,610
	453,953	308,658
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	4,290	1,559
	4,290	1,559
<i>Payable to other related parties and third parties:</i>		
Audit fees	7,874	10,223
Safe custody fees	633	457
Taxation fees	550	4,280
	9,057	14,960
	£467,300	£325,177

5. Taxation

(a) Analysis of tax charge

	31 Dec 09 £	31 Dec 08 £
Corporation tax at 20%	85,997	-
Double tax relief	(7,722)	(1,469)
Overseas tax suffered	5,625	1,433
Total current tax (5.b)	83,900	(36)
Total tax charge	£83,900	£(36)

(b) Factors affecting current tax charge

The tax charged for the year is lower than the special 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 08: 20%).

The differences are explained below:

	31 Dec 09	31 Dec 08
	£	£
Net revenue before taxation	2,416,232	1,222,905
Corporation tax at 20%	483,247	244,581
<i>Effects of:</i>		
Dividends not subject to corporation tax	(383,646)	(239,644)
Double tax relief	(7,722)	(1,469)
Movement in excess expenses	(13,604)	(1,664)
Movement in income accruals taxable on receipt	-	159
Overseas tax suffered	5,625	1,433
Stock dividend not subject to corporation tax	-	(3,432)
	(399,347)	(244,617)
Total tax charge (5.a)	£83,900	£(36)

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

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved expenses of £nil (31 Dec 08: £68,020).

As a result of changes in the Finance Act 2009, Eligible Unrelieved Foreign Tax ('EUFT') was abolished with effect from 1 July 2009 and as such no unrecognised Deferred Tax asset in relation to EUFT exists at the year end. As at 31 December 2008, after offset against accrued income taxable on receipt, there was an unrecognised Deferred Tax asset of £2,097 in relation to EUFT. No Deferred Tax asset was recognised in the prior year as it was considered unlikely the Fund would generate sufficient taxable profits in the future to utilise this asset.

6. Finance costs

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	31 Dec 09	31 Dec 08
	£	£
Interim – first quarter	406,085	204,384
Interim – second quarter	444,441	217,073
Interim – third quarter	520,747	291,614
Final	1,495,548	1,051,116
	2,866,821	1,764,187
Add: Revenue deducted on cancellation of shares	71,983	34,182
Deduct: Revenue received on issue of shares	(244,488)	(254,614)
Net distributions	2,694,316	1,543,755
Interest	340	5,596
Total finance costs	£2,694,656	£1,549,351
Net revenue after taxation	2,332,332	1,222,941
Add: Expenses charged to capital	467,300	325,177
Add: Revenue brought forward	5,789	1,426
Deduct: Revenue carried forward	(4,041)	(5,789)
Deduct: Tax relief on capital fees	(107,064)	-
Net distributions as above	£2,694,316	£1,543,755

Details of the distribution per share are set out in the table on pages 264 and 265.

7. Debtors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Accrued revenue	289,389	167,709
Amounts receivable on issue of shares	45,378	437,993
Overseas tax recoverable	5,054	2,140
Sales awaiting settlement	873,703	-
	£1,213,524	£607,842

8. Cash & bank balances

	As at 31 Dec 09 £	As at 31 Dec 08 £
Cash and bank balances	2,062,889	1,499,890
	£2,062,889	£1,499,890

9. Creditors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts payable on cancellation of shares	33,899	71,767
Corporation tax payable	77,825	-
Expense accruals	60,467	65,248
Purchases awaiting settlement	386,516	147,800
	£558,707	£284,815

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 tables 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 2009 there were no contingent liabilities or commitments at the current or prior period 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 2009 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £45,257 and £3,033 respectively (31 Dec 08: £51,435 and £2,178).

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 Shareholders' Net Assets.

All dealing in the investment portfolio of the Fund was carried out through UBS Global Asset Management (UK) Ltd. During the period 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 5 and 6.

(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

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 09				
Euro	3,800	-	3,967	7,767
Norwegian Krona	21	-	-	21
South African Rand	31	-	-	31
Sterling	2,059,037	321,300	45,469,791	47,850,128
US Dollar	-	-	17,589	17,589
	£2,062,889	£321,300	£45,491,347	£47,875,536
31 Dec 08				
Euro	21,407	-	933	22,340
Norwegian Krona	813	-	-	813
South African Rand	5,144	-	-	5,144
Sterling	1,467,253	-	26,234,960	27,702,213
US Dollar	5,273	-	13,743	19,016
	£1,499,890	-	£26,249,636	£27,749,526

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 09			
Sterling	-	1,329,808	1,329,808
	-	£1,329,808	£1,329,808
31 Dec 08			
Sterling	-	721,263	721,263
	-	£721,263	£721,263

(b) Currency exposure

The income 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.

(d) Derivative exposure

The Fund invests in index futures and options for Efficient Portfolio Management purposes, consistent with the Investment Objective of the Fund, as discussed in the Risk Profile on pages 5 and 6.

Investments in index futures are used to gain low levels of exposure to certain indices on a longer-term basis and, in order to cover cashflows arising from subscriptions and redemptions in the Fund, to gain exposure to markets on a shorter-term basis, prior direct investment.

Call options written are used to generate additional income. They will only be exchange traded and will be fully covered by corresponding shares held within the scheme property.

14. Portfolio transaction costs

Analysis of total purchase costs	31 Dec 09	31 Dec 08
£	£	£
Purchases in year before transaction costs	103,368,626	119,027,717
Commissions & taxes	619,579	712,987
Total purchase costs	619,579	712,987
Gross purchase total	£103,988,205	£119,740,704

Analysis of total sale costs	31 Dec 09	31 Dec 08
£	£	£
Gross sales in year before transaction costs	90,196,619	99,529,070
Commissions & taxes	(117,410)	(132,287)
Total sale costs	(117,410)	(132,287)
Total sales net of transaction costs	£90,079,209	£99,396,783

Distribution table**For the year from 1 January 2009 to 31 December 2009 (in pence per share)**

Final dividend distribution

Group 1: Shares purchased prior to 1 October 2009

Group 2: Shares purchased between 1 October 2009 and 31 December 2009

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 28/02/10 (p)	<i>Distribution paid 28/02/09 (p)</i>
Class A - Accumulation				
Group 1	1.34	-	1.34	1.39
Group 2	0.41	0.93	1.34	1.39
Class A - Income				
Group 1	1.05	-	1.05	1.20
Group 2	0.32	0.73	1.05	1.20
Class B - Accumulation				
Group 1	1.39	-	1.39	1.38
Group 2	0.72	0.67	1.39	1.38
Class B - Income				
Group 1	1.10	-	1.10	1.25
Group 2	0.26	0.84	1.10	1.25

Third quarter dividend distribution

Group 1: Shares purchased prior to 1 July 2009

Group 2: Shares purchased between 1 July 2009 and 30 September 2009

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/09 (p)	<i>Distribution paid 30/11/08 (p)</i>
Class A - Accumulation				
Group 1	0.43	-	0.43	0.42
Group 2	0.00	0.43	0.43	0.42
Class A - Income				
Group 1	0.43	-	0.43	0.42
Group 2	0.00	0.43	0.43	0.42
Class B - Accumulation				
Group 1	0.43	-	0.43	0.42
Group 2	0.00	0.43	0.43	0.42
Class B - Income				
Group 1	0.43	-	0.43	0.42
Group 2	0.00	0.43	0.43	0.42

Second quarter dividend distribution

Group 1: Shares purchased prior to 1 April 2009

Group 2: Shares purchased between 1 April 2009 and 30 June 2009

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/09 (p)	<i>Distribution paid 31/08/08 (p)</i>
Class A - Accumulation				
Group 1	0.38	-	0.38	0.37
Group 2	0.00	0.38	0.38	0.37
Class A - Income				
Group 1	0.38	-	0.38	0.37
Group 2	0.10	0.28	0.38	0.37
Class B - Accumulation				
Group 1	0.38	-	0.38	0.37
Group 2	0.00	0.38	0.38	0.37
Class B - Income				
Group 1	0.38	-	0.38	0.37
Group 2	0.06	0.32	0.38	0.37

First quarter dividend distribution

Group 1: Shares purchased prior to 1 January 2009

Group 2: Shares purchased between 1 January 2009 and 31 March 2009

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/09 (p)	<i>Distribution paid 31/05/08 (p)</i>
Class A - Accumulation				
Group 1	0.43	-	0.43	0.42
Group 2	0.11	0.32	0.43	0.42
Class A - Income				
Group 1	0.43	-	0.43	0.42
Group 2	0.17	0.26	0.43	0.42
Class B - Accumulation				
Group 1	0.43	-	0.43	0.42
Group 2	0.07	0.36	0.43	0.42
Class B - Income				
Group 1	0.43	-	0.43	0.42
Group 2	0.09	0.34	0.43	0.42

UBS UK Select 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

Although the UK economy remained in recession throughout the course of 2009, the rate of the decline eased throughout the year. Negative news had already been priced into most valuations by the market and they benefited from positive signs ahead, as debate became more focused on how sustainable the recovery would be and the 'shape' it would take, towards the end of the year.

The Bank of England dropped the base rate to an all time low of 0.5% in March, and it stayed at this level for the remainder of the year. Service and manufacturing surveys' feedback improved over the year and unemployment appeared to hit its peak. The high unemployment figure also meant that inflationary wage pressure was kept in check. Household consumption increased marginally over the third quarter of 2009 and both retail sales and confidence continued to improve.

In the housing market, month-on-month price rises also provided stimulus to the recovery which was partly reflected in the brisk acceleration in the headline CPI rate of inflation, while the core measure continued on its gentle upward trend.

Fund performance

During the period under review, the UBS UK Select Fund posted performance of 20.6%* and the FTSE All-Share Index, the Fund's benchmark, rose by 30.1%, both in Sterling terms.

Although the manager realised the holding in full by the year end, an overweight position in mining stock Aquarius Platinum, for most of the period under review, proved to be the largest contributor to relative performance, as the company delivered impressive performance.

As with Aquarius Platinum, the manager locked in profits by exiting from a position in Legal & General, in full, by the end of the year. The timing of trades proved beneficial, as the stock made moderate ground over the course of the year as a whole. Another positive contributor to relative performance came from British Airways, which was another position the manager sold out of by 31 December 2009, to lock in gains.

The principal detractor to performance during the period under review derived from the holding in Leaf Clean Energy, which is not listed in the Fund's benchmark. The stock disappointed, as sentiment towards carbon companies waned in light of the slow progress made at the Copenhagen Summit. However, the company entered into merger negotiations by the year end and this could provide an uplift. We continue to hold the stock and await further developments.

A zero weight to international mining company Xstrata proved very costly, as the stock delivered stellar performance over the course of the year. Other stock detractors included an overweight to mega cap holding HSBC, whose share price rose by more than 25%, in Sterling terms, over the period and an overweight position to Mouchel Group, the consulting and business services company, for most of the year.

At the sector level, stock selection within Healthcare resulted in it being the main contributor to relative performance over the period. This was also the reason for a positive contribution coming from Utilities. However, stock selection within Banks, Financial Services and Telecommunications all proved detrimental in relative terms.

In terms of transactions, purchases included William Hill and Thomas Cook, where we believe the low valuations do not reflect the prospects for recovery going forward. We sold the holdings in Debenhams, Inmarsat and Micro Focus, all of which performed strongly, and we also took profits in SSL International from the Health Care sector.

Outlook

Following the dramatic rally since March 2009 we expect the market to be more discerning in judging individual company prospects during 2010.

The UK was the last major economy to exit the downturn, as confirmed by the recent announcement of fourth quarter data. However, this was a marked improvement on the further fall experienced during the third quarter, which marked the recession as the longest downturn since the Second World War.

One positive factor for the year ahead, is the likely uplift in merger and acquisition activity. Indeed financing conditions in the UK are currently at their most favourable levels since 2006-2007. Therefore, although we expect an ongoing challenging environment, with possible setbacks along the way, we believe UK equities still continue to offer reasonable value.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2009, based on A shares.

Percentage growth

	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	31/12/06 to 31/12/07 %	31/12/05 to 31/12/06 %	31/12/04 to 31/12/05 %
Class A – Accumulation Shares	20.61	-35.02	-1.67	17.55	15.76
Class B – Accumulation Shares	21.40	-34.61	-1.03	18.28	16.40

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: 1 July 2002.

UBS Global Asset Management Funds Ltd
27 April 2010

Performance record

1. Fund size

Accounting year 31 December		Number of shares in issue	Total net asset value per share (p)*	Total net asset value (£)
2007	Class A – Accumulation	5,230,736	74.8	3,911,622
	Class B – Accumulation	151,488,932	77.6	117,527,748
				£121,439,370
2008	Class A - Accumulation	4,963,861	48.5	2,407,714
	Class B – Accumulation	101,943,095	50.6	51,622,934
				£54,030,648
2009	Class A – Accumulation	4,006,639	58.5	2,345,283
	Class B - Accumulation	87,761,662	61.5	53,979,919
				£56,325,202

* rounded to one decimal place.

2. Total expense ratio

The total expense ratio (TER) below is calculated using the most recent audited results and as described in the Financial Services Authority's Collective Investment Schemes Sourcebook.

Share class	31 Dec 09 (%)	31 Dec 08 (%)
Class A - Accumulation	1.60	1.58
Class B – Accumulation	0.96	0.95

3. Portfolio turnover rate

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the year.

	31 Dec 09 (%)	31 Dec 08 (%)
	236.92	292.64

4. Share dealing price range and distribution record

The Fund was launched on 1 July 2002 at a price of 50p for both Class A and Class B Accumulation shares.

Calendar year	Highest price (p)	Lowest price (p)	Distribution Per share (net) (p)
Class A - Accumulation			
2005	65.04	56.02	1.15
2006	76.20	64.24	1.11
2007	84.25	72.75	0.95
2008	75.82	41.26	1.69
2009	59.09	41.07	1.50
Class B - Accumulation			
2005	66.63	57.08	1.54
2006	78.54	65.98	1.58
2007	87.15	75.42	1.50
2008	78.67	43.02	2.16
2009	62.04	42.93	1.93

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

As at 31 December 2009

	Holding	Market value £	Percentage of total net assets %
United Kingdom – 96.41% (31 Dec 08: 89.24%)			
Aerospace & Defence - 3.19% (31 Dec 08: 2.61%)			
BAE Systems	342,929	1,225,285	2.18
Ultra Electronics Holdings	41,443	569,841	1.01
Banks - 10.68% (31 Dec 08: 7.93%)			
Barclays	179,246	493,823	0.88
HSBC	516,728	3,662,568	6.50
Lloyds Banking Group	1,191,923	597,749	1.06
Standard Chartered	80,880	1,261,728	2.24
Beverages - 1.08% (31 Dec 08: 0.00%)			
Diageo	56,107	607,639	1.08
Chemicals - 0.00% (31 Dec 08: 1.36%)			
Construction & Materials - 1.77% (31 Dec 08: 1.50%)			
Balfour Beatty	214,188	553,676	0.98
Galliford Try	142,857	442,857	0.79
Electricity - 1.64% (31 Dec 08: 3.81%)			
International Power	299,633	924,068	1.64
Electronics & Electrical Equipment - 0.83% (31 Dec 08: 0.00%)			
Morgan Crucible	300,363	470,068	0.83
Financial Services - 1.74% (31 Dec 08: 1.07%)			
Trading Emissions	1,053,546	979,798	1.74
Fixed Line Telecommunications - 1.84% (31 Dec 08: 2.86%)			
BT Group	225,436	304,113	0.54
Cable & Wireless	516,820	730,267	1.30
Food & Drug Retailers - 4.14% (31 Dec 08: 2.09%)			
Tesco	545,755	2,330,374	4.14

	Holding	Market value £	Percentage of total net assets %
Gas, Water & Multiutilities - 0.83% (31 Dec 08: 3.07%)			
Centrica	166,384	465,709	0.83
General Financial - 6.11% (31 Dec 08: 4.14%)			
3i Group	196,546	555,439	0.99
3i Infrastructure	580,624	589,914	1.05
ACP Mezzanine Limited	930,003	53,710	0.09
Evolution Group	282,341	380,313	0.67
Investec	64,286	271,608	0.48
Leaf Clean Energy	1,245,357	747,214	1.33
Man Group	231,968	712,142	1.26
Resolution	151,237	135,206	0.24
General Retailers - 0.13% (31 Dec 08: 0.96%)			
Sports Direct International	74,110	71,701	0.13
Household Goods - 0.61% (31 Dec 08: 0.00%)			
Redrow	70,000	93,100	0.16
Taylor Wimpey	662,625	256,436	0.45
Industrial Engineering - 1.36% (31 Dec 08: 1.91%)			
Bodycote	223,444	355,499	0.63
Charter International	56,947	411,157	0.73
Industrial Transportation - 0.95% (31 Dec 08: 0.00%)			
Wincanton	263,000	532,575	0.95
Insurance - 1.15% (31 Dec 08: 1.38%)			
Royal & South Alliance Insurance Group	540,105	649,746	1.15
Life Insurance - 0.00% (31 Dec 08: 3.56%)			

	Holding	Market value £	Percentage of total net assets %
Media - 2.47% (31 Dec 08: 2.21%)			
Eros International	268,634	416,383	0.74
Lagardere Group	13,332	336,401	0.60
Reed Elsevier	125,000	639,375	1.13
Mining - 8.62% (31 Dec 08: 2.06%)			
Anglo American	48,569	1,315,734	2.34
BHP Billiton	62,155	1,239,992	2.20
Randgold Resources	9,201	459,130	0.81
Rio Tinto	54,333	1,841,889	3.27
Mobile Telecommunications - 6.26% (31 Dec 08: 5.81%)			
Vodafone Group	2,459,443	3,526,841	6.26
Non-Life Insurance - 4.12% (31 Dec 08: 1.21%)			
Admiral Group	73,629	871,031	1.55
Beazley Group	638,337	637,699	1.13
Catlin Group	159,216	541,334	0.96
Omega Insurance	234,866	270,683	0.48
Oil & Gas Producers - 17.47% (31 Dec 08: 15.70%)			
BG Group	160,267	1,798,196	3.19
BP	699,751	4,198,506	7.45
Royal Dutch Shell 'B'	212,344	3,845,550	6.83
Oil Equipment, Services & Distribution - 1.53% (31 Dec 08: 0.50%)			
AMEC	108,732	860,070	1.53
Pharmaceuticals & Biotechnology - 5.41% (31 Dec 08: 9.14%)			
AstraZeneca	65,107	1,892,335	3.36
GlaxoSmithKline	87,587	1,155,273	2.05

	Holding	Market value £	Percentage of total net assets %
Software & Computer Services - 1.33% (31 Dec 08: 0.00%)			
Invensys	251,994	750,690	1.33
Support Services - 3.78% (31 Dec 08: 1.53%)			
Bunzl	71,739	482,086	0.86
Carillion	120,486	366,037	0.65
G4S	319,778	833,341	1.48
Rentokil Initial	342,019	395,032	0.70
RWS	15,565	48,252	0.09
Tobacco - 4.32% (31 Dec 08: 7.38%)			
British American Tobacco	67,696	1,364,751	2.42
Imperial Tobacco Group	54,774	1,070,284	1.90
Travel & Leisure - 3.05% (31 Dec 08: 5.40%)			
Easyjet	103,173	364,201	0.65
Luminar Group	26,166	9,747	0.02
National Express	135,949	258,303	0.46
Thomas Cook Group	157,072	361,423	0.64
Wetherspoon (J.D.)	94,966	403,606	0.72
William Hill	169,214	314,230	0.56
Futures - 0.00% (31 Dec 08: 0.05%)			
Investment assets		54,303,728	96.41
Net other assets		2,021,474	3.59
Net assets		£56,325,202	100.00

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

Portfolio movements**For the year from 1 January 2009 to 31 December 2009**

	Cost £
Major purchases	
HSBC	3,505,566
BAE Systems	3,466,120
Vodafone Group	3,158,501
Rio Tinto	2,021,994
AstraZeneca	1,839,893
Anglo American	1,688,119
FirstGroup	1,613,790
Randgold Resources	1,502,178
Aviva	1,451,839
BHP Billiton	1,321,215
Bunzl	1,185,054
Lloyds Banking Group	1,168,170
British Airways	1,165,064
Standard Chartered	1,099,968
British Land	1,081,828
Kazakhmys	1,067,872
Diageo	1,045,843
Mouchel Parkman	1,028,300
Tesco	1,008,302
Royal Dutch Shell 'B'	998,047
Total for the year (Note 14)	£68,658,305

Major purchases and sales are the twenty largest.

	Proceeds £
Major sales	
BAE Systems	3,001,937
Vodafone Group	2,580,627
HSBC	2,565,793
FirstGroup	1,981,565
AstraZeneca	1,980,395
Rio Tinto	1,836,536
GlaxoSmithKline	1,720,262
Randgold Resources	1,705,909
Compass Group	1,671,190
Aviva	1,517,434
British Airways	1,511,639
BHP Billiton	1,458,992
Anglo American	1,336,328
Aquarius Platinum	1,316,038
National Grid	1,305,028
British Land	1,233,787
Kazakhmys	1,213,037
Prudential	1,183,961
BP	1,182,668
Scottish & Southern Energy	1,143,780
Total for the year (Note 14)	£70,501,667

Statement of total return**For the year from 1 January 2009 to 31 December 2009**

	Notes	£	31 Dec 09 £	£	31 Dec 08 £
Income					
Net capital gains / (losses)	2		7,724,427		(36,499,155)
Revenue	3	2,388,579		3,373,775	
Expenses	4	(512,643)		(811,711)	
Finance costs: Interest	6	(8)		(1,270)	
Net revenue before taxation		1,875,928		2,560,794	
Taxation	5	-		(2,424)	
Net revenue after taxation			1,875,928		2,558,370
Total return before distributions			9,600,355		(33,940,785)
Finance costs: Distributions	6		(1,869,555)		(2,556,682)
Change in net assets attributable to shareholders from investment activities			£7,730,800		£(36,497,467)

Statement of change in net assets attributable to shareholders**For the year from 1 January 2009 to 31 December 2009**

	£	31 Dec 09 £	£	31 Dec 08 £
Opening net assets attributable to shareholders		54,030,648		121,439,370
Amounts receivable on issue of shares	4,351,868		4,846,366	
Amounts payable on cancellation of shares	(11,566,825)		(38,203,281)	
		(7,214,957)		(33,356,915)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		7,730,800		(36,497,467)
Dilution levy charged		-		20,554
Retained distribution on accumulation shares		1,794,718		2,451,742
Stamp duty reserve tax		(16,007)		(26,636)
Closing net assets attributable to shareholders		£56,325,202		£54,030,648

Balance sheet**As at 31 December 2009**

	Notes	As at 31 Dec 09 £	As at 31 Dec 08 £
ASSETS			
Investment assets		54,303,728	48,213,580
Debtors	7	371,487	336,327
Cash and bank balances	8	1,740,531	5,596,158
Total other assets		2,112,018	5,932,485
Total assets		56,415,746	54,146,065
LIABILITIES			
Creditors	9	90,544	115,417
Total liabilities		90,544	115,417
Net assets attributable to shareholders		£56,325,202	£54,030,648

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 12 and 13.

2. Net capital gains/(losses)

	31 Dec 09 £	31 Dec 08 £
Currency (losses)/gains	(63,611)	142,789
Derivative contracts	(166,540)	(537,017)
Non-derivative securities	7,958,073	(36,101,649)
Transaction charges	(3,495)	(3,278)
Net capital gains/(losses)	£7,724,427	£(36,499,155)

3. Revenue

	31 Dec 09 £	31 Dec 08 £
Bank interest	20,223	128,556
Overseas dividends	68,056	333,905
Property income distributions	16,722	-
UK franked dividends	2,013,072	2,741,402
Underwriting commission	270,506	169,912
	£2,388,579	£3,373,775

4. Expenses

	31 Dec 09 £	31 Dec 08 £
<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	482,622	766,684
Registration fees	16,568	24,891
	499,190	791,575
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	5,885	8,839
	5,885	8,839
<i>Payable to other related parties and third parties:</i>		
Audit fees	5,963	6,933
FSA fees	-	(70)
Safe custody fees	1,055	1,696
Taxation fees	550	2,738
	7,568	11,297
	£512,643	£811,711

5. Taxation

(a) Analysis of tax charge

	31 Dec 09 £	31 Dec 08 £
Overseas tax suffered	-	2,424
Total current tax (5.b)	-	2,424
Total tax charge	-	£2,424

(b) Factors affecting current tax charge

The tax charged for the year is different to the special 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 08: 20%).

The differences are explained below:

	31 Dec 09 £	31 Dec 08 £
Net revenue before taxation	1,875,928	2,560,794
Corporation tax at 20%	375,186	512,159
<i>Effects of:</i>		
Dividends not subject to corporation tax	(413,270)	(545,136)
Movement in excess expenses	38,084	32,977
Overseas tax suffered	-	2,424
	(375,186)	(509,735)
Current tax charge for the year (5.a)	-	£2,424

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

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £3,266,205 (31 Dec 08: £3,075,785). There is a potential deferred tax asset in relation to these of £653,241. 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.

As a result of changes in the Finance Act 2009, Eligible Unrelieved Foreign Tax ('EUFT') was abolished with effect from 1 July 2009 and as such no unrecognised Deferred Tax asset in relation to EUFT exists at the year end. As at 31 December 2008, after offset against accrued income taxable on receipt, there was an unrecognised Deferred Tax asset of £6,322 in relation to EUFT. No Deferred Tax asset was recognised in the prior year as it was considered unlikely the Fund would generate sufficient taxable profits in the future to utilise this asset.

6. Finance costs

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	31 Dec 09	31 Dec 08
	£	£
Interim	1,050,632	1,585,529
Final	744,086	866,213
	1,794,718	2,451,742
Add: Revenue deducted on cancellation of shares	107,282	147,893
Deduct: Revenue received on issue of shares	(32,445)	(42,953)
Net distributions	1,869,555	2,556,682
Interest	8	1,270
Total finance costs	£1,869,563	£2,557,952
Net revenue after taxation	1,875,928	2,558,370
Add: Revenue brought forward	2,377	689
Deduct: Revenue carried forward	(8,750)	(2,377)
Net distributions as above	£1,869,555	£2,556,682

Details of the distribution per share are set out in the table on page 282.

7. Debtors

	As at	As at
	31 Dec 09	31 Dec 08
	£	£
Accrued revenue	143,677	301,992
Amounts receivable on issue of shares	53,729	23,942
Income tax recoverable on property interest distributions	5,859	2,515
Overseas tax recoverable	6,993	7,878
Sales awaiting settlement	161,229	-
	£371,487	£336,327

8. Cash & bank balances

	As at	As at
	31 Dec 09	31 Dec 08
	£	£
Amounts held at futures clearing houses and brokers	-	449,680
Cash and bank balances	1,740,531	5,146,478
	£1,740,531	£5,596,158

9. Creditors

	As at	As at
	31 Dec 09	31 Dec 08
	£	£
Amounts payable on cancellation of shares	36,824	1,643
Expense accruals	53,720	93,663
Purchases awaiting settlement	-	20,111
	£90,544	£115,417

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 tables 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 2009 the contingent liabilities and commitments are as follows:

	As at 31 Dec 09 £	As at 31 Dec 08 £
Rights	-	799,309
	-	£799,309

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 2009 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £44,073 and £1,508 respectively (31 Dec 08: £80,361 and £2,756).

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 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 5 and 6.

(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

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 09				
Euro	58,471	-	551,347	609,818
South African Rand	73	-	-	73
Sterling	1,679,451	-	54,091,351	55,770,802
Swiss France	2,535	-	-	2,535
US Dollar	1	-	32,517	32,518
	£1,740,531	-	£54,675,215	£56,415,746
31 Dec 08				
Canadian Dollar	2,913	-	-	2,913
Euro	754,492	-	221,720	976,212
South African Rand	66	-	-	66
Sterling	4,743,950	-	48,357,703	53,101,653
US Dollar	5,417	-	59,804	65,221
	£5,506,838	-	£48,639,227	£54,146,065

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 09			
Sterling	-	90,544	90,544
	-	£90,544	£90,544
31 Dec 08			
Sterling	-	115,417	115,417
	-	£115,417	£115,417

(b) Currency exposure

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

(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 invests in exchange traded index futures for Efficient Portfolio Management purposes, consistent with the Investment Objective of the Fund, as discussed in the Risk Profile on pages 5 and 6. Investments in these instruments are used to gain low levels of exposure to certain indices on a longer-term basis and, in order to cover cashflows arising from subscriptions and redemptions in the Fund, to gain exposure to markets on a shorter-term basis, prior direct investment.

14. Portfolio transaction costs

Analysis of total purchase costs	£	31 Dec 09 £	£	31 Dec 08 £
Purchases in year before transaction costs		68,286,264		125,560,783
Commissions & taxes	372,041		740,121	
Total purchase costs		372,041		740,121
Gross purchase total		£68,658,305		£126,300,904

Analysis of total sale costs	£	31 Dec 09 £	£	31 Dec 08 £
Gross sales in year before transaction costs		70,593,580		159,986,536
Commissions & taxes	(91,913)		(195,696)	
Total sale costs		(91,913)		(195,696)
Total sales net of transaction costs		£70,501,667		£159,790,840

Distribution table**For the year from 1 January 2009 to 31 December 2009 (in pence per share)**

Final dividend distribution

Group 1: Shares purchased prior to 1 July 2009

Group 2: Shares purchased between 1 July 2009 and 31 December 2009

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 28/02/10 (p)	<i>Distribution paid 28/02/09 (p)</i>
Class A - Accumulation				
Group 1	0.61	-	0.61	<i>0.61</i>
Group 2	0.30	0.31	0.61	<i>0.61</i>
Class B - Accumulation				
Group 1	0.82	-	0.82	<i>0.82</i>
Group 2	0.50	0.32	0.82	<i>0.82</i>

Interim dividend distribution

Group 1: Shares purchased prior to 1 January 2009

Group 2: Shares purchased between 1 January 2009 and 30 June 2009

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/09 (p)	<i>Distribution paid 31/08/08 (p)</i>
Class A - Accumulation				
Group 1	0.89	-	0.89	<i>0.89</i>
Group 2	0.52	0.37	0.89	<i>0.89</i>
Class B - Accumulation				
Group 1	1.11	-	1.11	<i>1.14</i>
Group 2	0.59	0.52	1.11	<i>1.14</i>

UBS UK Smaller Companies 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 smaller companies 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

The small and mid-cap market recovered strongly in 2009, following widespread negative sentiment towards it in 2008. We felt that companies who could survive 2008 and the first quarter of 2009 were well positioned to benefit from a subsequent upturn. This came to fruition in the latter part of the year, as reduced competition and more efficient markets provided attractive opportunities for UK companies, especially in the small and mid-cap sectors.

Although the UK economy remained in recession, the rate of the decline eased throughout the year. Negative news had already been priced into most valuations by the market and they benefitted from positive signs ahead. The Bank of England dropped the base rate to an all time low of 0.5% in March, and it stayed at this level for the remainder of the year. Given that high borrowing costs are an important consideration for smaller companies, the sector is highly responsive to changes in the base rate and this acted as both a reassurance and a stimulus over the period.

Service and manufacturing surveys' feedback improved over the year and unemployment appeared to hit its peak. The high unemployment figure also meant that inflationary wage pressure was kept in check. Household consumption increased marginally over the third quarter and both retail sales and confidence continued to improve. Month on month rises in the housing market also provided additional stimulus. These factors in the macro environment have a profound effect on the small cap sector and proved beneficial to the Fund over the course of the year.

Fund performance

During the period under review, the Fund share price posted performance of 52.6%*. This compared to a rise of 60.7% from the Fund's benchmark, the Hoare Govett Smaller Companies ex Investment Trusts Index. All figures quoted are in Sterling terms.

Galiform, which trades under the name of Howdens Joinery, was the largest stock contributor to performance over the year, benefitting from an improvement in trading conditions. OPG Power Ventures was established in the Isle of Man in January 2008 to develop, own and manage power generation facilities in India. The company has

delivered very strong performance over the course of the year and is not listed within the Fund's index.

Vertu Motors was formed in late 2006 to acquire and consolidate UK motor retail businesses. We are impressed by the company's business strategy and consequently hold a significant position in the stock. Professional education provider BPP Holdings was another significant contributor to relative performance over the year. However, the Manager decided to lock in profits and exited from a position in the stock by the end of the period. Other positive contributors to performance included holdings in Afren, which provided a material relative contribution in 2008, and Safestore Holdings. As with BPP, the Manager also sold out of both stocks by 31 December 2009, to lock in gains.

Detractors to performance during the period under review included holdings in Leaf Clean Energy, London Capital Group, the spread betting firm and Astaire Group. These stocks are not listed in the Fund's benchmark and as the Manager retained holdings in all three to the year end, the falls in the respective share prices proved significantly detrimental in relative terms. Clerkenwell Ventures was another detractor from performance during the period under review, although the Manager exited the position in full by the end of the year.

Outlook

Following the dramatic rally since March 2009 we expect the market to be more discerning in judging individual company prospects during 2010.

In an environment of improved liquidity, the opportunity to make redemptions in a number of holdings has become more readily available. The average stock size within the portfolio has moved up slightly, with the weighting to Alternative Investment Market (AIM) stocks now representing less than 40% of portfolio. The manager is looking to concentrate on growth stocks and to take bigger positions in a number of individual stocks.

The UK was the last major economy to exit the downturn, as confirmed by the recent announcement of fourth quarter data. However, this was a marked improvement on the further fall experienced during the third quarter, which marked the recession as the longest downturn since the Second World War. However, despite this, we believe UK equities continue to offer reasonable value but we expect an ongoing challenging environment ahead.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2009, based on A shares.

Percentage growth

	31/12/08	31/12/07	31/12/06	31/12/05	31/12/04
	to	to	to	to	to
	31/12/09	31/12/08	31/12/07	31/12/06	31/12/05
	%	%	%	%	%
Class A – Accumulation Shares	52.55	-53.59	-0.96	24.50	21.55
Class B – Accumulation Shares	53.53	-53.29	-0.32	25.28	22.33

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
27 April 2010

Performance record

1. Fund size

Accounting year 31 December		Number of shares in issue	Total net asset value per share (p)*	Total net asset value (£)
2007	Class A - Accumulation	24,704,493	158.4	39,124,040
	Class B - Accumulation	16,279,447	163.7	26,644,449
				£65,768,489
2008	Class A - Accumulation	19,575,149	74.1	14,497,061
	Class B - Accumulation	14,629,317	77.0	11,269,010
				£25,766,071
2009	Class A - Accumulation	17,316,417	112.4	19,470,068
	Class B - Accumulation	14,092,951	117.7	16,587,422
				£36,057,490

* rounded to one decimal place.

2. Total expense ratio

The total expense ratio (TER) below is calculated using the most recent audited results and as described in the Financial Services Authority's Collective Investment Schemes Sourcebook 4 Annex 1 R.

Share class	31 Dec 09 (%)	31 Dec 08 (%)
Class A - Accumulation	1.60	1.59
Class B - Accumulation	0.96	0.95

3. Portfolio turnover rate

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the year.

	31 Dec 09 (%)	31 Dec 08 (%)
	95.01	79.57

4. Share dealing price range and distribution record

The Fund was launched on 17 February 2003 at a price of 50p for both Class A and B Accumulation shares.

Calendar year	Highest price (p)	Lowest price (p)	Distribution Per share (net) (p)
Class A - Accumulation			
2005	132.39	107.57	0.13
2006	163.20	131.88	-
2007	194.27	156.34	-
2008	161.58	74.14	0.69
2009	122.82	70.82	0.90
Class B - Accumulation			
2005	134.85	109.10	0.50
2006	167.59	134.59	-
2007	200.18	161.54	-
2008	166.99	77.11	1.07
2009	128.41	73.75	1.59

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

As at 31 December 2009

Holding	Market value £	Percentage of total net assets %
Australia - 0.00% (31 Dec 08: 0.82%)		
Mining - 0.00% (31 Dec 08: 0.82%)		
British Virgin Islands - 0.92% (31 Dec 08: 2.16%)		
Mining - 0.00% (31 Dec 08: 0.51%)		
Real Estate - 0.92% (31 Dec 08: 0.79%)		
Public Service Properties Investment	500,000	0.92
Travel & Leisure - 0.00% (31 Dec 08: 0.86%)		
Guernsey - 0.85% (31 Dec 08: 0.94%)		
Financial Services - 0.85% (31 Dec 08: 0.94%)		
Camper & Nicholsons Marina Investment	1,100,000	0.85
Life Insurance - 0.00% (31 Dec 08: 0.00%)		
Isle of Man - 1.08% (31 Dec 08: 1.18%)		
Electricity - 1.08% (31 Dec 08: 0.54%)		
OPG Power Venture	440,811	1.08
Real Estate - 0.00% (31 Dec 08: 0.64%)		
Jersey - 3.72% (31 Dec 08: 0.70%)		
Financial Services - 1.59% (31 Dec 08: 0.00%)		
Henderson Group	461,944	1.59
Industrial Transportation - 0.00% (31 Dec 08: 0.70%)		
Real Estate - 2.13% (31 Dec 08: 0.00%)		
LXB Retail Properties	800,000	2.13
Israel - 1.42% (31 Dec 08: 0.00%)		
Technology Hardware & Equipment - 1.42% (31 Dec 08: 0.00%)		
BATM Advanced Communications	1,000,000	1.42
Luxembourg - 0.28% (31 Dec 08: 0.00%)		
Financial Services - 0.28% (31 Dec 08: 0.00%)		
GlobeOp Financial Services	50,000	0.28

Holding	Market value £	Percentage of total net assets %
United Kingdom - 89.52% (31 Dec 08: 89.52%)		
Chemicals - 0.00% (31 Dec 08: 0.62%)		
Construction & Materials - 5.03% (31 Dec 08: 2.98%)		
Galliford Try	247,529	2.13
Low & Bonar	815,226	0.72
Lupus Capital	686,587	1.00
Marshalls Group	372,107	0.89
Superglass	420,014	0.29
Electronic & Electrical Equipment - 2.29% (31 Dec 08: 2.96%)		
Chloride Group	457,942	2.29
Equity Investment Instruments - 0.00% (31 Dec 08: 0.48%)		
Financial Services - 10.21% (31 Dec 08: 5.86%)		
Astaire Group	3,050,000	0.25
Brewin Dolphin	225,842	0.86
Evolution Group	291,000	1.09
Hargreaves Lansdown	183,301	1.50
IP Group	600,000	0.93
Rathbone Brothers	67,120	1.49
Syndicate Asset Management	65,528,970	4.09
Fixed Interest - 0.51% (31 Dec 08: 1.37%)		
Corporate Services Group 10% FRN 2011	£463,160	0.51
Fixed Line Telecommunications - 0.00% (31 Dec 08: 0.68%)		
Food Producers & Processors - 1.45% (31 Dec 08: 1.62%)		
Zetar	296,239	1.45
General Financial - 6.29% (31 Dec 08: 10.82%)		
Aberdeen Asset Management Warrants 2012	3	0.01
H&T Group	280,881	2.34

	Holding	Market value £	Percentage of total net assets %
Leaf Clean Energy	880,132	528,079	1.47
Ora Capital Partners	700,000	889,000	2.47
General Retailers - 10.61% (31 Dec 08: 5.93%)			
CVS Group	436,361	772,359	2.14
Inchcape	1,590,601	474,794	1.32
JJB Sports	1,295,674	327,158	0.91
Lookers	1,781,750	819,605	2.27
Topps Tiles	668,275	558,010	1.55
Vertu Motors	2,356,667	871,967	2.42
Health Care Equipment & Services - 2.00% (31 Dec 08: 4.81%)			
Caretech	169,987	722,445	2.00
Household Goods & Home Construction - 1.05% (31 Dec 08: 0.00%)			
McBride	178,634	377,990	1.05
Industrial Engineering - 1.77% (31 Dec 08: 3.69%)			
Fenner	380,913	638,029	1.77
Industrial Goods & Services - 0.00% (31 Dec 08: 3.07%)			
Industrial Transportation - 1.28% (31 Dec 08: 0.00%)			
Wincanton	227,441	460,568	1.28
Life Insurance - 0.00% (31 Dec 08: 1.02%)			
Media - 4.80% (31 Dec 08: 2.50%)			
Eros International	263,821	408,923	1.13
Ten Alps	879,040	237,341	0.66
Toluna	476,190	1,085,713	3.01
Mining - 0.25% (31 Dec 08: 0.72%)			
Gemfields Resources	1,777,667	88,883	0.25
Oil & Gas Producers - 2.82% (31 Dec 08: 1.55%)			
Borders & Southern Petroleum	800,000	482,000	1.34

	Holding	Market value £	Percentage of total net assets %
Petroceltic International	2,076,395	290,695	0.81
Regal Petroleum	300,085	240,068	0.67
Oil Equipment, Services & Distribution - 0.00% (31 Dec 08: 0.47%)			
Personal Goods - 1.37% (31 Dec 08: 0.73%)			
Theo Fennell	1,100,000	495,000	1.37
Pharmaceuticals & Biotechnology - 0.74% (31 Dec 08: 0.52%)			
Eco Animal Health Group	178,571	267,856	0.74
Real Estate - 10.18% (31 Dec 08: 6.88%)			
Colliers Cre	2,321,597	441,103	1.22
Direct Wonen	952,758	228,662	0.63
LSL Property Services	400,000	1,024,000	2.84
MWB Business Exchange	500,000	355,000	0.98
Newriver Retail	370,000	991,600	2.75
Newriver Retail Warrants	11,443	-	-
Savills	200,502	636,193	1.76
Software & Computer Services - 9.21% (31 Dec 08: 4.08%)			
Aveva Group	42,585	427,128	1.18
Fidessa Group	41,872	491,996	1.36
IndigoVision Group	92,500	541,125	1.50
Intec Telecom Systems	500,000	517,500	1.44
Kewill Systems	270,238	282,399	0.78
Telecity Group	277,750	1,063,783	2.95
Speciality & Other Finance - 1.22% (31 Dec 08: 3.20%)			
Davenham Group	327,337	19,640	0.05
London Capital Group	329,254	421,445	1.17
Support Services - 6.92% (31 Dec 08: 13.29%)			
Connaught	100,000	356,000	0.99
Galiform	1,170,303	863,098	2.39

		Market value £	Percentage of total net assets %
	Holding		
Lavendon Group	1,000,842	690,581	1.92
Melorio	322,000	376,740	1.04
Styles & Wood Group	951,977	209,435	0.58
Technology Hardware & Equipment - 2.33% (31 Dec 08: 0.00%)			
Pace	402,615	841,465	2.33
Torex Retail	145,358	-	-
Travel & Leisure - 7.19% (31 Dec 08: 7.76%)			
Domino's Pizza	251,134	748,379	2.08
Fuller Smith & Turner 'A'	112,123	566,221	1.57
Individual Restaurant	1,605,338	212,707	0.59
Prezzo	972,937	284,584	0.79
Sportingbet	1,145,568	778,986	2.16
Investment assets		35,259,079	97.79
Net other assets		798,411	2.21
Net assets		£36,057,490	100.00

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

Portfolio movements**For the year from 1 January 2009 to 31 December 2009**

	Cost £
Major purchases	
Toluna	999,999
Syndicate Asset Management	967,615
Newriver Retail	925,000
Telecity Group	877,468
Sportingbet	877,404
DSG International	807,881
LXB Retail Properties	800,000
Micro Focus International	798,286
Lavendon Group	700,589
Henderson Group	649,478
Ultra Electronics Holdings	646,909
Afren	640,000
Fenner	631,285
Rathbone Brothers	630,966
Halfords Group	627,547
Rightmove Group	615,022
Pace	612,899
LSL Property Services	599,173
Segro	560,039
BATM Advanced Communications	540,520
Total for the year (Note 14)	£29,305,987

Major purchases and sales are the twenty largest.

	Proceeds £
Major sales	
BPP Holdings	1,819,298
Afren	1,125,467
DSG International	1,016,351
Micro Focus International	962,467
Primary Health Properties	819,006
Trading Emissions	756,648
H&T Group	747,733
Safestore Holdings	745,728
Halfords Group	720,262
Regal Petroleum	700,183
Connaught	688,637
Segro	661,936
Melrose	645,996
Ultra Electronics Holdings	639,295
Petroceltic International	592,099
Rightmove Group	505,679
Mears Group	504,310
Atkins WS	496,720
Carpetright	490,918
De La Rue	483,072
Total for the year (Note 14)	£30,961,277

Statement of total return**For the year from 1 January 2009 to 31 December 2009**

		31 Dec 09		31 Dec 08	
	Notes	£	£	£	£
Income					
Net capital gains/(losses)	2	12,848,010		(31,463,641)	
Revenue	3	834,334		1,093,556	
Expenses	4	(436,569)		(650,836)	
Finance costs: Interest	6	(57)		(2,114)	
Net revenue before taxation		397,708		440,606	
Taxation	5	-		(5,031)	
Net revenue after taxation		397,708		435,575	
Total return before distributions		13,245,718		(31,028,066)	
Finance costs: Distributions	6	(395,893)		(435,041)	
Change in net assets attributable to shareholders from investment activities		£12,849,825		£(31,463,107)	

Statement of change in net assets attributable to shareholders**For the year from 1 January 2009 to 31 December 2009**

		31 Dec 09		31 Dec 08	
		£	£	£	£
Opening net assets attributable to shareholders		25,766,071		65,768,489	
Amounts receivable on issue of shares	12,977,314		6,106,030		
Amounts payable on cancellation of shares	(15,874,826)		(15,020,071)		
		(2,897,512)		(8,914,041)	
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		12,849,825		(31,463,107)	
Retained distribution on accumulation shares		382,934		416,118	
Stamp duty reserve tax		(43,828)		(41,388)	
Closing net assets attributable to shareholders		£36,057,490		£25,766,071	

Balance sheet**As at 31 December 2009**

	Notes	As at 31 Dec 09 £	As at 31 Dec 08 £
ASSETS			
Investment assets		35,259,079	24,068,391
Debtors	7	99,821	83,765
Cash and bank balances	8	804,287	2,088,293
Total other assets		904,108	2,172,058
Total assets		36,163,187	26,240,449
LIABILITIES			
Creditors	9	105,697	474,378
Total liabilities		105,697	474,378
Net assets attributable to shareholders		£36,057,490	£25,766,071

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

Accounting policies of the Fund are as set out on pages 12 and 13.

2. Net capital gains/(losses)

	31 Dec 09	31 Dec 08
	£	£
Currency gains	34,014	2,296
Non-derivative securities	12,818,708	(31,463,564)
Transaction charges	(4,712)	(2,373)
Net capital gains/(losses)	£12,848,010	£(31,463,641)

3. Revenue

	31 Dec 09	31 Dec 08
	£	£
Bank interest	5,605	70,232
Interest on debt securities	52,295	51,534
Overseas dividends	44,166	168,183
Property income distributions	2,644	-
UK franked dividends	588,283	772,151
Underwriting commission	141,341	31,456
	£834,334	£1,093,556

4. Expenses

	31 Dec 09	31 Dec 08
	£	£
<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	408,333	613,854
Registration fees	17,320	21,749
	425,653	635,603
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	3,783	5,692
	3,783	5,692
<i>Payable to other related parties and third parties:</i>		
Audit fees	5,963	6,228
Legal fees	-	(210)
Safe custody fees	620	785
Taxation fees	550	2,738
	7,133	9,541
	£436,569	£650,836

5. Taxation

(a) Analysis of tax charge

	31 Dec 09 £	31 Dec 08 £
Overseas tax suffered	-	5,031
Total current tax (5.b)	-	5,031
Total tax charge	-	£5,031

(b) Factors affecting current tax charge

The tax charged for the year is different to the special 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 08: 20%).

The differences are explained below:

	31 Dec 09 £	31 Dec 08 £
Net revenue before taxation	397,708	440,606
Corporation tax at 20%	79,542	88,122
<i>Effects of:</i>		
Dividends not subject to corporation tax	(120,983)	(153,623)
Movement in excess expenses	41,441	59,586
Movement in income accruals taxable on receipt	-	5,915
Overseas tax suffered	-	5,031
	(79,542)	(83,091)
Total tax charge (5.a)	-	£5,031

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

After claiming relief against accrued income taxable on receipt, the Fund has unrelieved excess expenses of £3,002,609 (31 Dec 08: £2,795,403) and Eligible Unrelieved Foreign Tax (EUTF) of nil (31 Dec 08: £14,306). There is a potential deferred tax asset in relation to these of £600,522 (31 Dec 08: £559,081). 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 revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	31 Dec 09 £	31 Dec 08 £
Interim	240,025	124,516
Final	142,909	291,602
	382,934	416,118
Add: Revenue deducted on cancellation of shares	51,143	35,175
Deduct: Revenue received on issue of shares	(38,184)	(16,252)
Net distributions	395,893	435,041
Interest	57	2,114
Total finance costs	395,950	£437,155
Net revenue after taxation	397,708	435,575
Add: Revenue brought forward	534	-
Deduct: Revenue carried forward	(2,349)	(534)
Net distributions as above	£395,893	£435,041

Details of the distribution per share are set out in the table on page 298.

7. Debtors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Accrued income	35,387	45,447
Amounts receivable on issue of shares	63,097	37,510
Income tax recoverable on property interest distributions	1,337	808
	£99,821	£83,765

8. Cash & bank balances

	As at 31 Dec 09 £	As at 31 Dec 08 £
Cash and bank balances	804,287	2,088,293
	£804,287	£2,088,293

9. Creditors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts payable on cancellation of shares	57,471	50,049
Expense accruals	48,226	69,454
Purchases awaiting settlement	-	354,875
	£105,697	£474,378

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 tables 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 2009 there were no contingent liabilities and commitments at the current or prior period 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 2009 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £38,497 and £1,623 respectively (31 Dec 08: £57,176 and £2,429).

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 period 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 5 and 6.

(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

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 09				
Canadian Dollar	1,900	-	-	1,900
Euro	3,324	-	-	3,324
Sterling	797,751	185,264	35,173,636	36,156,651
US Dollar	1,312	-	-	1,312
	£804,287	£185,264	£35,173,636	£36,163,187
31 Dec 08				
Canadian Dollar	1,818	-	-	1,818
Euro	18,004	-	14	18,018
Sterling	2,066,994	352,003	23,800,139	26,219,136
US Dollar	1,477	-	-	1,477
	£2,088,293	£352,003	£23,800,153	£26,240,449

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 09			
Sterling	-	105,697	105,697
	-	£105,697	£105,697
31 Dec 08			
Sterling	-	474,378	474,378
	-	£474,378	£474,378

(b) Currency exposure

The income 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

Analysis of total purchase costs	£	31 Dec 09 £	£	31 Dec 08 £
Purchases in year before transaction costs		29,201,178		25,343,344
Commissions & taxes	104,809		123,182	
Total purchase costs		104,809		123,182
Gross purchase total		£29,305,987		£25,466,526

Analysis of total sale costs	£	31 Dec 09 £	£	31 Dec 08 £
Gross sales in year before transaction costs		31,005,247		34,770,607
Commissions & taxes	(43,970)		(48,955)	
Total sale costs		(43,970)		(48,955)
Total sales net of transaction costs		£30,961,277		£34,721,652

Distribution table**For the year from 1 January 2009 to 31 December 2009 (in pence per share)**

Final dividend distribution

Group 1: Shares purchased prior to 1 July 2009

Group 2: Shares purchased between 1 July 2009 and 31 December 2009

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 28/02/10 (p)	<i>Distribution paid 28/02/09 (p)</i>
Class A - Accumulation				
Group 1	0.28	-	0.28	0.69
Group 2	0.02	0.26	0.28	0.69
Class B - Accumulation				
Group 1	0.67	-	0.67	1.07
Group 2	0.21	0.46	0.67	1.07

Interim dividend distribution

Group 1: Shares purchased prior to 1 January 2009

Group 2: Shares purchased between 1 January 2009 and 30 June 2009

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/09 (p)	<i>Distribution paid 31/08/08 (p)</i>
Class A - Accumulation				
Group 1	0.62	-	0.62	0.12
Group 2	0.43	0.19	0.62	0.12
Class B - Accumulation				
Group 1	0.92	-	0.92	0.64
Group 2	0.41	0.51	0.92	0.64

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

US GDP posted an increase of 2.2% (annualised) in the third quarter of 2009, the first increase in a year. An increase in consumer spending was the main driver of growth but residential investment and government spending also contributed. Restocking meant that inventories added marginally to growth but a larger boost from inventories still looks likely.

The unemployment rate declined to 10% following further improvements in both the initial and continuing claims numbers. Retail sales growth was positive for the last two months of the year, which could be a tentative sign that consumers are feeling slightly more confident. The industrial sector is also showing the first signs of revival, with industrial production and durable goods orders up in the latter part of the year.

Housing data has also shown signs of improvement, with start permits, completions and sales all increasing. However it is important to put in context that whilst house price measures have improved, they are still down on the year as a whole. Year-on-year inflation spiked to 1.8% in November, but core inflation remains stable. The Federal Reserve kept rates on hold between 0% and 0.25% and the market expects the first increases to come in the third quarter of 2010.

Fund performance

The UBS US Equity Fund recorded performance of +21.1%* in Sterling terms during the reporting period. Over the same time period the Fund's benchmark, the Russell 1000, posted performance of +14.4% also in Sterling terms.

At a stock level the largest contributor to performance on a relative basis was the Fund's underweight holding in Exxon Mobil. Exxon's diversification from traditional oil operation is a clear signal that challenges lie ahead for the biggest oil companies, primarily accessing oil deposits and the greater need to fully consider the environmental actions of their primary activities. As a consequence the company announced the acquisition of XTO Energy on 14 December 2009.

Seagate Technology was the second largest contributor to performance during the period under review. Seagate is engaged in the design, manufacture and marketing of hard disc drives. Hard disc drives, which are the primary medium for storing electronic

information in systems ranging from desktop and notebook computers, and consumer electronics devices to data centres delivering information over corporate networks and the Internet. The stock benefited from an improvement in sentiment towards cyclical stocks such as this.

Other contributors to performance included an overweight holding in Apple. Shares in the company rose by over 119% during the period under review in Sterling terms. The Fund's overweight position in Morgan Stanley also contributed to performance.

The Fund's overweight position in Aflac was the largest detractor to performance on a relative basis. The share price dropped in recent months as fears grew that the company may face capital pressures. While the company does have exposure to hybrids, especially European financial hybrids, they have managed to escape unscathed so far with low exposures to sub-prime mortgages. At the time of writing we continue to hold the stock.

Shares in Genzyme fell by over 30% in Sterling terms during the period under review. We have reduced our position in the stock although we view Genzyme's focus on treating rare disease conditions as a key strategic advantage which not only minimises competition from mid-to-large cap pharmaceutical/biotech peers, but also reduces reimbursement pressure from third party payers in the US such as Medicaid and Medicare.

Outlook

While the Fund was well positioned for the rally that occurred in 2009, we have slightly repositioned the Fund towards a less aggressive tilt. We have reduced our exposure to the Consumer Discretionary sector. We are currently finding opportunities within the Energy sector in both the Oil Services area and the integrated oil companies. Within the Financial sector we favour large diversified financials relative to regional banks. We believe the diversified financials are better positioned to weather the current economic conditions and to gain market share in the process.

We believe the recent repositioning has the Fund well positioned to take advantage of the current market opportunities. The economy is beginning to stabilise, but investors should be aware that the future may bring slower 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 2009, based on A shares.

Percentage growth

	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	31/12/06 to 31/12/07 %	31/12/05 to 31/12/06 %	31/12/04 to 31/12/05 %
Class A – Accumulation Shares	21.14	-20.75	-1.98	-0.63	21.28
Class B – Accumulation Shares	21.92	-20.23	-1.38	0.00	22.02
Class J – Income Shares	-	-	-	1.91	21.44

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: 1 July 2002; Class J Income Shares: 30 March 2004.
Class J Income Shares closed 18 November 2006.

UBS Global Asset Management Funds Ltd
27 April 2010

Performance record

1. Fund size

Accounting year 31 December		Number of shares in issue	Total net asset value per share (p)*	Total net asset value (£)
2007	Class A - Accumulation	332,573,426	74.1	246,276,905
	Class B - Accumulation	410,781,191	76.7	314,776,084
				£561,052,989
2008	Class A - Accumulation	308,240,275	60.5	186,499,932
	Class B - Accumulation	356,818,881	63.0	224,837,712
				£411,337,644
2009	Class A - Accumulation	299,202,704	70.4	210,770,284
	Class B - Accumulation	416,987,694	73.8	307,887,987
				£518,658,271

* rounded to one decimal place.

2. Total expense ratio

The total expense ratio (TER) below is calculated using the most recent audited results and as described in the Financial Services Authority's Collective Investment Schemes Sourcebook.

Share class	31 Dec 09 (%)	31 Dec 08 (%)
Class A - Accumulation	1.58	1.58
Class B - Accumulation	0.94	0.94

3. Portfolio turnover rate

The portfolio turnover rate (PTR) reflects the total of security purchases and sales, less the total of share issues and cancellations, expressed as a percentage of the average daily net asset values over the year.

	31 Dec 09 (%)	31 Dec 08 (%)
	50.99	18.85

4. 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 Class B Accumulation shares. The Class J Income shares were launched on 30 March 2004 at a price of 59.34p.

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class A - Accumulation			
2005	76.35	60.57	-
2006	78.34	68.53	-
2007	80.97	69.29	0.04
2008	74.67	47.09	0.26
2009	72.47	46.23	0.03
Class B - Accumulation			
2005	77.99	61.66	0.37
2006	80.18	70.31	0.48
2007	83.50	71.66	0.53
2008	77.45	49.01	0.71
2009	75.96	48.20	0.39
Class J - Income			
2005	76.78	60.94	0.40
2006 †	78.72	68.78	0.16

† covers the period from 1 January 2006 to 18 November 2006.

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

As at 31 December 2009

	Holding	Market value £	Percentage of total net assets %
Bermuda - 0.97% (31 Dec 08: 0.00%)			
Technology Hardware & Equipment - 0.97% (31 Dec 08: 0.00%)			
Marvell Tech Group	390,300	5,015,156	0.97
Canada - 1.46% (31 Dec 08: 0.57%)			
Oil & Gas Producers - 1.46% (31 Dec 08: 0.57%)			
Ultra Petroleum	244,900	7,561,516	1.46
Cayman Islands - 0.91% (31 Dec 08: 0.47%)			
Technology Hardware & Equipment - 0.91% (31 Dec 08: 0.47%)			
Seagate Technology	419,000	4,719,702	0.91
Ireland - 2.79% (31 Dec 08: 0.00%)			
Health Care Equipment & Services - 2.79% (31 Dec 08: 0.00%)			
Covidien	487,500	14,454,284	2.79
Switzerland - 1.58% (31 Dec 08: 1.76%)			
Non-Life Insurance - 0.84% (31 Dec 08: 1.76%)			
ACE	138,900	4,335,115	0.84
Oil Equipment, Services & Distribution - 0.74% (31 Dec 08: 0.00%)			
Noble	153,100	3,858,668	0.74
United States - 90.35% (31 Dec 08: 92.10%)			
Aerospace & Defence - 2.14% (31 Dec 08: 0.00%)			
General Dynamics	263,500	11,112,085	2.14
Automobiles & Parts - 1.02% (31 Dec 08: 2.45%)			
Borg-Warner	257,404	5,295,204	1.02
Banks - 6.74% (31 Dec 08: 5.39%)			
Bank of America	689,500	6,430,238	1.24
City National	90,400	2,552,708	0.49
JPMorgan Chase & Co	519,700	13,410,471	2.59

	Holding	Market value £	Percentage of total net assets %
Wells Fargo	753,364	12,568,118	2.42
Beverages - 2.00% (31 Dec 08: 2.93%)			
PepsiCo	275,400	10,363,847	2.00
Chemicals - 0.00% (31 Dec 08: 0.49%)			
Construction & Materials - 1.47% (31 Dec 08: 1.66%)			
Fortune Brands	285,200	7,629,588	1.47
Electricity - 4.98% (31 Dec 08: 4.21%)			
American Electric Power	396,879	8,547,823	1.65
Exelon	320,398	9,692,196	1.87
FirstEnergy	202,500	5,823,513	1.12
Pepco	169,459	1,768,204	0.34
Engineering & Machinery - 0.00% (31 Dec 08: 2.22%)			
Fixed Line Telecommunications - 1.50% (31 Dec 08: 2.00%)			
AT&T	448,800	7,790,113	1.50
Food & Drug Retailers - 0.69% (31 Dec 08: 1.44%)			
Sysco	207,121	3,579,742	0.69
Food Producers - 1.19% (31 Dec 08: 0.00%)			
Monsanto	121,500	6,150,803	1.19
Gas, Water & Multiutilities - 0.00% (31 Dec 08: 1.59%)			
General Financial - 4.64% (31 Dec 08: 4.39%)			
Bank of New York Mellon	366,524	6,346,107	1.22
Discover Financial Services	591,663	5,389,580	1.04
Morgan Stanley	307,072	5,624,789	1.08
Principal Financial Group	454,200	6,761,599	1.30
General Industrials - 0.52% (31 Dec 08: 0.00%)			
Ball	84,600	2,708,499	0.52

	Holding	Market value £	Percentage of total net assets %
General Retailers - 2.59% (31 Dec 08: 2.00%)			
Lowes	354,700	5,135,391	0.99
Wal-Mart Stores	251,600	8,324,605	1.60
Health - 0.00% (31 Dec 08: 0.61%)			
Health Care Equipment & Services - 5.06% (31 Dec 08: 4.78%)			
Medco Health Solutions	98,376	3,893,371	0.75
Medtronic	388,863	10,583,354	2.04
Millipore	68,900	3,086,921	0.60
United Health Group	457,900	8,639,944	1.67
Household Goods & Home Construction - 2.40% (31 Dec 08: 0.00%)			
Procter & Gamble	331,800	12,451,361	2.40
Industrial Engineering - 4.54% (31 Dec 08: 5.73%)			
Illinois Tool Works	333,854	9,919,383	1.91
Paccar	373,700	8,395,725	1.62
Pall	234,800	5,262,044	1.01
Industrial Transportation - 3.21% (31 Dec 08: 1.77%)			
Fedex	236,633	12,210,811	2.35
Ryder System	175,600	4,469,245	0.86
Insurance - 1.51% (31 Dec 08: 3.92%)			
AFLAC	273,100	7,821,702	1.51
Media - 5.65% (31 Dec 08: 5.89%)			
Comcast 'A'	1,131,90	11,817,713	2.28
Interpublic Group	1,126,40	5,133,792	0.99
Omnicom Group	255,432	6,192,626	1.19
Viacom 'B'	334,400	6,148,147	1.19
Mining - 1.05% (31 Dec 08: 1.00%)			
Peabody Energy	194,600	5,438,461	1.05
Mobile Telecommunications - 0.00% (31 Dec 08: 0.62%)			
Oil & Gas Producers - 7.35% (31 Dec 08: 6.83%)			

	Holding	Market value £	Percentage of total net assets %
Chevron	234,400	11,170,959	2.15
Dynegy 'A'	999,100	1,119,838	0.22
EOG Resources	69,700	4,199,653	0.81
Exxon Mobil	223,100	9,411,135	1.81
Hess	171,900	6,435,938	1.24
Marathon Oil	299,500	5,790,253	1.12
Oil Equipment, Services & Distribution - 2.84% (31 Dec 08: 3.03%)			
Baker Hughes	282,100	7,064,509	1.36
Williams	586,800	7,652,728	1.48
Personal Goods - 2.02% (31 Dec 08: 0.57%)			
Avon Products	281,600	5,493,018	1.06
Estee Lauder 'A'	165,500	4,956,237	0.96
Pharmaceuticals & Biotechnology - 7.54% (31 Dec 08: 8.20%)			
Allergan	213,736	8,339,787	1.61
Amgen	171,000	5,991,380	1.16
Genzyme	121,565	3,689,445	0.71
Pfizer	1,148,20	12,933,559	2.49
Merck & Co (new)	359,200	8,118,896	1.57
Software & Computer Services - 6.26% (31 Dec 08: 5.16%)			
Autodesk	399,000	6,275,877	1.21
Intuit	181,400	3,449,728	0.66
Microsoft	816,400	15,409,401	2.97
VMware 'A'	280,366	7,344,014	1.42
Support Services - 0.00% (31 Dec 08: 2.37%)			
Technology Hardware & Equipment - 9.21% (31 Dec 08: 7.56%)			
Apple	102,900	13,427,308	2.59
Broadcom 'A'	315,200	6,134,772	1.18
Hewlett Packard	348,300	11,101,341	2.14
Intersil 'A'	275,400	2,614,411	0.50

		Market value £	Percentage of total net assets %
	Holding		
KLA-Tencor	189,000	4,232,121	0.82
National Semiconductor	255,700	2,432,147	0.47
Qualcomm	273,900	7,846,310	1.51
Travel & Leisure - 2.23% (31 Dec 08: 3.26%)			
Carnival (Paired Stock)	354,487	6,956,493	1.34
Southwest Airlines	650,200	4,602,153	0.89
Futures - 0.02% (31 Dec 08: 0.03%)			
S&P 500 E-Mini Future Mar 2010	150	115,306	0.02
Investments assets		508,722,981	98.08
Net other assets		9,935,290	1.92
Net assets		£518,658,271	100.00

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

Portfolio movements**For the year from 1 January 2009 to 31 December 2009**

Major purchases	Cost £	Major sales	Proceeds £
Pfizer	11,426,906	Intel	13,907,466
JPMorgan Chase & Co	11,055,704	General Electric	13,492,858
Procter & Gamble	10,981,009	Anadarko Petroleum	10,073,399
Exxon Mobil	10,405,075	Halliburton	9,889,673
General Dynamics	9,303,605	Wyeth	9,144,982
Hewlett Packard	8,427,268	Johnson & Johnson	7,950,177
Wal-Mart Stores	8,111,825	Johnson Controls	7,051,772
Johnson & Johnson	7,965,803	Analog Devices	6,502,791
Wells Fargo	7,619,728	Starbucks	6,468,965
United Health Group	7,528,697	Burlington Northern Santa Fe	6,450,118
Bank of America	7,186,000	Sempra Energy	6,375,958
Merck & Co (new)	7,181,917	Genzyme	5,669,269
Qualcomm	6,973,894	JC Penney	5,350,239
Covidien	6,959,191	Macy's	5,283,425
Williams	6,264,349	Apple	4,892,037
Monsanto	6,227,195	Morgan Stanley	4,884,963
Autodesk	6,053,289	Broadcom 'A'	4,160,423
FirstEnergy	5,707,322	Peabody Energy	4,076,233
Apple	5,474,961	Medco Health Solutions	4,036,409
Lowes	5,229,815	Sprint Nextel	3,893,598
Total for the year (Note 14)	£273,737,450	Total for the year (Note 14)	£231,388,574

Major purchases and sales are the twenty largest.

Statement of total return**For the year from 1 January 2009 to 31 December 2009**

		31 Dec 09	31 Dec 08
	Notes	£	£
Income			
Net capital gains / (losses)	2	69,017,993	(103,677,224)
Revenue	3	7,553,657	10,354,184
Expenses	4	(5,093,900)	(5,616,881)
Finance costs: Interest	6	(42)	(2,918)
Net revenue before taxation		2,459,715	4,734,385
Taxation	5	(1,081,941)	(1,403,461)
Net revenue after taxation		1,377,774	3,330,924
Total return before distributions		70,395,767	(100,346,300)
Finance costs: Distributions	6	(1,510,389)	(3,356,385)
Change in net assets attributable to shareholders from investment activities		£68,885,378	£(103,702,685)

Statement of change in net assets attributable to shareholders**For the year from 1 January 2009 to 31 December 2009**

	31 Dec 09	31 Dec 08
£	£	£
Opening net assets attributable to shareholders	411,337,644	561,052,989
Amounts receivable on issue of shares	164,887,930	255,668,863
Amounts payable on cancellation of shares	(128,032,547)	(305,040,162)
	36,855,383	(49,371,299)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)	68,885,378	(103,702,685)
Dilution levy charged	-	25,976
Retained distribution on accumulation shares	1,579,866	3,332,663
Closing net assets attributable to shareholders	£518,658,271	£411,337,644

Balance sheet**As at 31 December 2009**

	Notes	As at 31 Dec 09 £	As at 31 Dec 08 £
ASSETS			
Investment assets		508,722,981	398,374,931
Debtors	7	1,117,627	14,735,770
Cash and bank balances	8	22,193,617	13,245,757
Total other assets		23,311,244	27,981,527
Total assets		532,034,225	426,356,458
LIABILITIES			
Creditors	9	13,375,954	15,018,814
Total liabilities		13,375,954	15,018,814
Net assets attributable to shareholders		£518,658,271	£411,337,644

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 12 and 13.

2. Net capital gains/(losses)

	31 Dec 09 £	31 Dec 08 £
Currency gains	158,161	1,145,961
Derivative contracts	817,307	(2,150,726)
Non-derivative securities	68,054,262	(102,657,877)
Transaction charges	(11,737)	(14,582)
Net capital gains/(losses)	£69,017,993	£(103,677,224)

3. Revenue

	31 Dec 09 £	31 Dec 08 £
Bank interest	48,918	552,311
Overseas dividends	7,504,739	9,801,873
	£7,553,657	£10,354,184

4. Expenses

	31 Dec 09 £	31 Dec 08 £
<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	4,839,800	5,336,392
Registration fees	197,881	214,139
	5,037,681	5,550,531
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	37,189	41,525
	37,189	41,525
<i>Payable to other related parties and third parties:</i>		
Audit fees	7,313	9,048
FSA fees	-	(70)
Safe custody fees	12,317	13,109
Taxation fees	(600)	2,738
	19,030	24,825
	£5,093,900	£5,616,881

5. Taxation

(a) Analysis of tax charge

	31 Dec 09 £	31 Dec 08 £
Corporation tax at 20%	-	914,155
Double tax relief	-	(914,155)
Overseas tax suffered	1,081,941	1,403,461
Total current tax (5.b)	1,081,941	1,403,461
Total tax charge	£1,081,941	£1,403,461

(b) Factors affecting current tax charge

The tax charged for the year is higher than the special 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 08: 20%).

The differences are explained below:

	31 Dec 09 £	31 Dec 08 £
Net revenue before taxation	2,459,715	4,734,385
Corporation tax at 20%	491,943	946,877
<i>Effects of:</i>		
Dividends not subject to corporation tax	(823,535)	-
Double tax relief	-	(914,155)
Movement in excess expenses	150,642	
Movement in income accruals taxable on receipt	-	(32,722)
Overseas tax suffered	1,081,941	1,403,461
Revenue taxable in a different periods	180,950	-
	589,998	456,584
Total tax charge (5.a)	£1,081,941	£1,403,461

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

As a result of changes in the Finance Act 2009, Eligible Unrelieved Foreign Tax ('EUFT') was abolished with effect from 1 July 2009 and as such no unrecognised Deferred Tax asset in relation to EUFT exists at the year end. As at 31 December 2008, after offset against accrued income taxable on receipt, there was an unrecognised Deferred Tax asset of £2,011,746 in relation to EUFT. No Deferred Tax asset was recognised in the prior year as it was considered unlikely the Fund would generate sufficient taxable profits in the future to utilise this asset.

6. Finance costs

The distributions take account of revenue received on the issue of shares and revenue deducted on the cancellation of shares, and comprise:

	31 Dec 09 £	31 Dec 08 £
Interim	870,987	1,350,555
Final	708,879	1,982,108
	1,579,866	3,332,663
Add: Revenue deducted on cancellation of shares	167,311	613,126
Deduct: Revenue received on issue of shares	(236,788)	(589,404)
Net distributions	1,510,389	3,356,385
Interest	42	2,918
Total finance costs	£1,510,431	£3,359,303
Net revenue after taxation	1,377,774	3,330,924
Add: Revenue brought forward	43,102	68,563
Add: Shortfall transfer to capital	105,503	-
Deduct: Revenue carried forward	(15,990)	(43,102)
Net distributions as above	£1,510,389	£3,356,385

Details of the distribution per share are set out in the table on page 314.

7. Debtors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Accrued revenue	370,910	787,648
Amounts receivable on issue of shares	647,387	6,800,494
Currency transactions awaiting settlement	-	6,823,161
Sales awaiting settlement	99,330	324,467
	£1,117,627	£14,735,770

8. Cash & bank balances

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts held at futures clearing houses and brokers	301,463	1,103,500
Cash and bank balances	21,892,154	12,142,257
	£22,193,617	£13,245,757

9. Creditors

	As at 31 Dec 09 £	As at 31 Dec 08 £
Amounts payable on cancellation of shares	142,645	111,680
Currency transactions awaiting settlement	-	6,751,084
Expense accruals	531,234	770,287
Purchases awaiting settlement	12,702,075	7,385,763
	£13,375,954	£15,018,814

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 tables 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 2009 there were no contingent liabilities or commitments at the current or prior period 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 2009 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £493,607 and £19,988 respectively (31 Dec 08: £719,259 and £29,728).

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 period 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 5 and 6.

(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

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 09				
Sterling	13,377,271	-	649,693	14,026,964
US Dollar	8,816,346	-	509,190,915	518,007,261
	£22,193,617	-	£509,840,608	£532,034,225
31 Dec 08				
Sterling	11,502,560	-	6,813,225	18,315,785
US Dollar	1,743,197	-	406,297,476	408,040,673
	£13,245,757	-	£413,110,701	£426,356,458

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 09			
Sterling	-	673,879	673,879
US Dollar	-	12,702,075	12,702,075
	-	£13,375,954	£13,375,954
31 Dec 08			
Sterling	-	7,633,051	7,633,051
US Dollar	-	7,385,763	7,385,763
	-	£15,018,814	£15,018,814

(b) Currency exposure

A substantial proportion 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 £
31 Dec 09			
US Dollar	(3,417,795)	508,722,981	505,305,186
	(3,417,795)	508,722,981	505,305,186
Sterling	13,353,085	-	13,353,085
	£9,935,290	£508,722,981	£518,658,271
31 Dec 08			
US Dollar	1,743,197	398,911,713	400,654,910
	1,743,197	398,911,713	400,654,910
Sterling	11,502,560	(819,826)	10,682,734
	£13,245,757	£398,091,887	£411,337,644

(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 invests in exchange traded index futures for Efficient Portfolio Management purposes, consistent with the Investment Objective of the Fund, as discussed in the Risk Profile on pages 5 and 6. Investments in these instruments are used to gain low levels of exposure to certain indices on a longer-term basis and, in order to cover cashflows arising from subscriptions and redemptions in the Fund, to gain exposure to markets on a shorter-term basis, prior direct investment.

14. Portfolio transaction costs

Analysis of total purchase costs	£	31 Dec 09 £	£	31 Dec 08 £
Purchases in year before transaction costs		273,451,934		304,896,945
Commissions & taxes	285,516		354,320	
Total purchase costs		285,516		354,320
Gross purchase total		£273,737,450		£305,251,265
<hr/>				
Analysis of total sale costs	£	31 Dec 09 £	£	31 Dec 08 £
Gross sales in year before transaction costs		231,766,411		341,474,292
Commissions & taxes	(377,837)		(348,123)	
Total sale costs		(377,837)		(348,123)
Total sales net of transaction costs		£231,388,574		£341,126,169

Distribution table**For the year from 1 January 2009 to 31 December 2009 (in pence per share)**

Final dividend distribution

Group 1: Shares purchased prior to 1 July 2009

Group 2: Shares purchased between 1 July 2009 and 31 December 2009

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 28/02/10 (p)	<i>Distribution paid 28/02/09 (p)</i>
Class A - Accumulation				
Group 1	-	-	-	0.18
Group 2	-	-	-	0.18
Class B - Accumulation				
Group 1	0.17	-	0.17	0.40
Group 2	0.10	0.07	0.17	0.40

Interim dividend distribution

Group 1: Shares purchased prior to 1 January 2009

Group 2: Shares purchased between 1 January 2009 and 30 June 2009

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/09 (p)	<i>Distribution paid 31/08/08 (p)</i>
Class A - Accumulation				
Group 1	0.03	-	0.03	0.08
Group 2	-	0.03	0.03	0.08
Class B - Accumulation				
Group 1	0.22	-	0.22	0.31
Group 2	0.08	0.14	0.22	0.31

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 Services 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 Services 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

Each Fund is not a legal entity in itself but forms part of the company. Should the assets attributed to any Fund be insufficient to meet the liabilities attributable to it, the shortfall may be met out of the assets attributed to one or more of the other Funds of the UBS Investment Funds ICVC. Shareholders are not liable for the debts of the company.

Changes to the Prospectus

Since the last report, the following changes were made to the Prospectus:

- Changes have been made relating to the suspension of dealing wording and data protection wording.

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 ACD or by telephoning the ACD on 020 7901 5800.

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.

Minimum investments

The minimum initial lump-sum investment in Class A Shares is £1,000, except in the case of the UBS Broad Bond Market UK Plus Fund, UBS Corporate Bond UK Plus Fund, UBS Fixed Interest UK Plus Fund, UBS Global Optimal Thirds Fund, UBS Inflation Linked Bond

UK Plus Fund, UBS Long Dated Corporate Bond UK Plus Fund and the UBS Long Dated Fixed Interest UK Plus Fund for which it is £50,000. The minimum subsequent lump-sum investment is £500 (unless investing in a regular savings plan in the relevant Fund for which it is £50 per month). The minimum holding is £500.

For Class B and J Shares the minimum initial lump-sum investment is £100,000. The minimum holding is £500 for Class B and £50,000 for Class J Shares. The subsequent lump-sum investment for Class B Shares is £500. For Class J Shares, the minimum holding is £50,000 (except for the UBS Global Emerging Markets Equity Fund and the Global Optimal Thirds Fund where it is £500) and subsequent lump sum subscription is £500. Investments in Class J shares are restricted to companies within the UBS AG Group and to clients of companies within the UBS AG Group.

For Class K Shares the minimum initial lump sum investment is £1,000,000. The minimum holding is £500,000. The subsequent lump-sum investment for Class K Shares is £100,000. Investments in Class K shares are restricted to companies within the UBS AG Group and to clients of companies within the UBS AG Group.

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 minimum initial single lump-sum investment and annual management charge on each share class is shown below.

		Minimum investment (£)	Management fee (%)
UBS Broad Bond Market UK Plus Fund	Class K shares	£100,000	0.00
UBS Corporate Bond UK Plus Fund	Class A shares*	£50,000	1.10
	Class B shares	£100,000	0.60
	Class J shares	£100,000	0.65
	Class K shares	£100,000	0.00
UBS Fixed Interest UK Plus Fund	Class J shares	£100,000	0.65
	Class K shares	£100,000	0.00
UBS Global Emerging Markets Equity Fund	Class A shares*	£1,000	1.50
	Class B shares	£100,000	0.90
	Class J shares	£100,000	1.25
	Class K shares	£100,000	0.00
UBS Global Optimal Fund	Class A shares*	£1,000	1.50
	Class B shares	£100,000	0.90
UBS Global Optimal Thirds Fund	Class J shares	£100,000	0.90
UBS Inflation Linked Bond UK Plus Fund	Class J shares	£100,000	0.65
	Class K shares	£100,000	0.00
UBS Long Dated Corporate Bond UK Plus Fund	Class J shares	£100,000	0.65
	Class K shares	£100,000	0.00
UBS Long Dated Fixed Interest UK Plus Fund	Class J shares	£100,000	0.65
	Class K shares	£100,000	0.00
UBS Medium Term Fixed Interest Fund	Class A shares*	£1,000	1.00
UBS UK Equity Income Fund	Class A shares*	£1,000	1.50
	Class B shares	£100,000	0.90
UBS UK Select Fund	Class A shares*	£1,000	1.50
	Class B shares	£100,000	0.90
UBS UK Smaller Companies Fund	Class A shares*	£1,000	1.50
	Class B shares	£100,000	0.90

		Minimum investment (£)	Management fee (%)
UBS US Equity Fund	Class A shares*	£1,000	1.50
	Class B shares	£100,000	0.90

* for Class A shares purchased through a regular savings plan, the minimum regular subscription is £50 per month.

For all Funds (with the exception of the UBS Broad Bond Market UK Plus Fund, UBS Corporate Bond UK Plus Fund, UBS Fixed Interest UK Plus Fund, UBS Inflation Linked Bond UK Plus Fund, UBS Long Dated Corporate Bond UK Plus Fund, UBS Long Dated Fixed Interest UK Plus Fund and the UBS Medium Term Fixed Interest 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 Broad Bond Market UK Plus Fund	Class K shares	0.00%	6.00%
UBS Corporate Bond UK Plus Fund	Class A shares	3.50%	6.00%
	Class B shares	0.00%	6.00%
	Class J shares	0.00%	6.00%
	Class K shares	0.00%	6.00%
UBS Fixed Interest UK Plus Fund	Class J shares	0.00%	6.00%
	Class K shares	0.00%	6.00%
UBS Global Emerging Markets Equity Fund	Class A shares	4.00%	6.00%
	Class B shares	0.00%	6.00%
	Class J shares	0.00%	6.00%
	Class K shares	0.00%	6.00%
UBS Global Optimal Fund	Class A shares	4.00%	6.00%
	Class B shares	0.00%	6.00%
UBS Global Optimal Thirds Fund	Class J shares	0.00%	6.00%
UBS Inflation Linked Bond UK Plus Fund	Class J shares	0.00%	6.00%
	Class K shares	0.00%	6.00%
UBS Long Dated Corporate Bond UK Plus Fund	Class J shares	0.00%	6.00%
	Class K shares	0.00%	6.00%
UBS Long Dated Fixed Interest UK Plus Fund	Class J shares	0.00%	6.00%
	Class K shares	0.00%	6.00%
UBS Medium Term Fixed Interest Fund	Class A shares	4.00%	6.00%
UBS UK Equity Income Fund	Class A shares	4.00%	6.00%
	Class B shares	0.00%	6.00%
UBS UK Select Fund	Class A shares	4.00%	6.00%
	Class B shares	0.00%	6.00%

		Current charge	Maximum permitted charge
UBS UK Smaller Companies Fund	Class A shares	4.00%	6.00%
	Class B shares	0.00%	6.00%
UBS US Equity Fund	Class A shares	4.00%	6.00%
	Class B 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 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, J or K shares of any Fund to Class B or J shares in the same Fund or another Fund	0.00%
Class B, J or K shares to Class A shares in the same Fund or another Fund*	0.25%

* where the minimum holding for Class B or J shares is not maintained the ACD may switch Class B 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

G R Kane (Chairman)	R Beechey
D Carter	M Chapman
J Harrison	P Schmidt

The company and Head Office

UBS Investment Funds ICVC
21 Lombard Street
London EC3V 9AH

Authorised Corporate Director

UBS Global Asset Management Funds Ltd
21 Lombard Street
London EC3V 9AH

Authorised and regulated by the Financial Services Authority

Transfer Agent and Registrar for:

UBS Global Optimal Thirds Fund

UBS US Equity Fund – J Share

UBS Global Emerging Markets Equity Fund - J and K Share

UBS Fixed Interest UK Plus Fund

UBS Long Dated Fixed Interest UK Plus Fund

UBS Inflation Linked Bond UK Plus Fund

UBS Corporate Bond UK Plus Fund – J and K Share

UBS Long Dated Corporate Bond UK Plus Fund

UBS Broad Bond Market UK Plus Fund

UBS Global Asset Management Funds Ltd
21 Lombard Street
London EC3V 9AH

Transfer Agent and Registrar for all funds other shares

International Financial Data Services (UK) Ltd
IFDS House
St. Nicholas Lane
Basildon
Essex SS15 5FS

Depository

The Royal Bank of Scotland plc
The Broadstone
50 South Gyle Crescent
Edinburgh EH12 9UZ

Authorised and regulated by the Financial Services Authority

Investment Manager

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London EC3V 9AH

Authorised and regulated by the Financial Services Authority
All telephone calls are recorded

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State Street Bank and Trust Company

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