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Introduction and Authorised Corporate Directors' Report

We are pleased to present the report and accounts for the UBS Investment Funds ICVC covering the year ended 31 December 2011.

Depository notification

As part of an internal re-structuring in 2011, The Royal Bank of Scotland Group plc transferred its Trustee and Depository Services business from The Royal Bank of Scotland plc to National Westminster Bank plc and consequently National Westminster Bank plc was appointed as depository of the Funds on 14 October 2011.

As depository, National Westminster Bank plc will have the same duties and responsibilities as The Royal Bank of Scotland plc and the change of trustee will have no impact on the way the Funds are operated.

Performance review

Many market commentators started last year by claiming that 2011 would be the 'make or break' for the Euro. While there was definitely more of the latter than the former, by the end of the year the Eurozone was still intact. The divergence between the US and the eurozone continued to widen, and nowhere has it widened more than in the minds of forecasters. Despite very modest expectations for the US, the consensus is now for outright recession in the Eurozone in 2012.

The US continued to be the outperformer relative to the Eurozone and UK, despite a slight downward revision of third quarter GDP to 1.8% (annualised). Approaching the end of 2011, some sectors of the economy were giving mixed signals. Consumer confidence rallied back to its post-crisis high, but consumer spending in November was softer. Overall, the impression is one of an economy that is slowly improving, but perhaps the fourth quarter data may not be as strong as previously thought.

An EU summit at the beginning of December concluded with the majority of the EU agreeing to engage in tighter economic and fiscal integration. This integration would come with stricter penalties and sanctions to enforce discipline in national budgets. Despite seeming like progress, the summit itself has really just focused on the long-term solutions, without paying much attention to the eurozone falling into a recession in the meantime. Furthermore, since many details are still missing and will be stated in the next Eurogroup meetings, a revival of volatility in sovereign markets at the beginning of 2012 may re-appear.

One of the biggest stories facing the UK in the latter part of 2011 was David Cameron's veto to the new EU treaty changes proposed at the EU summit mentioned above. The treaty changes were meant to increase the fiscal integration in the eurozone countries, and did not have a substantial impact on the UK. However, the refusal of the European leaders to drop the proposed European financial transaction tax, strongly opposed by UK, made Cameron withdraw the UK's support for the treaty changes. Although this move was highly unpopular with other European politicians, it should not have any material effect on the UK in the short term. Indeed, GDP growth for Q3 2011 was revised upwards to 2.3% though 2012 still looks as though it will be a challenging year for the UK economy.

Despite Japan's strong third quarter growth (5.6% annualised), there are growing fears that a combination of global weakness and the strong yen, are likely to inhibit any further growth. Adding fuel to these fears was the large trade deficit reported in November and a drop in industrial production. Consumer confidence fell in November and was matched by weaker retail sales. Nonetheless, the Tankan survey showed an improving outlook in non-manufacturing as opposed to the deteriorating prospects for manufacturing.

Outlook

Looking ahead, markets are seeing big divergences in the growth prospects between the US and the eurozone, with many expecting an outright recession in the eurozone. Against this backdrop, we expect volatility to remain an ongoing feature of investing, for the foreseeable future.

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



Paul Schmidt
Director



D Carter
Director

UBS Global Asset Management Funds Ltd
26 March 2012

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 2011

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

It is the duty of the Depositary to take reasonable care to ensure that the Company is managed in accordance with the Financial 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 revenue of the Company; and the investment and borrowing powers applicable to the Company.

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

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

National Westminster Bank plc
The Broadstone
50 South Gyle Crescent
Edinburgh
EH12 9UZ

26 March 2012

Statement of Authorised Corporate Directors' responsibilities

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

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

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

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

We have audited the financial statements of UBS Investment Funds ICVC ("the Company") for the year ended 31 December 2011 which comprise Aggregated Statement of Total Return, Aggregated Statement of Change in Net Assets attributable to shareholders, Aggregated Balance Sheet and the related notes 1 to 12 together with the Statement of Total Return, Statement of Change in Net Assets attributable to shareholders, Balance Sheet, and the related notes and distribution tables for each sub-fund. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the ACD's responsibilities statement set out on page 5, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company and of its sub-funds as at 31 December 2011 and of the net revenue and the net losses on the scheme property of the Company and its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

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

In our opinion:

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

Ernst & Young LLP
Statutory Auditor
Edinburgh
26 March 2012

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

Aggregated statement of total return
For the year ended 31 December 2011

			31 Dec 11	31 Dec 10
	Notes	£	£	£
Income				
Net capital (losses)/gains	2		(87,941,083)	229,000,998
Revenue	3	58,467,806		55,745,899
Expenses	4	(15,876,946)		(18,970,326)
Finance costs: Interest	6	(5,267)		(8,370)
Net revenue before taxation		42,585,593		36,767,203
Taxation	5	(2,521,811)		(2,537,287)
Net revenue after taxation			40,063,782	34,229,916
Total return before distributions			(47,877,301)	263,230,914
Finance costs: Distributions	6		(32,890,971)	(29,706,103)
Change in net assets				
attributable to shareholders				
from investment activities			£(80,768,272)	£233,524,811

Aggregated statement of change in net assets attributable to shareholders
For the year ended 31 December 2011

		31 Dec 11	31 Dec 10
	£	£	£
Opening net assets			
attributable to shareholders		1,869,116,619	1,935,399,119
Amounts receivable on			
issue of shares	342,066,294		388,298,813
Amounts payable on			
cancellation of shares	(643,674,915)		(715,467,612)
		(301,608,621)	(327,168,799)
Change in net assets			
attributable to shareholders			
from investment activities (see			
Statement of total return)		(80,768,272)	233,524,811
Retained distribution			
on accumulation shares		32,397,884	27,427,628
Stamp duty reserve tax		(43,810)	(66,140)
Closing net assets			
attributable to shareholders		£1,519,093,800	£1,869,116,619

Aggregated balance sheet

As at 31 December 2011

	Notes	As at 31 Dec 11 £	As at 31 Dec 10 £
ASSETS			
Investment assets		1,488,376,957	1,846,454,034
Debtors	7	12,720,579	19,403,655
Cash and bank balances	8	35,744,121	21,964,284
Total other assets		48,464,700	41,367,939
Total assets		1,536,841,657	1,887,821,973
LIABILITIES			
Investment liabilities		13,029,922	5,166,366
Creditors	9	4,572,865	13,042,283
Bank overdraft		-	347,065
Distribution payable		145,070	149,640
Total other liabilities		4,717,935	13,538,988
Total liabilities		17,747,857	18,705,354
Net assets attributable to shareholders		£1,519,093,800	£1,869,116,619

Notes to the financial statements

1. Accounting policies

(a) Basis of accounting

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

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

(b) Recognition of revenue

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

(c) Derivative accounting policy

In determining the accounting treatment for derivatives, consideration is given to the instrument itself and the Fund's objectives 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 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 UBS UK Equity Income Fund the ACD's annual fee and other expenses are charged against capital for the purposes of calculating the amount available for distribution.

(e) Stock dividends

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

(f) Special dividends

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

(g) Underwriting commission

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

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

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

(i) Distribution policy

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

(j) Basis of valuation of investments

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

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

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

(k) Foreign exchange rates

Transactions in foreign currencies have been translated into sterling at the exchange rate ruling on the day of the transaction. Assets and liabilities have been translated into sterling at the closing exchange rates at 31 December 2011.

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

(m) Stamp duty reserve tax

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

(n) Dilution levy/adjustment

All funds apply a dilution adjustment.

The need to apply a dilution adjustment will depend on the volume of net purchases or redemptions of the Shares. The ACD may charge a dilution adjustment on the purchase and redemption of such shares if, in its opinion, the existing/continuing Shareholders might otherwise materially be adversely affected and if applying a dilution adjustment, so far as practicable, is fair to all existing and potential shareholders. In determining the rate of any dilution adjustment, the ACD may, in order to reduce volatility, take account of the trend of a Fund to expand or contract and the transaction in shares at a particular valuation point. Unless it is disadvantageous to shareholders, the dilution adjustment will normally be applied on a Fund experiencing large levels of net purchases or redemptions relative to its size; For these purposes, a large level of net dealing is defined as net purchases or a redemptions of 3% or more of the value of the Fund (except in the case of the UBS Global Emerging Markets Equity Fund, the UBS Global Optimal Thirds Fund, the UBS Fixed Interest UK Plus Fund, the UBS Long Dated Fixed Interest UK Plus Fund, the UBS Inflation Linked Bond UK Plus Fund, the UBS Long Dated Corporate Bond UK Plus Fund and the UBS Broad Bond Market UK Plus Fund where a large deal is defined as a purchase or a redemption of 1% or more of the value of the Fund, subject to a minimum of £15,000 for holdings in Class A Shares or £50,000 for holdings in Class J Shares); or in any other case where the ACD is of the opinion that the interests of existing/continuing Shareholders or potential Shareholders require the imposition of a dilution adjustment.

2. Net capital (losses)/gains

	31 Dec 11 £	31 Dec 10 £
Currency (losses)/gains	(1,357,688)	1,549,171
Derivative contracts	2,758,990	(2,357,947)
Forward currency contracts	208,710	6,129,018
Non-derivative securities	(89,453,578)	224,178,781
Transaction charges	(97,517)	(498,025)
Net capital (losses)/gains	£(87,941,083)	£229,000,998

3. Revenue

	31 Dec 11 £	31 Dec 10 £
Bank interest	114,109	58,350
Interest on debt securities	33,811,296	28,143,333
Interest on derivative contracts	(440,797)	124,364
Option Income	285,345	354,689
Overseas dividends	21,722,396	22,883,579
Property revenue distributions	5,766	-
Stock dividends	285,323	432,909
UK franked dividends	2,684,368	3,702,767
Underwriting commission	-	45,908
	£58,467,806	£55,745,899

4. Expenses

	31 Dec 11 £	31 Dec 10 £
<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	14,836,798	17,792,226
Registration fees	207,677	303,088
	15,044,475	18,095,314
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	159,228	176,664
	159,228	176,664
<i>Payable to other related parties and third parties:</i>		
Audit fees	115,826	108,514
Professional fees	18,448	2,537
Safe custody fees	526,008	569,194
Taxation fees	12,961	18,103
	673,243	698,348
	£15,876,946	£18,970,326

5. Taxation

(a) Analysis of tax charge

	31 Dec 11 £	31 Dec 10 £
Overseas tax provision movement	(171,483)	3,876
Overseas tax suffered	2,694,250	2,546,931
Overseas tax written back	-	(21,655)
Prior year adjustment	(956)	8,135
Total current tax (5.b)	2,521,811	2,537,287
Total tax charge	£2,521,811	£2,537,287

(b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 10: 20%).

The differences are explained below:

	31 Dec 11 £	31 Dec 10 £
Net revenue before taxation	42,585,593	36,767,203
Corporation tax at 20%	8,517,117	7,353,441
<i>Effects of:</i>		
Dividends not subject to corporation tax	(4,504,880)	(5,394,739)
Interest distributions	(4,497,170)	(4,132,372)
Movement in excess expenses	2,691,768	3,693,334
Movement in overseas tax provision	(171,483)	3,876
Overseas tax suffered	2,694,250	2,546,931
Overseas tax written back	-	(21,655)
Prior year adjustment	(956)	8,135
Relief for indexation on UK Index Linked Gilts	(2,191,737)	(1,519,475)
Revenue taxable in different years	(14,892)	(189)
	(5,995,306)	(4,816,154)
Total tax charge (5.a)	£2,521,811	£2,537,287

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

6. Finance costs

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

	31 Dec 11 £	31 Dec 10 £
Interim - first quarter	5,470,839	5,086,931
Interim - second quarter	10,816,163	9,129,665
Interim - third quarter	6,068,802	6,406,933
Final	10,760,663	8,018,627
	33,116,467	28,642,156
Add: Amounts deducted on cancellation of shares	1,925,988	2,007,537
Add: Movement on revenue due to fund closure	2	-
Deduct: Amounts added on issue of shares	(2,151,486)	(943,590)
Net distributions	32,890,971	29,706,103
Interest	5,267	8,370
Total finance costs	£32,896,238	£29,714,473
Net revenue after taxation	40,063,782	34,229,916
Add: Expense charged to capital	3,751,924	2,460,959
Add: Revenue brought forward	164,509	205,892
Add: Shortfall transfer to capital	92,101	651,200
Deduct: Relief for indexation on UK Index Linked Gilts	(10,958,688)	(7,597,373)
Deduct: Revenue carried forward	(165,299)	(164,509)
Deduct: Tax relief on capital expenses	(57,358)	(79,982)
Net distributions as above	£32,890,971	£29,706,103

7. Debtors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Accrued revenue	1,054,732	1,187,335
Amounts receivable on issue of shares	1,730,772	4,259,289
Currency transactions awaiting settlement	-	1,850,149
Interest receivable on debt securities	8,093,320	8,320,762
Interest receivable on swaps	6,903	-
Overseas tax recoverable	93,760	358,557
Property income tax recoverable	1,527	7,196
Sales awaiting settlement	1,739,565	3,420,367
	£12,720,579	£19,403,655

8. Cash & bank balances

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts held at futures clearing houses and brokers	3,679,682	3,207,780
Cash and bank balances	32,064,439	18,756,504
	£35,744,121	£21,964,284

9. Creditors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts payable on cancellation of shares	835,043	1,282,422
Corporation tax payable	48,905	116,047
Currency transactions awaiting settlement	-	1,860,890
Expense accruals	1,250,700	3,441,880
Income tax payable	6,191	4,276
Interest payable on swaps	8,893	222,927
Overseas tax provision	-	171,483
Payable to UBS due to fund closure	17	-
Purchases awaiting settlement	2,423,116	5,942,358
	£4,572,865	£13,042,283

10. Contingent liabilities

At 31 December 2011 there were no contingent liabilities or commitments at the current or prior year ends.

11. Related party transactions

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

At 31 December 2011 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £995,096 and £13,899 respectively (31 Dec 10: £3,061,967 and £48,268).

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 funds made net sales in UBS shares to a value of £306,189 (31 Dec 10: £76,935). The value of the holding at year end is £68,009 (31 Dec 10: £389,582).

UBS Global Asset Management Life Ltd is a significant investor in the Funds. Transactions with these Funds were entered into in the normal course of business and on normal commercial terms. No initial charge was paid by UBS Global Asset Management Life Ltd on these transactions. The entity holds Class K Accumulation Gross shares on which no ACD fee is payable. The aggregate value of these transactions during the year was £(32,220,075) (31 Dec 10: £(61,402,311)). As at 31 December 2011, the entity held 74,019,612 shares in the Funds with a market value of £47,826,611 (31 Dec 10: 124,979,900, £75,274,149).

UBS Global Allocation Fund (UK) is also a significant investor in some of the Funds. Transactions with these Funds were entered into in the normal course of business and on normal commercial terms. No initial charge was paid by UBS Global Allocation Fund (UK) on these transactions. The entity holds Class K Accumulation Gross shares on which no ACD fee is payable. The aggregate value of these transactions during the year was £(4,331,610) (31 Dec 10: £(9,925,000)). As at 31 December 2011, the entity held 120,358,582 shares in the Funds with a market value of £78,630,142 (31 Dec 10: 112,791,295 shares, £82,012,587).

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 2011 were £29,313 (31 Dec 10: £27,833), are in the process of being settled and will be transferred into the ongoing Fund.

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

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

12. Financial instruments

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

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

Risk management and control

UBS Global Asset Management Risk Control is an independent risk function that has a separate reporting line from UBS Global Asset Management business and portfolio management functions. The Risk Control function reports to the Chief Risk Officer of UBS Global Asset Management who reports to the Chief Risk Officer of UBS Group. The UK team is responsible for the oversight of the OEIC Funds for which UBS Global Asset Management Funds Ltd is the ACD.

Risk Control function responsibilities:

Market Risk. Risk Control are responsible for the development of an integrated risk control and governance framework and the independent checking of risk controls within the business lines.

Operational Risk. Risk Control review and report upon the internal controls of business areas for which the senior management of each respective area are responsible.

Derivatives. Risk Control are responsible for overseeing and monitoring the use of derivatives in the OEIC Funds.

Core Risk Systems:

Global Risk System (GRS). The GRS system gathers together all the assets in a Fund and calculates risk using a bottom up approach. It is possible to drill down to individual assets in a Fund, including derivatives, and analyse the contribution of these positions in the context of the overall risk of the Fund.

Sentinel. The Sentinel system monitors post-trade investment restrictions. Sentinel is also used for those Funds using the commitment approach to ensure adequate cover is in place.

RiskMetrics. The RiskMetrics system quantifies the exposures taken by the Funds. RiskMetrics is an industry standard system which has the ability to use different VaR models and can be used to calculate a range of risk sensitivities, as well as stress tests. The VaR methodology employed by UBS Global Asset Management is defined in the CESR/10-788 guidelines.

Market price risk

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

Currency risk

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

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

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

Counterparty risk

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

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

Credit risk

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

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

Liquidity risk

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

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

Interest rate risk

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

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

Derivatives

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

The Manager may invest in financial futures and currency forwards for the purposes of efficient portfolio management, 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 Funds' exposure is within the limits set out by UBS, the scheme documents and the COLL Sourcebook. Daily exposure to options is also measured pre-trade.

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

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

Credit default swap (CDS). Where used, the Fund may undertake both long (selling protection) and short transactions (buying protection). Each position is assessed in terms of the credit spread risk it adds to the portfolio. If protection is sold then the maximum loss will be the original (nominal) capital. If protection is purchased then the 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 the holdings in the portfolio should compensate for the large position in the derivative under the global cover requirements.

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

UBS Alpha Choice Fund

Manager's report

Notice of Fund wind up

The UBS Alpha Choice Fund commenced termination on 22 March 2010. Termination will be completed once all assets and liabilities have been settled.

Percentage growth

	31/12/09 to termination %	Launch to 31/12/09 %
Class K - Accumulation Shares	1.97	-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

26 March 2012

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 (£)
2009	Class K - Accumulation	119,394,743	47.6	56,849,416
				£56,849,416
2010	Class K - Accumulation	-	-	11,334
				£11,334
2011	Class K - Accumulation	-	-	10,098
				£10,098

* rounded to one decimal place.

2. 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
2010 ^{††}	48.87	47.88	-

[†] covers period from launch to 31 December 2009.

^{††} covers period from 1 January 2010 to 22 March 2010.

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 2011

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

Portfolio movements
For the year ended 31 December 2011

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

Statement of total return
For the year ended 31 December 2011

		31 Dec 11		31 Dec 10	
	Notes	£	£	£	£
Income					
Net capital (losses)/gains	2		(461)		1,131,250
Revenue	3	122		147,664	
Expenses	4	-		(9,919)	
Finance costs: Interest	6	(6)		(213)	
Net revenue before taxation		116		137,532	
Taxation	5	(891)		(10,471)	
Net (expense)/revenue after taxation			(775)		127,061
Total return before distributions			(1,236)		1,258,311
Finance costs: Distributions	6		-		(135,916)
Change in net assets attributable to shareholders from investment activities			£(1,236)		£1,122,395

Statement of change in net assets attributable to shareholders
For the year ended 31 December 2011

	31 Dec 11		31 Dec 10	
	£	£	£	£
Opening net assets attributable to shareholders		11,334		56,849,416
Amounts receivable on issue of shares	-		599,975	
Amounts payable on cancellation of shares	-		(58,560,452)	
		-		(57,960,477)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		(1,236)		1,122,395
Closing net assets attributable to shareholders		£10,098		£11,334

Balance sheet**As at 31 December 2011**

		As at 31 Dec 11 £	As at 31 Dec 10 £
	Notes		
ASSETS			
Investment assets		-	-
Debtors	7	2,523	9,277
Cash and bank balances	8	7,575	2,057
Total assets		10,098	11,334
LIABILITIES			
Creditors		-	-
Total liabilities		-	-
Net assets attributable to shareholders		£10,098	£11,334

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

Accounting policies of the Fund are as set out on pages 11 to 13.

2. Net capital (losses)/gains

	31 Dec 11	31 Dec 10
	£	£
Currency gains	-	788,633
Derivative contracts	-	(450,330)
Forward currency contracts	-	(3,455,635)
Non-derivative securities	-	4,273,313
Transaction charges	(461)	(24,731)
Net capital (losses)/gains	£(461)	£1,131,250

3. Revenue

	31 Dec 11	31 Dec 10
	£	£
Bank interest	122	1,632
Overseas dividends	-	119,816
UK franked dividends	-	26,216
	£122	£147,664

4. Expenses

	31 Dec 11	31 Dec 10
	£	£
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	-	1,341
	-	1,341
<i>Payable to other related parties and third parties:</i>		
Audit fees	-	764
Professional fees	-	2,231
Safe custody fees	-	1,060
Taxation fees	-	4,523
	-	8,578
	-	£9,919

5. Taxation

(a) Analysis of tax charge

	31 Dec 11	31 Dec 10
	£	£
Overseas tax suffered	-	11,047
Prior year adjustment	891	(576)
Total current tax (5.b)	891	10,471
Total tax charge	£891	£10,471

(b) Factors affecting current tax charge

The tax charged for the year is higher than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 10: 20%).

The differences are explained below:

	31 Dec 11	31 Dec 10
	£	£
Net revenue before taxation	116	137,532
Corporation tax at 20%	23	27,506
<i>Effects of:</i>		
Dividends not subject to corporation tax	(24)	(29,450)
Movement in excess expenses	1	1,944
Overseas tax suffered	-	11,047
Prior year adjustment	891	(576)
	868	(17,035)
Total tax charge (5.a)	£891	£10,471

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 2011 the Fund had excess management expenses of £9,723 (31 Dec 10: £9,717). The deferred tax in respect of this would be £1,945 (31 Dec 10: £1,944). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

6. Finance costs

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

	31 Dec 11	31 Dec 10
	£	£
Interim	-	-
Final	-	-
	-	-
Add: Amounts deducted on cancellation of shares	-	135,941
Deduct: Amounts added on issue of shares	-	(25)
Net distributions	-	135,916
Interest	6	213
Total finance costs	£6	£136,129
Net revenue after taxation	(775)	127,061
Add: Revenue brought forward	-	2,011
Add: Shortfall transfer to capital	775	6,844
Net distributions as above	-	£135,916

7. Debtors

	As at 31 Dec 11	As at 31 Dec 10
	£	£
Overseas tax recoverable	2,523	9,277
	£2,523	£9,277

8. Cash & bank balances

	As at 31 Dec 11	As at 31 Dec 10
	£	£
Cash and bank balances	7,575	2,057
	£7,575	£2,057

9. Contingent liabilities

At 31 December 2011 there were no contingent liabilities or commitments at the current or prior year ends.

10. 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.

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the 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.

11. Financial instruments

The Authorised Corporate Director's policy and approach to managing the risks associated with financial instruments are included in the Risk Profile on pages 18 to 20.

(a) 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 11			
Australian Dollar	3	-	3
Canadian Dollar	2	-	2
Euro	776	-	776
Taiwanese Dollar	1	-	1
US Dollar	1,852	-	1,852
	2,634	-	2,634
Sterling	7,464	-	7,464
	£10,098	-	£10,098
31 Dec 10			
Australian Dollar	3	-	3
Canadian Dollar	2	-	2
Euro	1,150	-	1,150
Swiss Franc	6,107	-	6,107
Taiwanese Dollar	1	-	1
US Dollar	15	-	15
	7,278	-	7,278
Sterling	4,056	-	4,056
	£11,334	-	£11,334

(b) 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.

12. Portfolio transaction costs

	31 Dec 11 £	31 Dec 10 £
Analysis of total purchase costs		
Purchases in year before transaction costs	-	16,576,804
Commissions & taxes	-	22,229
Total purchase costs	-	22,229
Gross purchase total	-	£16,599,033
Analysis of total sale costs		
Gross sales in year before transaction costs	-	71,811,365
Commissions & taxes	-	(57,155)
Total sale costs	-	(57,155)
Total sales net of transaction costs	-	£71,754,210

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

Key developed sovereign bond markets saw positive returns on the year, driven by deteriorating expectations of global growth, reductions in policy rates and risk aversion in light of the worsening situation in Europe. UK economic data continued to be soft and the Bank of England base rate was maintained at 0.5% throughout the year; in October the MPC decided to provide a further stimulus, injecting an additional £75billion into the economy. Elsewhere the European Central Bank cut interest rates in both November and December, having hiked rates twice earlier in the year, and US interest rates were kept at record low levels in conjunction with further quantitative stimulus. European policymakers failed to resolve the sovereign debt crisis, resulting in a sustained flight to safe haven assets such as UK Gilts, which was key to the strong performance of government bond markets.

UK Gilts fell over the year. The yield on the All Stock index started at 3.67%, then rose as high as 4.10% and ended the period at 2.48%; the index returned 16.6%. The additional yield on the iBoxx Non-Gilt index relative to UK Gilts rose from 1.68% to 2.65% (having followed a volatile path over the period, and reaching lows of 1.49%) and the index returned 6.9% over the period, underperforming government bond indices.

Fund performance

During 2011, the fund achieved a performance of 11.25%*, underperforming its benchmark. The main contributors to performance were duration management and currency management. Spread management detracted from performance.

At the start of the year, the fund was positioned for an economic recovery in the US and Europe, versus a negative view on the UK. Corporate bond exposure was positive. Following the deterioration of global growth prospects, the duration and country positions were adjusted and actively managed over the period, and brought closer to benchmark at year end. The corporate overweight was somewhat maintained, however, the composition of this was also rebalanced mid-year. As financial sector bonds suffered a significant diminution of liquidity as a broad wave of risk aversion set in, the fund reduced exposure through derivatives, which however, did not provide full protection against the extent of underperformance of the sector. Currency was actively managed, with a bias to short the GBP over the period.

Outlook

Expectations are overall low with a recession priced in for Europe, no 'silver bullet' to end the sovereign debt crisis, a fiscal impasse in the US, and European banks still on the drip feed of emergency ECB liquidity. In addition, most countries will remain in regimes of fiscal austerity. However, there are timid signs that the economic data may no longer be weakening, at a time when recession expectations are high. The big divergences in growth prospects between US and the Eurozone has led to crowded trades, most easily visible in the movements of the Euro versus the US Dollar. While the heightened uncertainty argues against significant outright directional duration trades the market dislocation provides for much more by way of relative value opportunities. Position sizes are reduced to reflect the increased volatility and focus is on ensuring ample diversity of active views and importantly the ability to access liquidity to close positions.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2011, based on K shares.

Percentage growth

	31/12/10 to 31/12/11 %	31/12/09 to 31/12/10 %	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	Launch to 31/12/07 %
Class K - Accumulation Gross Shares	11.25	14.64	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

26 March 2012

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 (£)
2009	Class K - Accumulation Gross	72,274,589	52.9	38,234,468
				£38,234,468
2010	Class K - Accumulation Gross	37,421,739	60.8	22,760,869
				£22,760,869
2011	Class K - Accumulation Gross	27,682,393	67.5	18,675,222
				£18,675,222

* 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 11 (%)	31 Dec 10 (%)
Class K - Accumulation Gross	0.08	0.05

3. Share dealing price range and distribution record

The Fund was launched on 6 March 2007 at a price of 50p for Class K Accumulation Gross shares.

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
2010	61.64	53.33	3.08
2011	67.87	60.08	2.89

† 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 2011

	Holding	Market value £	Percentage of total net assets %
Bonds - 94.87% (31 Dec 10: 97.53%)			
Floating Rate Notes - 5.28% (31 Dec 10: 6.29%)			
AXA 6.772% FRN Perpetual	£200,000	129,874	0.70
Credit Agricole 5.136% FRN Perpetual	£100,000	55,009	0.29
Credit Agricole 7.589% FRN Perpetual	£100,000	57,695	0.31
ELM 5.252% FRN Perpetual	€200,000	131,114	0.70
Nationwide Building Society 6.024% FRN Perpetual	£100,000	64,138	0.34
Old Mutual 5% FRN Perpetual	€100,000	66,741	0.36
Royal Bank of Scotland 6.876% FRN 2033	£300,000	165,000	0.88
Siemens 6.125% FRN 2066	£109,000	114,619	0.61
Societe Generale 8.875% FRN Perpetual	£75,000	45,999	0.25
Swiss Reinsurance FRN Perpetual	£50,000	38,722	0.21
Yorkshire Water Services Finance 6% FRN 2025	£110,000	118,475	0.63
Mortgage & Asset Backed Securities - 0.21% (31 Dec 10: 1.50%)			
Aladdin CDO 25X FRN 2016	\$100,000	-	-
Brushfield CDO FRN 2052	\$200,000	13	-
Granite Master 'A6' FRN 2054	£41,574	39,287	0.21
Ordinary Fixed Interest - 89.38% (31 Dec 10: 89.74%)			
APB Financial 6.25% 2026	£104,000	105,671	0.57
American International 6.765% 2017	£100,000	96,337	0.52
Anglian Water Service Finance 'B' 7.882% 2037	£150,000	153,941	0.82
Anheuser-Busch InBev 9.75% 2024	£165,000	253,217	1.36
Apria Healthcare Group 11.25% 2014	\$170,000	112,943	0.60

	Holding	Market value £	Percentage of total net assets %
Aviva 6.125% FRN Perpetual	£130,000	85,954	0.46
BAA Funding 6.75% 2028	£70,000	81,347	0.44
BAA Funding 'A' 6.45% 2033	£100,000	110,743	0.59
Bank of America 6.125% 2021	£150,000	134,969	0.72
Barclays Bank 5.75% 2021	£70,000	70,354	0.38
Barclays Bank 5.75% 2026	£130,000	100,039	0.54
BAT International Finance 6% 2034	£70,000	82,787	0.44
Boardriders 8.875% 2017	€100,000	72,672	0.39
British Sky Broadcasting 9.5% 2018	\$140,000	116,448	0.62
Celanese US Holdings 6.625% 2018	\$110,000	75,204	0.40
CF Industries 7.125% 2020	\$80,000	60,871	0.33
Citigroup 5.15% 2026	£145,000	131,525	0.70
CNP Assurances 7.375% 2041	£100,000	73,805	0.40
Co-Operative Group 5.625% 2020	£90,000	90,131	0.48
Credit Suisse Finance 7% 2020	£115,000	108,603	0.58
CRH Finance 7.375% 2014	€120,000	109,197	0.58
Edcon Proprietary 9.5% 2018	€100,000	66,198	0.35
EDP 8.625% 2024	£100,000	84,280	0.45
Eksportfinans 5.5% 2017	\$150,000	87,821	0.47
Enel 5.75% 2040	£190,000	149,492	0.80
Energy Transfer Partners 6.05% 2041	\$85,000	53,630	0.29
Energy Transfer 7.5% 2038	\$50,000	36,733	0.20
Enterprise Inns 6.5% 2018	£100,000	66,535	0.36
Enterprise Inns 6.875% 2021	£70,000	45,156	0.24

	Holding	Market value £	Percentage of total net assets %
ESB Finance 6.5% 2020	£190,000	169,063	0.91
Fiat Industrial Finance 6.25% 2018	€140,000	100,178	0.54
Ford Motor Credit 8.125% 2020	\$150,000	113,609	0.61
France Telecom 5.375% 2050	£50,000	50,055	0.27
Friends Provident 6.875% FRN Perpetual	£58,000	37,910	0.20
Friends Provident 8.25% 2022	£100,000	88,367	0.47
Friends Provident 12% 2021	£120,000	133,645	0.72
Gaz Capital 6.58% FRN 2013	£70,000	72,794	0.39
GDF Suez 5% 2060	£100,000	96,071	0.51
General Electric Capital 6.5% FRN 2067	£255,000	219,991	1.18
Goldman Sachs Group 6.125% 2017	£35,000	35,548	0.19
Great Rolling Stock 6.875% 2035	£91,000	103,417	0.55
Greene King Finance 'B' 5.702% FRN 2034	£143,000	111,578	0.60
HSBC 6.5% FRN 2023	£180,000	176,728	0.95
Imperial Tobacco Finance 9% 2022	£125,000	169,058	0.91
ING Bank 3.875% 2016	£38,000	37,084	0.20
Intelsat Jackson 7.25% FRN 2020	\$115,000	75,108	0.40
Lambay Capital Securities 6.25% FRN 2049	£220,000	3,190	0.02
Lloyds Banking Group 7.625% 2025	£41,000	32,408	0.17
Lloyds Banking Group 9.625% FRN 2023	£65,000	60,345	0.32
Mitchells & Butlers 5.965% 2025	£12,738	13,415	0.07
Monte dei Paschi di Siena 5.75% 2016	£50,000	33,250	0.18
Northern Gas Networks 5.625% 2040	£139,000	150,960	0.81
Nustar Logistics 4.8% 2020	£60,000	40,207	0.22
Nustar Logistics 7.65% 2018	\$100,000	76,394	0.41

	Holding	Market value £	Percentage of total net assets %
Octagon Healthcare Funding 5.333% FRN 2035	£94,629	97,751	0.52
Old Mutual 7.125% 2016	£95,000	102,912	0.55
Petrobras International Finance 6.25% 2026	£127,000	129,381	0.69
Petroleos Mexicanos 8.25% 2022	£89,000	104,537	0.56
Pfizer 6.5% 2038	£50,000	68,655	0.37
Quicksilver Resources 11.75% 2016	\$100,000	73,033	0.39
Range Resources 5.75% 2021	\$35,000	24,379	0.13
Reed Elsevier Investments 5.625% 2016	£100,000	111,300	0.60
Reynolds Group 8.5% 2018	\$110,000	67,772	0.36
Royal Bank of Scotland 4.35% 2017	€100,000	61,570	0.33
Royal Bank of Scotland 6% 2017	£180,000	181,064	0.97
RWE Finance 6.125% 2039	£150,000	178,274	0.95
Santander Finance 11.3% FRN Perpetual	£50,000	42,806	0.23
Scottish & Southern Energy 5.453% FRN Perpetual	£120,000	115,526	0.62
Svenska Handelsbanken 5.375% Perpetual	£75,000	73,524	0.39
Telecom Italia 5.875% FRN 2023	£100,000	81,138	0.43
Tesco 5.2% 2057	£50,000	55,558	0.30
Tesco Property Finance 5.744% 2040	£95,716	102,941	0.55
Thames Water 5.5% 2041	£100,000	110,607	0.59
Thames Water 7.241% 2058	£75,000	89,749	0.48
Treasury 0.625% Index-Linked 2040	£130,000	173,798	0.93
Treasury 2.25% 2014	£440,000	458,392	2.45
Treasury 2.75% 2015	£430,000	459,584	2.46
Treasury 4% 2022	£540,000	637,308	3.41
Treasury 4% 2060	£1,190,000	1,472,982	7.89

	Holding	Market value £	Percentage of total net assets %
Treasury 4.25% 2036	£650,000	796,770	4.27
Treasury 4.25% 2040	£960,000	1,180,032	6.32
Treasury 4.5% 2034	£340,000	429,284	2.30
Treasury 4.75% 2020	£560,000	690,704	3.70
Treasury 4.75% 2030	£1,015,000	1,313,918	7.04
Treasury 5% 2025	£397,000	517,450	2.77
Treasury 8% 2021	£460,000	704,398	3.77
UBS 7.152% FRN Perpetual	€100,000	74,582	0.40
US Treasury 0.125% 2016	\$950,000	654,078	3.50
Wales & West Utilities 5.125% 2016	£80,000	88,091	0.47
Wales & West Utilities Finance 5.75% 2030	£80,000	89,255	0.48
Yorkshire Water Services Finance 6.375% 2039	£50,000	61,752	0.33
Derivatives - 0.26% (31 Dec 10: (0.43)%)			
Credit Default Swaps - 0.13% (31 Dec 10: (0.10)%)			
Barclays Bank Credit Default Swaps ACAPF 5.065% 20 Dec 2016	110,000	6,439	0.03
Barclays Bank Credit Default Swaps Aero Finance 5.5% 20 Dec 2016	210,000	7,166	0.04
Barclays Bank Credit Default Swaps Banco San Paolo 4.75% 20 Dec 2016	220,000	(14,984)	(0.08)
Barclays Bank Credit Default Swaps Centrica 7% 20 Jun 2016	270,000	(259)	-
Barclays Bank Credit Default Swaps CNA Financial 5.85% 20 Sep 2016	180,000	5,644	0.03
Barclays Bank Credit Default Swaps DT 6% 20 Dec 2016	210,000	(1,826)	(0.01)

	Holding	Market value £	Percentage of total net assets %
Barclays Bank Credit Default Swaps E.ON 6.3% 20 Jun 2016	270,000	(2,196)	(0.01)
Barclays Bank Credit Default Swaps FSL 8.875% 20 Jun 2016	120,000	(12,676)	(0.07)
Barclays Bank Credit Default Swaps HIG Capital 4% 20 Sep 2016	180,000	(11,258)	(0.06)
Barclays Bank Credit Default Swaps iTraxx 1% 20 Dec 2016	215,000	(13,922)	(0.07)
Barclays Bank Credit Default Swaps iTraxx 5% 20 Dec 2016	700,000	45,095	0.24
Barclays Bank Credit Default Swaps Marks & Spencer 5.625% 20 Mar 2017	110,000	6,624	0.04
Barclays Bank Credit Default Swaps NEIM 7.125% 20 Jun 2016	120,000	(1,140)	(0.01)
Barclays Bank Credit Default Swaps Societe Generale 5.25% 20 Dec 2016	110,000	9,368	0.05
Barclays Bank Credit Default Swaps Telecom Italia 5.375% 20 Dec 2016	200,000	26,201	0.14
Barclays Bank Credit Default Swaps Toy's R Us 7.375% 20 Jun 2016	120,000	(9,140)	(0.05)
Citibank Credit Default Swaps Reed Elsevier 5.6% 20 Mar 2017	210,000	(2,420)	(0.01)
Credit Suisse Credit Default Swaps Wind Acquisition 11.75% 20 Dec 2016	70,000	(14,450)	(0.08)
Deutsche Bank Credit Default Swaps BP 20 Dec 2016	210,000	(753)	-

	Holding	Market value £	Percentage of total net assets %
Deutsche Bank Credit Default Swaps CNA Financial 5.85% 20 Sep 2016	180,000	5,645	0.03
Deutsche Bank Credit Default Swaps CSC 6.5% 20 Mar 2014	275,000	11,601	0.06
Deutsche Bank Credit Default Swaps CSC 6.5% 20 Mar 2016	185,000	(16,927)	(0.09)
Deutsche Bank Credit Default Swaps Daimler 20 Dec 2016	210,000	5,970	0.03
Deutsche Bank Credit Default Swaps EDF 5.625% 20 Dec 2016	210,000	(4,438)	(0.02)
Deutsche Bank Credit Default Swaps HIG Capital 4% 20 Sep 2016	180,000	(11,258)	(0.06)
Deutsche Bank Credit Default Swaps iTraxx 1% 20 Dec 2016	215,000	(13,922)	(0.07)
Deutsche Bank Credit Default Swaps iTraxx 5% 20 Dec 2016	120,000	459	-
Deutsche Bank Credit Default Swaps Metlife 5% 20 Jun 2016	380,000	(21,818)	(0.12)
Deutsche Bank Credit Default Swaps Prudential 4.5% 20 Jun 2016	380,000	15,697	0.08
Goldman Sachs Credit Default Swaps Allstate 6.75% 20 Mar 2016	90,000	(207)	-
Goldman Sachs Credit Default Swaps Carrefour 4.375% 20 Sep 2016	70,000	(3,236)	(0.02)
Goldman Sachs Credit Default Swaps France Telecom 5.625% 20 Dec 2016	210,000	(3,186)	(0.02)

	Holding	Market value £	Percentage of total net assets %
Goldman Sachs Credit Default Swaps Hon Hai Precision 5.7% 20 Jun 2016	190,000	(3,257)	(0.02)
Goldman Sachs Credit Default Swaps Siemens Finance 5% 20 Dec 2016	210,000	(1,949)	(0.01)
JPM Credit Default Swaps Allstate 6.75% 20 Mar 2016	90,000	(207)	-
JPM Credit Default Swaps AXA 6% 20 Mar 2016	130,000	(9,989)	(0.05)
JPM Credit Default Swaps BMW 5.06% 20 Dec 2016	210,000	4,234	0.02
JPM Credit Default Swaps CSC 6.5% 20 Mar 2014	265,000	11,179	0.06
JPM Credit Default Swaps CSC 6.5% 20 Mar 2016	175,000	(16,012)	(0.09)
JPM Credit Default Swaps iTraxx 5% 20 Dec 2016	270,000	20,779	0.11
JPM Credit Default Swaps Metlife 7.625% 20 Mar 2017	210,000	9,761	0.05
JPM Credit Default Swaps MICH 8% 20 Sep 2016	210,000	8,622	0.05
Merrill Lynch Credit Default Swaps AIG Bank 20 Jun 2016	120,000	(5,676)	(0.03)
Merrill Lynch Credit Default Swaps Renault 20 Jun 2016	200,000	(24,498)	(0.13)
Merrill Lynch Credit Default Swaps Volvo 20 Jun 2016	200,000	10,599	0.06
UBS Credit Default Swaps iTraxx 5% 20 Dec 2016	450,000	34,632	0.19

Holding	Market value £	Percentage of total net assets %
Forwards - 0.35% (31 Dec 10: 0.23%)		
Bought Australian Dollar 550,000 Sold Canadian Dollar 577,940	(5,130)	(0.03)
Bought Australian Dollar 1,720,000 Sold US Dollar 1,693,180	34,349	0.19
Bought Canadian Dollar 283,806 Sold Australian Dollar 275,000	(710)	-
Bought Canadian Dollar 560,566 Sold Australian Dollar 573,160	2,343	0.01
Bought Canadian Dollar 295,723 Sold New Zealand Dollar 370,000	2,568	0.01
Bought Canadian Dollar 235,000 Sold Sterling 146,330	2,688	0.01
Bought Euro 215,000 Sold Australian Dollar 282,456	(5,554)	(0.03)
Bought Euro 1,080,000 Sold Swedish Krona 9,893,700	(23,648)	(0.13)
Bought Euro 567,500 Sold US Dollar 775,757	(26,841)	(0.14)
Bought Japanese Yen 21,735,000 Sold Australian Dollar 280,000	(2,134)	(0.01)
Bought Japanese Yen 21,862,176 Sold Euro 210,000	7,056	0.04
Bought Japanese Yen 21,175,285 Sold New Zealand Dollar 370,000	(7,811)	(0.04)

Holding	Market value £	Percentage of total net assets %
Bought Japanese Yen 107,533,405 Sold Sterling 882,384	17,199	0.09
Bought New Zealand Dollar 750,770 Sold Euro 430,000	15,253	0.08
Bought Norwegian Krone 2,240,000 Sold Sterling 251,740	(10,716)	(0.06)
Bought Norwegian Krone 4,250,000 Sold Swedish Krona 4,944,546	(6,453)	(0.03)
Bought Sterling 185,000 Sold Australian Dollar 286,541	(3,259)	(0.02)
Bought Sterling 180,000 Sold Canadian Dollar 292,129	(5,244)	(0.03)
Bought Sterling 1,654,204 Sold Euro 1,890,000	71,697	0.38
Bought Sterling 270,000 Sold Swedish Krona 2,866,242	1,173	0.01
Bought Sterling 2,420,091 Sold US Dollar 3,780,464	(26,338)	(0.14)
Bought Swedish Krona 5,911,288 Sold Euro 640,000	18,549	0.10
Bought Swedish Krona 1,738,350 Sold Norwegian Krone 1,505,000	1,103	0.01
Bought US Dollar 1,124,709 Sold Australian Dollar 1,114,170	(4,188)	(0.02)
Bought US Dollar 569,208 Sold Euro 430,000	8,307	0.05

		Market value £	Percentage of total net assets %
	Holding		
Bought US Dollar 1,670,172			
Sold Japanese Yen 128,551,802		5,393	0.03
Bought US Dollar 289,983			
Sold New Zealand Dollar 370,000		2,700	0.01
Bought US Dollar 839,026			
Sold Sterling 535,000		7,953	0.04
Futures - (0.31)% (31 Dec 10: (0.26)%)			
Euro BOBL Future Mar 2012	(19)	(21,551)	(0.12)
Euro BUND Future Mar 2012	(9)	(32,239)	(0.17)
Long Gilt Future Mar 2012	(1)	(4,175)	(0.02)
Interest Rate Swaps - 0.09% (31 Dec 10: (0.30)%)			
Deutsche Bank Interest Rate Swaps 1.937% Receive 12 Dec 16	2,200,000	16,822	0.09
Investment assets		17,765,901	95.13
Net other assets		909,321	4.87
Net assets		£18,675,222	100.00

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

As at 31 December 2011, 99.98% of the debt securities were rated as investment grade, 0.02% were rated as non-investment grade.

Portfolio movements**For the year ended 31 December 2011**

	Cost £
Major purchases	
Treasury 4.75% 2030	2,064,071
Treasury 3.25% 2011	1,159,716
Treasury 4% 2060	1,090,142
Treasury 2.25% 2014	1,066,129
Treasury 4.25% 2036	943,825
Treasury 8% 2021	909,364
European 3% 2015	905,445
Treasury 2.75% 2015	850,918
United 0.125% 2016	652,331
United 0.875% 2016	651,007
Treasury 4.75% 2020	632,352
Treasury 4.5% 2034	506,061
Treasury 4.75% 2015	485,945
Treasury 3.75% Gilt 2020	464,800
Treasury 4.25% 2040	300,189
Treasury 4% 2016	254,813
Credit Agricole FRN Perpetual	222,750
Treasury 4% 2022	201,190
CNP Assurances FRN 2041	198,596
Telecom Italia 5.875% FRN 2023	190,774
Total for the year (Note 14)	£19,639,055

	Proceeds £
Major sales	
Treasury 2.25% 2014	1,420,761
Treasury 4% 2016	1,339,417
Treasury 3.25% 2011	1,153,302
Treasury 4.75% 2015	981,904
Treasury 4.75% 2030	941,830
European 3% 2015	928,947
Treasury 4.25% 2027	924,651
Treasury 4.5% 2034	801,917
Treasury 4.25% 2036	764,438
Treasury 2.75% 2015	760,097
Instituto de 4.5% 2011	706,816
United 0.875% 2016	651,224
Treasury 4.25% 2055	627,510
Treasury 8% 2013	598,434
Treasury 4.25% 2040	562,026
Treasury 4.25% 2049	539,915
Treasury 4.25% 2032	514,794
Treasury 3.75% Gilt 2020	489,738
Treasury 5% 2025	486,238
Treasury 4% 2060	463,864
Total for the year (Note 14)	£25,139,448

Statement of total return
For the year ended 31 December 2011

		31 Dec 11		31 Dec 10	
	Notes	£	£	£	£
Income					
Net capital gains	2	1,136,900		2,339,856	
Revenue	3	933,005	1,365,605		
Expenses	4	(15,552)	(13,226)		
Finance costs: Interest	6	(1)	(1,204)		
Net revenue before taxation		917,452	1,351,175		
Taxation	5	-	-		
Net revenue after taxation		917,452	1,351,175		
Total return before distributions		2,054,352	3,691,031		
Finance costs: Distributions	6	(929,695)	(1,367,956)		
Change in net assets attributable to shareholders from investment activities		£1,124,657	£2,323,075		

Statement of change in net assets attributable to shareholders
For the year ended 31 December 2011

	31 Dec 11		31 Dec 10	
	£	£	£	£
Opening net assets attributable to shareholders		22,760,869		38,234,468
Amounts receivable on issue of shares	-	854,206		
Amounts payable on cancellation of shares	(6,098,105)	(19,889,324)		
		(6,098,105)		(19,035,118)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		1,124,657		2,323,075
Retained distribution on accumulation shares		887,801		1,238,444
Closing net assets attributable to shareholders		£18,675,222		£ 22,760,869

Balance sheet**As at 31 December 2011**

	Notes	As at 31 Dec 11 £	As at 31 Dec 10 £
ASSETS			
Investment assets		18,181,332	22,317,015
Debtors	7	297,214	594,772
Cash and bank balances	8	623,148	305,081
Total other assets		920,362	899,853
Total assets		19,101,694	23,216,868
LIABILITIES			
Investment liabilities		415,431	216,725
Creditors	9	11,041	239,274
Total other liabilities		11,041	239,274
Total liabilities		426,472	455,999
Net assets attributable to shareholders		£18,675,222	£22,760,869

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

Accounting policies of the Fund are as set out on pages 11 and 13.

2. Net capital gains

	31 Dec 11	31 Dec 10
	£	£
Currency(losses)/ gains	(76,886)	31,689
Derivative contracts	(8,884)	(60,741)
Forward currency contracts	(31,648)	506,059
Non-derivative securities	1,256,266	1,876,021
Transaction charges	(1,948)	(13,172)
Net capital gains	£1,136,900	£2,339,856

3. Revenue

	31 Dec 11	31 Dec 10
	£	£
Bank interest	10,151	385
Interest on debt securities	940,841	1,355,659
Interest on derivative contracts	(17,987)	9,561
	£933,005	£1,365,605

4. Expenses

	31 Dec 11	31 Dec 10
	£	£
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	2,460	3,081
	2,460	3,081
<i>Payable to other related parties and third parties:</i>		
Audit fees	10,342	8,398
Professional fees	923	-
Safe custody fees	830	747
Taxation fees	997	1,000
	13,092	10,145
	£15,552	£13,226

5. Taxation

(a) Analysis of tax charge

There is no tax charge for the year.

(b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 10: 20%).

The differences are explained below:

	31 Dec 11 £	31 Dec 10 £
Net revenue before taxation	917,452	1,351,175
Corporation tax at 20%	183,490	270,235
<i>Effects of:</i>		
Interest distributions	(185,939)	(272,880)
Movement in excess expenses	2,449	2,645
	(183,490)	(270,235)
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 2011 the Fund had excess management expenses of £89,910 (31 Dec 10: £77,667). The deferred tax in respect of this would be £17,982 (31 Dec 10: £15,533). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

6. Finance costs

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

	31 Dec 11 £	31 Dec 10 £
Interim - first quarter	230,574	318,663
Interim - second quarter	247,528	284,667
Interim - third quarter	207,618	350,709
Final	202,081	284,405
	887,801	1,238,444
Add: Amounts deducted on cancellation of shares	41,894	135,305
Deduct: Amounts added on issue of shares	-	(5,793)
Net distributions	929,695	1,367,956
Interest	1	1,204
Total finance costs	£929,696	£1,369,160
Net revenue after taxation	917,452	1,351,175
Add: Expenses charged to capital	14,629	13,962
Add: Revenue brought forward	366	3,185
Deduct: Revenue carried forward	(2,752)	(366)
Net distributions as above	£929,695	£1,367,956

Details of the distribution per share are set out in the table on page 54.

7. Debtors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts receivable on issue of shares	-	225,000
Interest receivable on debt securities	297,214	369,772
	£297,214	£594,772

8. Cash & bank balances

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts held at futures clearing houses and brokers	122,295	128,932
Cash and bank balances	500,853	176,149
	£623,148	£305,081

9. Creditors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Expense accruals	11,041	14,934
Interest payable on swaps	-	9,702
Purchases awaiting settlement	-	214,638
	£11,041	£239,274

10. Equalisation

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

11. Contingent liabilities

At 31 December 2011 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 shares on which no ACD fee is payable. The aggregate value of these transactions during the period was £(6,177,768) (31 Dec 10: £(19,228,581)). As at 31 December 2011, the entity held 27,682,393 shares in the Fund with a market value of £18,675,222 (31 Dec 10: £37,421,739 shares with a market value of £22,760,869).

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the 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 18 to 20.

(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 11				
Australian Dollar	2	-	1,491,398	1,491,400
Canadian Dollar	1,837	-	883,486	885,323
Czech Koruna	31	-	-	31
Euro	466,668	409,815	1,628,009	2,504,492
Japanese Yen	707	-	1,441,443	1,442,150
New Zealand Dollar	947	-	375,295	376,242
Norwegian Krone	893	-	698,324	699,217
Polish Zloty	15	-	-	15
Singapore Dollar	1,012	-	-	1,012
South African Rand	676	-	-	676
Sterling	1,512,812	14,262,639	4,967,452	20,742,903
Swedish Krona	865	-	1,149,593	1,150,458
US Dollar	14,517	1,668,230	3,046,993	4,729,740
	£2,000,982	£16,340,684	£15,681,993	£34,023,659

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 10				
Australian Dollar	1	-	454,044	454,045
Canadian Dollar	1,868	-	445,115	446,983
Czech Koruna	33	-	-	33
Euro	614,592	137,901	381,313	1,133,806
Japanese Yen	356	-	1,188,671	1,189,027
New Zealand Dollar	947	-	-	947
Norwegian Krone	7	-	749,040	749,047
Polish Zloty	18	-	-	18
Singapore Dollar	1,021	-	-	1,021
South African Rand	821	-	-	821
Sterling	2,129,233	18,937,123	1,581,522	22,647,878
Swedish Krona	885	-	733,068	733,953
US Dollar	350,271	259,170	1,317,019	1,926,460
	£3,100,053	£19,334,194	£6,849,792	£ 29,284,039

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 11			
Australian Dollar	-	2,019,082	2,019,082
Canadian Dollar	-	551,726	551,726
Euro	-	3,014,298	3,014,298
Japanese Yen	-	1,075,414	1,075,414
New Zealand Dollar	-	554,866	554,866
Norwegian Krone	-	161,938	161,938
Sterling	-	2,266,459	2,266,459
Swedish Krona	-	1,660,518	1,660,518
US Dollar	-	4,044,136	4,044,136
		£15,348,437	£15,348,437
31 Dec 10			
Australian Dollar	-	454,044	454,044
Canadian Dollar	-	452,053	452,053
Euro	-	1,068,979	1,068,979
Japanese Yen	-	1,188,671	1,188,671
Sterling	-	2,186,174	2,186,174
US Dollar	-	1,173,249	1,173,249
		£ 6,523,170	£ 6,523,170

iii) Fixed rate financial assets

Currency	Weighted average interest rate %	Weighted average period for which the rate is fixed in years
31 Dec 11		
Euro	9.90	4.99
Sterling	3.45	19.26
US Dollar	3.85	6.80
31 Dec 10		
Euro	3.66	8.01
Sterling	4.28	18.41
US Dollar	4.23	8.31

(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 11			
Australian Dollar	(527,682)	-	(527,682)
Canadian Dollar	333,597	-	333,597
Czech Koruna	31	-	31
Euro	(1,239,012)	729,206	(509,806)
Japanese Yen	366,736	-	366,736
New Zealand Dollar	(178,624)	-	(178,624)
Norwegian Krone	537,279	-	537,279
Polish Zloty	15	-	15
South African Rand	676	-	676
Singapore Dollar	1,012	-	1,012
Swedish Krona	(510,060)	-	(510,060)
US Dollar	(918,653)	1,604,257	685,604
	(2,134,685)	2,333,463	198,778
Sterling	3,108,421	15,368,023	18,476,444
	£ 973,736	£17,701,486	£18,675,222

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 10			
Australian Dollar	-	1	1
Canadian Dollar	1,868	(6,938)	(5,070)
Czech Koruna	33	-	33
Euro	48,165	16,662	64,827
Japanese Yen	356	-	356
New Zealand Dollar	947	-	947
Norwegian Krone	7	749,040	749,047
Polish Zloty	18	-	18
Singapore Dollar	1,021	-	1,021
South African Rand	821	-	821
Swedish Krona	885	733,068	733,953
US Dollar	129,715	623,496	753,211
	183,836	2,115,329	2,299,165
Sterling	476,743	19,984,961	20,461,704
	£ 660,579	£ 22,100,290	£ 22,760,869

(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 2011, the Fund's VaR was 2.99%. This means that per the statistical analysis there is a 99% probability that, over a month, the maximum loss the Fund could suffer is 2.99% of its value.

Further information on risks can be found in the Risk Profile on pages 18 to 20.

14. Portfolio transaction costs

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

Distribution table**For the year ended 31 December 2011 (in pence per share)****Final interest distribution**

Group 1: Shares purchased prior to 1 October 2011

Group 2: Shares purchased between 1 October 2011 and 31 December 2011

	Gross revenue (p)	Equalisation (note 10) (p)	Distribution payable 29/02/12 (p)	<i>Distribution paid 28/02/11 (p)</i>
Class K - Accumulation Gross				
Group 1	0.730000	-	0.730000	0.760000
Group 2	0.730000	0.000000	0.730000	0.760000

Third quarter Interim interest distribution

Group 1: Shares purchased prior to 1 July 2011

Group 2: Shares purchased between 1 July 2011 and 30 September 2011

	Gross revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/11 (p)	<i>Distribution paid 30/11/10 (p)</i>
Class K - Accumulation Gross				
Group 1	0.750000	-	0.750000	0.930000
Group 2	0.750000	0.000000	0.750000	0.930000

Second quarter interim Interest distribution

Group 1: Shares purchased prior to 1 April 2011

Group 2: Shares purchased between 1 April 2011 and 30 June 2011

	Gross revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/11 (p)	<i>Distribution paid 31/08/10 (p)</i>
Class K - Accumulation Gross				
Group 1	0.730000	-	0.730000	0.670000
Group 2	0.730000	0.000000	0.730000	0.670000

First quarter interim distribution

Group 1: Shares purchased prior to 1 January 2011

Group 2: Shares purchased between 1 January 2011 and 31 March 2011

	Gross revenue (p)	Equalisation (note x) (p)	Distribution paid 31/05/11 (p)	<i>Distribution paid 31/05/10 (p)</i>
Class K - Accumulation Gross				
Group 1	0.680000	-	0.680000	0.720000
Group 2	0.680000	0.000000	0.680000	0.720000

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

Key developed sovereign bond markets saw positive returns on the year, driven by deteriorating expectations of global growth, reductions in policy rates and risk aversion in light of the worsening situation in Europe. UK economic data continued to be soft and the Bank of England base rate was maintained at 0.5% throughout the year; in October the MPC decided to provide a further stimulus, injecting an additional £75billion into the economy. Elsewhere the European Central Bank cut interest rates in both November and December, having hiked rates twice earlier in the year, and US interest rates were kept at record low levels in conjunction with further quantitative stimulus. European policymakers failed to resolve the sovereign debt crisis, resulting in a sustained flight to safe haven assets such as UK Gilts, which was key to the strong performance of government bond markets.

The additional yield on the iBoxx Non-Gilt index relative to UK Gilts rose from 1.68% to 2.65% (having followed a volatile path over the period, and reaching lows of 1.49%) and the index returned 6.9% over the period, underperforming government bond indices.

Within the corporate bond index financial bonds underperformed non-financial bonds. Financial bonds spreads widened from 3.05% to 5.11% and non-financial bond spreads widened from 1.39% to 2.14%.

Fund performance

During 2011, the fund achieved a return of 1.74%*, underperforming its benchmark. The main positive contributor was duration management, while the contribution from currency management was quasi flat. The main detractor from performance was spread management.

At the start of the year, the fund was positioned for an economic recovery in the US and Europe, versus a negative view on the UK. Corporate bond exposure was positive. Following the deterioration of global growth prospects, the duration and country positions were adjusted and actively managed over the period, and brought closer to benchmark at year end. The corporate overweight was somewhat maintained, however, the composition of this was also rebalanced mid-year. As financial sector bonds suffered a significant diminution of liquidity as a broad wave of risk aversion set in, the fund reduced exposure through derivatives, which however, did not provide full protection against the extent of underperformance of the sector. An underweight position to AAA-rated supranationals was also introduced, which contributed positively at year end. Currency was actively managed, with a bias to short the GBP over the period.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2011, based on A income net shares.

Outlook

Expectations are overall low with a recession priced in for Europe, no 'silver bullet' to end the sovereign debt crisis, a fiscal impasse in the US, and European banks still on the drip feed of emergency ECB liquidity. In addition, most countries will remain in regimes of fiscal austerity. However, there are timid signs that the economic data may no longer be weakening, at a time when recession expectations are high. The big divergences in growth prospects between US and the Eurozone has led to crowded trades, most easily visible in the movements of the Euro versus the US Dollar.

While the heightened uncertainty argues against significant outright directional duration trades the market dislocation provides for much more by way of relative value opportunities. Position sizes are reduced to reflect the increased volatility and focus in on ensuring ample diversity of active views and importantly the ability to access liquidity to close positions.

Percentage growth

	31/12/10 to 31/12/11 %	31/12/09 to 31/12/10 %	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	Launch to 31/12/07 %
Class A - Accumulation Gross Shares	2.95	11.20	24.67	-16.13	-1.47
Class A - Accumulation Net Shares	1.81	9.99	23.21	-13.76	-
Class A - Income Gross Shares	2.75	4.98	-	-	-
Class A - Income Net Shares	1.74	9.83	22.31	-13.40	-
Class B - Accumulation Gross Shares	3.53	11.84	25.36	-15.68	-1.67
Class B - Accumulation Net Shares	2.36	10.55	23.83	-15.82	-
Class B - Income Gross Shares	3.43	11.52	24.16	-12.56	-
Class B - Income Net Shares	2.27	10.37	22.88	-14.68	-
Class J - Accumulation Gross Shares	3.51	11.69	25.32	-15.35	-
Class K - Accumulation Gross Shares	4.17	12.59	26.14	-15.15	-2.96
Class K - Income Gross Shares	-	7.01	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; Class A Income Gross Shares: 23 March 2010.

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

Performance has been re-stated from this time.

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

UBS Global Asset management Funds Ltd

26 March 2012

Performance record**1. Fund size**

Accounting year		Number	Total net	Total net
31 December		of shares in	asset value	asset
		issue	per share	value
			(p)*	(£)
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
2010	Class A - Accumulation Gross	344,340	56.0	192,812
	Class A - Accumulation Net	152,262	58.1	88,493
	Class A - Income Gross	257,408	50.0	128,581
	Class A - Income Net	25,741	51.4	13,236
	Class B - Accumulation Gross	82,808	56.6	46,894
	Class B - Accumulation Net	150,327	57.3	86,144
	Class B - Income Gross	767,350	51.2	392,521
	Class B - Income Net	781,755	50.6	395,636
	Class J - Accumulation Gross	5,155,714	1,178.4	60,752,876
	Class K - Accumulation Gross	136,064,232	58.1	79,118,106
				£141,215,299

Accounting year		Number	Total net	Total net
31 December		of shares in	asset value	asset
		issue	per share	value
			(p)*	(£)
2011	Class A - Accumulation Gross	89,207	57.5	51,250
	Class A - Accumulation Net	249,806	59.0	147,333
	Class A - Income Gross	10,000	48.3	4,835
	Class A - Income Net	321,202	49.8	160,054
	Class B - Accumulation Gross	177,292	58.4	103,599
	Class B - Accumulation Net	22,697	58.5	13,269
	Class B - Income Gross	119,857	49.8	59,725
	Class B - Income Net	3,079,940	49.3	1,518,338
	Class J - Accumulation Gross	5,297,982	1,215.6	64,402,845
	Class K - Accumulation Gross	133,047,401	60.4	80,327,946
				£146,789,194

* 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 11 (%)	31 Dec 10 (%)
Class A - Accumulation Gross	1.20	1.20
Class A - Accumulation Net	1.20	1.20
Class A - Income Gross	1.20	1.19
Class A - Income Net	1.20	1.19
Class B - Accumulation Gross	0.66	0.65
Class B - Accumulation Net	0.66	0.65
Class B - Income Gross	0.66	0.65
Class B - Income Net	0.66	0.65
Class J - Accumulation Gross	0.67	0.67
Class K - Accumulation Gross	0.03	0.02
Class K - Income Gross	-	0.02

3. Share dealing price range and distribution record

The Fund was launched on 6 March 2007 at a price of 50p for Class K Accumulation Gross shares. Class A Accumulation Gross shares were launched on 26 March 2007 at a price of 49.14p; Class B Accumulation Gross shares were launched on 8 May 2007 at a price of 48.98p; Class J Accumulation Gross shares were launched on 31 January 2008 at a price of 1,000p; Class B Income Gross shares were launched on 25 February 2008 at a price of 50p; Class K Income Gross shares were launched on 8 April 2008 at a price of 10,000p; Class A Accumulation Net shares were launched on 14 April 2008 at a price of 50p; Class B Income Net shares were launched on 22 April 2008 at a price of 50p; Class B Accumulation Net shares were launched on 24 April 2008 at a price of 50p; Class A Income Net shares were launched 24 June 2008 at a price of 50p; and Class A Income Gross shares were launched 23 March 2010 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
2010	57.73	50.77	3.11
2011	58.95	55.63	3.26
Class A - Accumulation Net			
2008 ^{††}	52.81	38.34	1.81
2009	53.30	41.55	2.58
2010	60.06	53.28	2.60
2011	60.92	57.23	2.70
Class A - Income Gross			
2010 ^{†††}	52.71	49.60	2.26
2011	51.86	47.49	2.86
Class A - Income Net			
2008 ^{*†}	50.14	37.92	1.20
2009	50.00	40.26	2.44
2010	54.09	49.30	2.37
2011	53.31	48.91	2.35
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
2010	58.32	51.05	3.13
2011	59.74	56.27	3.30

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (p)
Class B - Accumulation Net			
2008 ^{††}	51.38	37.41	1.53
2009	52.27	40.61	2.48
2010	59.16	52.26	2.56
2011	60.20	56.66	2.69
Class B - Income Gross			
2008 ^{††}	52.49	37.40	2.25
2009	49.61	39.71	2.99
2010	53.90	48.79	2.92
2011	53.22	48.89	2.95
Class B - Income Net			
2008 ^{††}	51.90	48.70	1.66
2009	48.95	39.28	2.36
2010	53.18	48.28	2.32
2011	52.58	48.33	2.32
Class J - Accumulation Gross			
2008 ^{††}	1,025.03	751.46	58.10
2009	1,063.45	819.82	62.98
2010	1,213.50	1,063.81	64.90
2011	1,243.01	1,170.90	68.79
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
2010	59.80	52.08	3.21
2011	61.53	57.79	3.41

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (p)
Class K - Income Gross			
2008 ^{††}	10,580.84	7,524.84	468.35
2009	10,048.42	8,006.90	603.76
2010 ^{†††}	10,571.49	9,885.16	138.07

† covers the period from launch to 31 December 2007.

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

††† covers the period from launch to 31 December 2010.

†††† share class closed on the 25 June 2010.

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 2011

	Holding	Market value £	Percentage of total net assets %
Bonds - 93.16% (31 Dec 10: 96.46%)			
Floating Rate Notes - 7.17% (31 Dec 10: 6.95%)			
Anglian Water Service Finance 5.5% 2040	£700,000	748,136	0.51
CNP Assurances 7.375% 2041	£1,400,000	1,033,270	0.70
Credit Agricole 5.136% FRN Perpetual	£1,050,000	577,595	0.39
Credit Agricole 7.589% FRN Perpetual	£750,000	432,713	0.29
ELM 5.252% FRN Perpetual	€1,400,000	917,795	0.63
Equity Release Funding (No.3) 'A2' 5.05% FRN 2033	£125,000	133,861	0.09
Generali Finance 6.214% Perpetual	£550,000	315,019	0.21
Granite Master 'C3' FRN 2054	£100,000	51,249	0.03
HSBC 6.375% FRN 2022	£200,000	198,060	0.13
Land Securities Capital Markets 5.391% 2027	£125,000	141,509	0.10
Mitchells & Butlers 5.574% FRN 2030	£36,914	38,559	0.03
Nationwide Building Society 6.024% FRN Perpetual	£300,000	192,413	0.13
Old Mutual 5% Perpetual	€630,000	420,468	0.29
RSA Insurance Group 8.5% Perpetual STEP	£715,000	698,693	0.48
Scottish & Southern Energy 5.453% FRN Perpetual	£740,000	712,408	0.49
Siemens 6.125% FRN 2066	£949,000	997,921	0.68
Societe Generale FRN Perpetual	£50,000	40,375	0.03
Societe Generale 8.875% FRN Perpetual	£546,000	334,875	0.23
Spirit 'A5' FRN 2034	£690,000	468,772	0.32
Swiss Reinsurance FRN Perpetual	£860,000	666,015	0.45

	Holding	Market value £	Percentage of total net assets %
Unicredit Bank 6.375% 2018	£50,000	33,729	0.02
Unicredito Italiano Capital Trust 5.396% FRN 2005	£501,000	219,787	0.15
Yorkshire Water Services Finance 6% FRN 2025	£1,080,000	1,163,214	0.79
Mortgage & Asset Backed Securities - 2.72% (31 Dec 10: 0.76%)			
Aladdin CDO 25X FRN 2016	\$200,000	-	-
Australia & New Zealand Bank Group 6.54% FRN Perpetual	£150,000	146,050	0.10
Bishopsgate Asset Finance 4.808% 2044	£488,245	431,854	0.29
Broadgate Financing 'A2' CLS 4.949% 2031	£16,919	18,226	0.01
Brushfield CDO FRN 2052	\$200,000	13	-
Canary Wharf Finance II 'B' 6.8% 2033	£218,389	260,253	0.18
European Investment Bank 8.75% FRN 2017	£2,390,000	3,136,899	2.14
Ordinary Fixed Interest - 83.22% (31 Dec 10: 88.70%)			
Ally Financial 7.5% 2013	\$250	165	-
American International 6.765% 2017	£465,000	447,967	0.31
Anglian Water Service Finance 'B' 7.882% 2037	£530,000	543,923	0.37
Anheuser-Busch InBev 6.5% 2017	£100,000	118,277	0.08
Anheuser-Busch InBev 9.75% 2024	£1,350,000	2,071,773	1.41
Annington Finance No.4 6.5676% 2023	£320,000	345,414	0.24
Annington Finance No.4 8.07% 2023	£130,000	157,106	0.11
Annington Repackaging No.1 'A' 5.3236% 2023	£240,000	256,272	0.17
APB Financial 6.25% 2026	£807,000	819,968	0.56
Apria Healthcare Group 11.25% 2014	\$905,000	601,256	0.41
Arsenal Securities 5.1418% 2029	£210,976	198,565	0.13

	Holding	Market value £	Percentage of total net assets %
Aspire Defence Finance 'A' 4.674% 2040	£800,000	760,733	0.52
AT&T 5.5% 2027	£1,050,000	1,180,247	0.80
AT&T 5.875% 2017	£100,000	115,420	0.08
Aviva 6.125% FRN 2036	£1,410,000	1,114,918	0.76
Aviva 6.125% FRN Perpetual	£550,000	363,650	0.25
AXA 6.772% FRN Perpetual	£1,760,000	1,142,891	0.78
BAA Funding 'A' 5.225% 2025	£650,000	668,829	0.46
BAA Funding 'A' 6.45% 2033	£735,000	813,962	0.55
BAA Funding 6.75% 2028	£445,000	517,136	0.35
BAA Funding 'A' 7.075% 2030	£315,000	376,433	0.26
Bank Nederlandse Gemeenten 5.2% 2028	£1,100,000	1,269,758	0.86
Bank of America 5.5% 2019	£875,000	794,990	0.54
Bank of America 6.125% 2021	£300,000	269,938	0.18
Bank of America 7% 2028	£50,000	47,141	0.03
Bank of Scotland 9.375% 2021	£1,230,000	1,129,623	0.77
Barclays Bank 5.75% 2021	£645,000	648,260	0.44
Barclays Bank 5.75% 2026	£1,285,000	988,845	0.67
Barclays Bank 6% Non-Cum Callable Preference	£1,260,000	768,625	0.52
Barclays Bank 9.5% 2021	£305,000	308,285	0.21
Barclays Bank 10% 2021	£170,000	177,637	0.12
BAT International Finance 6% 2022	£600,000	705,305	0.48
BAT International Finance 6% 2034	£570,000	674,121	0.46
BBVA 5.75% FRN 2018	£850,000	654,500	0.45
Boardriders 8.875% 2017	€520,000	377,893	0.26
Bradford & Bingley 5.625% 2013	£250,000	258,383	0.18
British Sky Broadcasting 9.5% 2018	\$1,105,000	919,110	0.63

	Holding	Market value £	Percentage of total net assets %
British Telecommunications 5.75% FRN 2028	£80,000	85,496	0.06
British Telecommunications 6.375% 2037	£420,000	466,432	0.32
British Telecommunications 7.5% FRN 2016	£160,000	195,416	0.13
British Telecommunications 8.625% FRN 2020	£630,000	813,751	0.55
Canary Wharf Finance II 5.952% 2037	£155,000	177,806	0.12
Celanese US Holdings 6.625% 2018	\$760,000	519,593	0.36
CF Industries 7.125% 2020	\$680,000	517,406	0.35
Citigroup 5.125% 2018	£25,000	21,963	0.02
Citigroup 5.15% 2026	£1,965,000	1,782,393	1.21
Citigroup 5.875% 2004	£120,000	98,473	0.07
Citigroup 7.625% 2018	£90,000	101,644	0.07
Co-Operative Group 5.625% 2020	£1,290,000	1,291,874	0.88
Credit Suisse Finance 6.875% Perpetual	£420,000	384,980	0.26
Credit Suisse Finance 7% 2020	£825,000	779,111	0.53
CRH Finance 7.375% 2014	€675,000	614,231	0.42
Danske Bank 5.6838% Perpetual	£216,000	154,994	0.11
Edcon Proprietary 9.5% 2018	€575,000	380,639	0.26
EDF 6.125% 2034	£700,000	781,673	0.53
EDP 8.625% 2024	£885,000	745,880	0.51
Eksportfinans 5.5% 2017	\$1,190,000	696,712	0.47
Enel 5.75% 2037	£925,000	734,153	0.50
Enel 5.75% 2040	£1,625,000	1,278,547	0.87
Energy Transfer 7.5% 2038	\$340,000	249,782	0.17
Energy Transfer Partners 6.05% 2041	\$595,000	375,411	0.26
Enterprise Inns 6% 2014	£60,000	51,660	0.04
Enterprise Inns 6.375% 2031	£460,000	280,600	0.19

	Holding	Market value £	Percentage of total net assets %
Enterprise Inns 6.5% 2018	£160,000	106,456	0.07
Enterprise Inns 6.875% 2021	£760,000	490,261	0.33
ENW Finance 6.125% 2021	£110,000	126,469	0.09
ENW Finance 6.75% 2015	£900,000	990,503	0.67
Equity Release Funding (No.2) 'A2' 5.88% 2032	£80,000	90,364	0.06
ESB Finance 6.5% 2020	£1,360,000	1,210,138	0.82
European Investment Bank 4.25% 2021	£2,210,000	2,384,674	1.62
Fiat Industrial Finance 6.25% 2018	€810,000	579,601	0.40
Ford Motor Credit 8.125% 2020	\$740,000	560,473	0.38
France Telecom 5.375% 2050	£300,000	300,332	0.21
Freshwater Finance 4.556% 2036	£100,000	90,418	0.06
Freshwater Finance 4.607% 2036	£100,000	92,065	0.06
Friends Provident 6.875% FRN Perpetual	£500,000	326,811	0.22
Friends Provident 8.25% 2022	£1,030,000	910,179	0.62
Friends Provident 12% 2021	£685,000	762,893	0.52
Gaz Capital 6.58% FRN 2013	£515,000	535,557	0.37
GDF Suez 5% 2060	£950,000	912,675	0.62
General Electric Capital UK 4.625% 2016	£200,000	210,604	0.14
General Electric Capital UK 5.375% 2040	£378,000	368,688	0.25
General Electric Capital UK 5.5% FRN 2066	£880,000	740,580	0.51
General Electric Capital UK 5.875% 2033	£1,391,000	1,456,981	0.99
General Electric Capital UK 6% 2013	£1,000	1,043	-
General Electric Capital UK 6.25% 2038	£75,000	82,106	0.06
General Electric Capital UK 6.5% FRN 2067	£730,000	629,778	0.43
General Electric Capital UK 8% 2039	£1,472,000	1,912,443	1.30

	Holding	Market value £	Percentage of total net assets %
GlaxoSmithKline Capital 5.25% 2033	£100,000	118,847	0.08
Goldman Sachs Group 6.125% 2017	£315,000	319,933	0.22
Goldman Sachs Group 7.125% 2025	£515,000	531,384	0.36
Great Rolling Stock 6.875% 2035	£860,000	977,350	0.67
Greene King Finance 'B' 5.702% FRN 2034	£955,000	745,154	0.51
HeidelbergCement 6.75% 2015	€2,000	1,737	-
HSBC 5% FRN 2023	£750,000	698,413	0.48
HSBC 5.375% 2033	£1,050,000	873,402	0.60
HSBC 5.75% 2027	£100,000	89,379	0.06
HSBC 6.5% FRN 2023	£685,000	672,549	0.46
Hutchison Ports Finance 6.75% 2015	£720,000	815,051	0.56
Hyundai Capital 4.375% 2016	\$1,015,000	666,081	0.45
Iberdrola 7.375% 2024	£550,000	603,214	0.41
Imperial Tobacco Finance 5.5% 2026	£220,000	235,266	0.16
Imperial Tobacco Finance 8.125% 2024	£250,000	324,411	0.22
Imperial Tobacco Finance 9% 2022	£1,185,000	1,602,669	1.09
ING Bank 3.875% 2016	£154,000	150,287	0.10
Instituto de Credito Oficial 4% 2014	£2,225,000	2,069,622	1.41
Intelsat Jackson 7.25% FRN 2020	\$785,000	512,692	0.35
Juturna (European Loan Conduit No.16) 5.0636% 2033	£642,305	668,562	0.46
KFW 6% 2028	£155,000	210,470	0.14
KPN 5.75% 2016	£1,060,000	1,170,050	0.80
Lambay Capital Securities 6.25% FRN Perpetual	£330,000	4,785	-
Land Securities Capital Markets 5.125% FRN 2036	£1,190,000	1,295,515	0.88

	Holding	Market value £	Percentage of total net assets %
Lloyds Banking Group 7.5% 2024	£370,000	386,646	0.26
Lloyds Banking Group 7.625% 2025	£640,000	505,889	0.34
Lloyds Banking Group 9.625% FRN 2023	£530,000	492,040	0.34
Lloyds Banking Group 13% Perpetual STEP	£1,000	1,060	-
Lunar Funding I 5.494% 2020	£150,000	171,557	0.12
Marks & Spencer 6.875% 2037	£1,000,000	1,029,455	0.70
Meadowhall Finance 'A1' 4.986% 2037	£428,523	465,117	0.32
Merrill Lynch 7.75% 2018	£1,050,000	1,032,329	0.70
Merrill Lynch 8.125% 2028	£1,000,000	846,360	0.58
Metropolitan Life Global Funding I 5.25% 2014	£610,000	644,324	0.44
Mitchells & Butlers 5.965% 2025	£21,454	22,594	0.02
Monte Dei Paschi di Siena 5.75% 2016	£400,000	266,000	0.18
Morgan Stanley 5.75% 2017	£470,000	441,385	0.30
Morrison (Wm.) Supermarkets 4.625% 2023	£383,000	403,988	0.28
National Australia Bank 3.625% 2017	£525,000	522,125	0.35
National Express Group 6.625% 2020	£970,000	1,041,589	0.71
National Grid Electricity 5.875% FRN 2024	£270,000	315,928	0.21
Network Rail Infrastructure 4.75% 2035	£110,000	131,852	0.09
New York Life Funding 5.125% 2015	£820,000	888,810	0.61
Next 5.875% 2016	£100,000	108,367	0.07
Northern Gas Networks 4.875% 2027	£350,000	356,440	0.24
Northern Gas Networks 5.875% 2019	£1,070,000	1,220,882	0.83
Nustar Logistics 4.8% 2020	\$340,000	227,840	0.16
Nustar Logistics 7.65% 2018	\$620,000	473,642	0.32
Octagon Healthcare Funding 5.333% FRN 2035	£1,313,451	1,356,785	0.92

	Holding	Market value £	Percentage of total net assets %
Old Mutual 7.125% 2016	£835,000	904,545	0.62
Petrobras International Finance 6.25% 2026	£988,000	1,006,525	0.69
Petroleos Mexicanos 8.25% 2022	£631,000	741,158	0.50
Pfizer 6.5% 2038	£700,000	961,171	0.65
Prudential 5.875% 2029	£200,000	213,414	0.15
Quicksilver Resources 11.75% 2016	\$690,000	503,925	0.34
Range Resources 5.75% 2021	\$250,000	174,136	0.12
Reed Elsevier Investments 5.625% 2016	£1,150,000	1,279,950	0.87
Reseau Ferre de France 5% 2052	£70,000	71,053	0.05
Reseau Ferre de France 5.25% 2028	£100,000	111,278	0.08
Reseau Ferre de France 5.5% 2021	£100,000	113,956	0.08
Reynolds Group 8.5% 2018	\$775,000	477,487	0.32
Royal Bank of Scotland 2.7% 2025	£1,787,000	1,728,199	1.18
Royal Bank of Scotland 4.35% 2017	€950,000	584,918	0.40
Royal Bank of Scotland 6% 2017	£424,000	426,506	0.29
Royal Bank of Scotland 6.876% FRN 2033	£500,000	275,000	0.19
RSA Insurance Group 6.701% FRN Perpetual	£690,000	549,482	0.37
RWE Finance 5.625% 2023	£100,000	114,315	0.08
RWE Finance 6.125% 2039	£2,150,000	2,555,262	1.74
Santander 5.875% 2031	£170,000	139,097	0.09
Santander Finance 11.3% FRN Perpetual	£550,000	470,866	0.32
Santander International 3.16% 2015	£300,000	265,293	0.18
Scotland Gas Network 4.75% 2017	£50,000	53,626	0.04
Scottish & Southern Energy 5% 2018	£330,000	363,395	0.25
Scottish & Southern Energy 8.375% 2028	£310,000	444,920	0.30

	Holding	Market value £	Percentage of total net assets %
Segro 6.75% FRN 2024	£250,000	278,432	0.19
Skandinaviska Enskilda Banken 6.625% 2014	£180,000	195,555	0.13
SLM Student Loan Trust 5.15% 2015	£205,000	202,417	0.14
Smiths Group 6.05% 2014	\$1,250,000	865,367	0.59
Southern Gas Network 4.875% 2029	£1,195,000	1,237,475	0.84
Southern Water Services Finance 'A4' 6.64% FRN 2026	£499,000	608,324	0.41
Statoil 6.875% 2031	£546,000	757,047	0.52
Svenska Handelsbanken 5.375% Perpetual	£1,130,000	1,107,756	0.76
T.H.F.C. (Funding No.2) 6.35% 2041	£470,000	586,114	0.40
Telecom Italia 5.875% FRN 2023	£1,300,000	1,054,790	0.72
Telecom Italia 7.375% 2017	£50,000	49,393	0.03
Telereal Securitisation 4.9741% 2033	£528,471	550,405	0.37
Telereal Securitisation 5.5534% 2033	£1,050,000	1,154,237	0.79
Telereal Securitisation 7.098% 2033	£295,000	293,820	0.20
Tesco 5.2% 2057	£450,000	500,026	0.34
Tesco Property 4 5.8006% 2040	£1,751,482	1,898,771	1.29
Tesco Property Finance 5.744% 2040	£204,394	219,822	0.15
Thames Water 5.5% 2041	£1,920,000	2,123,662	1.45
Treasury 0.625% Index-Linked 2040	£1,005,000	1,343,593	0.92
Treasury 3.75% 2020	£775,000	896,055	0.61
Treasury 4.75% 2030	£3,095,000	4,006,478	2.73
UBS 7.152% FRN Perpetual	€1,100,000	820,405	0.56
Unique Pub Finance 6.4646% 2032	£120,000	38,400	0.03
Vattenfall 6.125% 2019	£50,000	60,230	0.04
Wales & West Utilities Finance 5.125% 2016	£470,000	517,535	0.35

	Holding	Market value £	Percentage of total net assets %
Wales & West Utilities Finance 5.75% 2030	£465,000	518,792	0.35
Wales & West Utilities Finance 6.25% 2021	£475,000	559,249	0.38
Wal-Mart Stores 4.875% 2039	£1,500,000	1,687,883	1.15
Wal-Mart Stores 5.25% 2035	£85,000	100,347	0.07
Wal-Mart Stores 5.75% 2030	£200,000	250,477	0.17
Wells Fargo 4.875% 2035	£100,000	83,281	0.06
Western Power Distribution 5.75% 2032	£810,000	898,114	0.61
White City Property Finance 5.1202% 2035	£642,130	672,628	0.46
Wind Acquisition Finance 11.75% 2017	€392,000	269,591	0.18
Yorkshire Water Services Finance 6.375% 2039	£365,000	450,793	0.31
Zero Coupon Bonds - 0.05% (31 Dec 10: 0.05%)			
Annington Finance No.4 0% 2022	£120,000	77,571	0.05
Derivatives - 0.44% (31 Dec 10: (0.09)%)			
Credit Default Swaps - 0.07% (31 Dec 10: (0.10)%)			
Barclays Credit Default Swaps ACAPF 5.065% Receive 20 Dec 2016	830,000	48,586	0.03
Barclays Credit Default Swaps Aero Finance 5.5% Receive 20 Dec 2016	1,600,000	54,597	0.04
Barclays Credit Default Swaps Banco San Paolo 4.75% Pay 20 Dec 2016	(1,660,000)	(113,059)	(0.08)
Barclays Credit Default Swaps Centrica 7% Pay 20 Jun 2016	(1,690,000)	(1,619)	-
Barclays Credit Default Swaps CNA Financial 5.85% Receive 20 Sep 2016	1,205,000	37,787	0.03
Barclays Credit Default Swaps DT 6% Pay 20 Dec 2016	(1,600,000)	(13,910)	(0.01)

	Holding	Market value £	Percentage of total net assets %
Barclays Credit Default Swaps E.ON 6.3% Pay 20 Jun 2016	(1,690,000)	(13,743)	(0.01)
Barclays Credit Default Swaps FSL 8.875% Pay 20 Jun 2016	(820,000)	(86,622)	(0.06)
Barclays Credit Default Swaps HIG Capital 4% Pay 20 Sep 2016	(1,205,000)	(75,368)	(0.05)
Barclays Credit Default Swaps iTraxx 5% Receive 20 Dec 2016	3,370,000	189,872	0.12
Barclays Credit Default Swaps iTraxx 5% Pay 20 Dec 2016	(1,695,000)	(109,755)	(0.07)
Barclays Credit Default Swaps Marks & Spencer 5.625% Receive 20 Mar 2017	820,000	49,382	0.03
Barclays Credit Default Swaps NEIM 7.125% Pay 20 Jun 2016	(820,000)	(7,788)	(0.01)
Barclays Credit Default Swaps Societe Generale 5.25% Receive 20 Dec 2016	830,000	70,689	0.05
Barclays Credit Default Swaps Telecom Italia 5.375% Receive 20 Dec 2016	1,510,000	197,819	0.13
Barclays Credit Default Swaps Toy's R Us 7.375% Pay 20 Jun 2016	(820,000)	(62,460)	(0.04)
Citibank Credit Default Swaps Reed Elsevier 5.6% Pay 20 Mar 2017	(1,640,000)	(18,902)	(0.01)
Credit Suisse Credit Default Swaps Wind Acquisition 11.75% Pay 20 Dec 2016	(500,000)	(103,216)	(0.07)
Deutsche Bank Credit Default Swaps BP Pay 20 Dec 2016	(1,600,000)	(5,740)	-

	Holding	Market value £	Percentage of total net assets %
Deutsche Bank Credit Default Swaps CNA Financial 5.85% Receive 20 Sep 2016	1,205,000	37,787	0.03
Deutsche Bank Credit Default Swaps CSC 6.5% Receive 20 Mar 2014	1,730,000	72,982	0.05
Deutsche Bank Credit Default Swaps CSC 6.5% Pay 20 Mar 2016	(1,145,000)	(104,765)	(0.07)
Deutsche Bank Credit Default Swaps Daimler Receive 20 Dec 2016	1,600,000	45,482	0.03
Deutsche Bank Credit Default Swaps EDF 5.625% Pay 20 Dec 2016	(1,600,000)	(33,812)	(0.02)
Deutsche Bank Credit Default Swaps HIG Capital 4% Pay 20 Sep 2016	(1,205,000)	(75,367)	(0.05)
Deutsche Bank Credit Default Swaps iTraxx 1% Pay 20 Dec 2016	(1,695,000)	(109,755)	(0.07)
Deutsche Bank Credit Default Swaps iTraxx 5% Receive 20 Dec 2016	950,000	3,631	-
Deutsche Bank Credit Default Swaps Metlife 5% Pay 20 Jun 2016	(2,320,000)	(133,205)	(0.09)
Deutsche Bank Credit Default Swaps Prudential 4.5% Receive 20 Jun 2016	2,320,000	95,835	0.07
Goldman Sachs Credit Default Swaps Allstate 6.75% Pay 20 Mar 2016	(560,000)	(1,287)	-
Goldman Sachs Credit Default Swaps Carrefour 4.375% Pay 20 Sep 2016	(540,000)	(24,967)	(0.02)
Goldman Sachs Credit Default Swaps France Telecom 5.625% Pay 20 Dec 2016	(1,600,000)	(24,271)	(0.02)

	Holding	Market value £	Percentage of total net assets %
Goldman Sachs Credit Default Swaps Hon Hai Precision 5.7% Pay 20 Jun 2016	(1,180,000)	(20,230)	(0.01)
Goldman Sachs Credit Default Swaps Siemens Finance 5% Pay 20 Dec 2016	(1,600,000)	(14,847)	(0.01)
JPM Credit Default Swaps Allstate 6.75% Pay 20 Mar 2016	(560,000)	(1,287)	-
JPM Credit Default Swaps AXA 6% Pay 20 Mar 2016	(820,000)	(63,009)	(0.04)
JPM Credit Default Swaps BMW 5.06% Receive 20 Dec 2016	1,600,000	32,261	0.02
JPM Credit Default Swaps CSC 6.5% Receive 20 Mar 2014	1,680,000	70,873	0.05
JPM Credit Default Swaps CSC 6.5% Pay 20 Mar 2016	(1,125,000)	(102,935)	(0.07)
JPM Credit Default Swaps iTraxx 5% Receive 20 Dec 2016	1,680,000	129,291	0.09
JPM Credit Default Swaps Metlife 7.625% Receive 20 Mar 2017	1,630,000	75,763	0.05
JPM Credit Default Swaps MICH 8% Receive 20 Sep 2016	1,620,000	66,515	0.05
JPM Credit Default Swaps Santander 3% Receive 20 Dec 2016	350,000	6,395	-
Merrill Lynch Credit Default Swaps AIG Bank Receive 20 Jun 2016	(820,000)	(38,788)	(0.03)
Merrill Lynch Credit Default Swaps Renault Pay 20 Jun 2016	(1,260,000)	(154,336)	(0.11)

	Holding	Market value £	Percentage of total net assets %
Merrill Lynch Credit Default Swaps Volvo Receive 20 Jun 2016	1,260,000	66,776	0.04
UBS Credit Default Swaps iTraxx 5% Receive 20 Dec 2016	3,500,000	269,357	0.18
Forwards - 0.38% (31 Dec 10: 0.22%)			
Bought Australian Dollar 4,310,000 Sold Canadian Dollar 4,528,948		(40,200)	(0.03)
Bought Australian Dollar 13,280,000 Sold US Dollar 13,074,068		264,467	0.18
Bought Canadian Dollar 4,541,195 Sold Australian Dollar 4,355,000		18,401	0.01
Bought Canadian Dollar 2,224,003 Sold Australian Dollar 2,155,000		(5,563)	-
Bought Canadian Dollar 2,301,840 Sold New Zealand Dollar 2,880,000		19,986	0.01
Bought Canadian Dollar 2,180,000 Sold Sterling 1,357,443		24,933	0.02
Bought Euro 1,720,000 Sold Australian Dollar 2,259,645		(44,430)	(0.03)
Bought Euro 8,355,000 Sold Swedish Krona 76,537,091		(182,794)	(0.12)
Bought Euro 4,340,000 Sold US Dollar 5,934,836		(206,670)	(0.14)
Bought Japanese Yen 170,775,000 Sold Australian Dollar 2,200,000		(16,772)	(0.01)
Bought Japanese Yen 179,897,408 Sold Euro 1,680,000		56,451	0.04

	Holding	Market value £	Percentage of total net assets %
Bought Japanese Yen 165,109,993 Sold New Zealand Dollar 2,885,000		(60,905)	(0.04)
Bought Japanese Yen 786,740,361 Sold Sterling 6,450,523		131,040	0.09
Bought Sterling 1,445,000 Sold Australian Dollar 2,238,120		(25,453)	(0.02)
Bought Sterling 1,410,000 Sold Canadian Dollar 2,288,345		(41,080)	(0.03)
Bought Sterling 12,168,821 Sold Euro 13,890,000		538,656	0.37
Bought Sterling 2,130,000 Sold Swedish Krona 22,611,462		9,253	0.01
Bought Sterling 15,201,444 Sold US Dollar 23,726,956		(152,831)	(0.10)
Bought Swedish Krona 45,165,937 Sold Euro 4,890,000		141,730	0.10
Bought Swedish Krona 13,646,916 Sold Norwegian Krone 11,815,000		8,661	0.01
Bought Swedish Krona 26,914,657 Sold Sterling 3,525,041		(62,786)	(0.04)
Bought New Zealand Dollar 5,726,805 Sold Euro 3,280,000		116,349	0.08
Bought Norwegian Krone 49,320,000 Sold Swedish Krona 40,425,440		(127,438)	(0.09)
Bought US Dollar 2,267,487 Sold Australian Dollar 2,210,000		15,366	0.01

	Holding	Market value £	Percentage of total net assets %
Bought US Dollar 8,816,160 Sold Australian Dollar 8,733,480		(32,781)	(0.02)
Bought US Dollar 4,401,258 Sold Euro 3,325,000		64,119	0.04
Bought US Dollar 12,314,714 Sold Japanese Yen 948,098,358		37,723	0.03
Bought US Dollar 2,257,165 Sold New Zealand Dollar 2,880,000		21,014	0.01
Bought US Dollar 6,531,693 Sold Sterling 4,165,000		61,814	0.04
Futures - (0.10)% (31 Dec 10: (0.21)%)			
Euro BOBL Future Mar 2012	(150)	(170,137)	(0.12)
Euro BUND Future Mar 2012	(62)	(221,718)	(0.15)
Long Gilt Future Mar 2012	61	255,285	0.17
Interest Rate Swaps - 0.09% (31 Dec 10: (0.22)%)			
Interest Rate Swaps 1.937% 12 Dec 2016	17,700,000	135,340	0.09
Investment assets		137,399,568	93.60
Net other assets		9,389,626	6.40
Net assets		£146,789,194	100.00

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

As at 31 December 2011, 99.64% of the debt securities were rated as investment grade and 0.36% unrated.

Portfolio movements**For the year ended 31 December 2011**

	Cost £
Major purchases	
European Investment Bank 4.25% 2021	6,625,857
European Investment Bank 5.375% FRN 2021	6,312,443
Treasury 4% 2060	4,439,268
Treasury 4.75% 2030	3,897,173
European Investment Bank 8.75% FRN 2017	3,196,338
RWE Finance 6.125% 2039	2,309,089
European Investment Bank 3% 2015	2,213,310
Thames Water 5.5% 2041	1,884,768
Citigroup 5.15% 2026	1,817,527
Tesco Property 4 5.8006% 2040	1,760,000
CNP Assurances 7.375% 2041	1,390,172
Treasury 3.75% 2020	1,302,143
General Electric Capital UK 8% 2039	1,296,825
Co-Operative Group 5.625% 2020	1,283,279
Treasury 0.625% Index-Linked 2040	1,270,263
Credit Agricole 5.136% FRN Perpetual	1,114,000
Jaguar Land Rover 8.125% 2018	1,100,000
Ireland 5.9% 2019	1,035,957
Ireland 4.5% 2020	1,030,411
Friends Provident 8.25% 2022	1,030,000
Total for the year (Note 14)	£71,560,541

	Proceeds £
Major sales	
Treasury 4% 2060	10,216,875
European Investment Bank 5.375% FRN 2021	6,399,666
European Investment Bank 4.25% 2021	4,590,714
Treasury 4.25% 2040	3,963,596
Treasury 4% 2016	2,207,526
European Investment Bank 3% 2015	2,205,940
Network Rail Infrastructure 4.875% 2015	1,954,512
Citigroup 7.375% 2039	1,803,648
General Electric Capital UK 6% 2013	1,797,322
America Movil 5.75% 2030	1,373,320
ING Bank 5.14% 2016	1,277,348
BNP Paribas 5.75 % 2022	1,181,379
Jaguar Land Rover 8.125% 2018	1,122,000
Reseau Ferre de France 5.25% 2035	1,103,010
Tesco 6.125% 2022	1,011,393
Verizon Wireless Capital 8.875% 2018	924,740
Ireland 4.5% 2020	912,198
Ireland 5.9% 2019	871,204
Iberdrola 6% 2022	866,150
Commerzbank 7.75% 2021	859,534
Total for the year (Note 14)	£68,225,978

Statement of total return
For the year ended 31 December 2011

		31 Dec 11		31 Dec 10	
	Notes	£	£	£	£
Income					
Net capital (losses)/gains	2	(2,640,665)		7,691,436	
Revenue	3	8,161,768	7,338,055		
Expenses	4	(451,261)	(325,614)		
Finance costs: Interest	6	(33)	(3)		
Net revenue before taxation		7,710,474	7,012,438		
Taxation	5	-	-		
Net revenue after taxation		7,710,474	7,012,438		
Total return before distributions		5,069,809	14,703,874		
Finance costs: Distributions	6	(8,167,218)	(7,334,677)		
Change in net assets attributable to shareholders from investment activities		£(3,097,409)	£7,369,197		

Statement of change in net assets attributable to shareholders
For the year ended 31 December 2011

	31 Dec 11		31 Dec 10	
	£	£	£	£
Opening net assets attributable to shareholders		141,215,299		128,347,919
Amounts receivable on issue of shares	10,746,074	55,835,773		
Amounts payable on cancellation of shares	(10,192,459)	(57,401,380)		
		553,615		(1,565,607)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		(3,097,409)		7,369,197
Retained distribution on accumulation shares		8,117,689		7,063,790
Closing net assets attributable to shareholders	£146,789,194			£141,215,299

Balance sheet**As at 31 December 2011**

	Notes	As at 31 Dec 11 £	As at 31 Dec 10 £
ASSETS			
Investment assets		140,306,169	137,057,748
Debtors	7	3,490,171	5,241,959
Cash and bank balances	8	5,976,131	1,174,720
Total other assets		9,466,302	6,416,679
Total assets		149,772,471	143,474,427
LIABILITIES			
Investment liabilities		2,906,601	1,281,012
Creditors	9	56,299	966,286
Distribution payable		20,377	11,830
Total other liabilities		76,676	978,116
Total liabilities		2,983,277	2,259,128
Net assets attributable to shareholders		£146,789,194	£ 141,215,299

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 11 to 13.

2. Net capital (losses)/gains

	31 Dec 11 £	31 Dec 10 £
Currency losses	(54,308)	(57,873)
Derivative contracts	56,498	(382,356)
Forward currency contracts	(33,353)	2,508,699
Non-derivative securities	(2,606,930)	5,638,144
Transaction charges	(2,572)	(15,178)
Net capital (losses)/gains	£(2,640,665)	£7,691,436

3. Revenue

	31 Dec 11 £	31 Dec 10 £
Bank interest	15,868	1,816
Interest on debt securities	8,249,766	7,238,490
Interest on derivative contracts	(103,866)	97,749
	£8,161,768	£7,338,055

4. Expenses

	31 Dec 11 £	31 Dec 10 £
<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	413,735	292,445
Registration fees	656	621
	414,391	293,066
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	14,396	12,851
	14,396	12,851
<i>Payable to other related parties and third parties:</i>		
Audit fees	9,165	9,575
Professional fees	923	-
Safe custody fees	11,389	9,122
Taxation fees	997	1,000
	22,474	19,697
	£451,261	£325,614

5. Taxation

(a) Analysis of tax charge

There is no tax charge for the year.

(b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 10: 20%).

The differences are explained below:

	31 Dec 11 £	31 Dec 10 £
Net revenue before taxation	7,710,474	7,012,438
Corporation tax at 20%	1,542,095	1,402,488
<i>Effects of:</i>		
Interest distributions	(1,632,347)	(1,466,935)
Movement in excess expenses	90,252	64,448
	(1,542,095)	(1,402,488)
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 2011 the Fund had excess management expenses of £1,200,795 (31 Dec 10: £749,535). The deferred tax in respect of this would be £240,159 (31 Dec 10: £149,907). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

6. Finance costs

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

	31 Dec 11 £	31 Dec 10 £
Interim - first quarter	1,932,981	1,486,437
Interim - second quarter	2,068,255	1,497,022
Interim - third quarter	2,093,785	2,210,783
Final	2,087,857	1,940,878
	8,182,878	7,135,120
Add: Amounts deducted on cancellation of shares	83,128	478,934
Deduct: Amounts added on issue of shares	(98,788)	(279,377)
Net distributions	8,167,218	7,334,677
Interest	33	3
Total finance costs	£8,167,251	£7,334,680
Net revenue after taxation	7,710,474	7,012,438
Add: Expense charged to capital	450,340	325,614
Add: Revenue brought forward	8,632	5,257
Deduct: Revenue carried forward	(2,228)	(8,632)
Net distributions as above	£8,167,218	£7,334,677

Details of the distribution per share are set out in the table on pages 80 to 83.

7. Debtors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts receivable on issue of shares	-	1,825,000
Interest receivable on debt securities	3,488,520	3,416,959
Interest receivable on swaps	1,651	-
	£3,490,171	£5,241,959

8. Cash & bank balances

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts held at futures clearing houses and brokers	726,688	688,804
Cash and bank balances	5,249,443	485,916
	£5,976,131	£1,174,720

9. Creditors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Expense accruals	50,108	89,866
Income tax payable	6,191	3,679
Interest payable on swaps	-	45,633
Purchases awaiting settlement	-	827,108
	£56,299	£966,286

10. Equalisation

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

11. Contingent liabilities

At 31 December 2011 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 2011 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £35,346 and £60 respectively (31 Dec 10: £67,762 and £107).

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 £(5,880,000) (31 Dec 10: £(19,738,892)). As at 31 December 2011, the entity held 28,940,829 shares in the Fund with a market value of £17,473,151 (31 Dec 10: 38,691,430 shares with a market value of £22,498,144).

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 £4,000,000 (31 Dec 10: £(4,950,000)). As at 31 December 2011, the entity held 104,106,572 shares in the Fund with a market value of £62,854,795 (31 Dec 10: 97,372,801 shares with market value of £56,619,962.)

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the 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 18 to 20.

(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 11				
Australian Dollar	230	-	11,556,693	11,556,923
Canadian Dollar	-	-	7,131,944	7,131,944
Euro	1,375,126	4,967,279	12,487,816	18,830,221
Japanese Yen	458	-	10,854,567	10,855,025
New Zealand Dollar	257	-	2,862,708	2,862,965
Norwegian Krone	-	-	5,306,833	5,306,833
Sterling	5,287,656	121,636,340	35,799,513	162,723,509
Swedish Krona	-	-	8,978,360	8,978,360
US Dollar	1,131,607	8,341,078	23,410,536	32,883,221
	£7,795,334	£134,944,697	£118,388,970	£261,129,001
31 Dec 10				
Australian Dollar	226	-	2,851,656	2,851,882
Canadian Dollar	-	-	2,795,576	2,795,576
Euro	3,424,305	993,704	2,928,224	7,346,233
Japanese Yen	2,454	-	7,313,720	7,316,174
New Zealand Dollar	257	-	-	257
Norwegian Krone	-	-	4,600,142	4,600,142
Sterling	18,310,195	109,084,420	14,182,944	141,577,559
Swedish Krona	-	-	4,555,815	4,555,815
US Dollar	1,281,768	4,299,558	8,246,411	13,827,737
	£23,019,205	£114,377,682	£47,474,488	£184,871,375

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 11			
Australian Dollar	-	15,867,454	15,867,454
Canadian Dollar	-	4,322,965	4,322,965
Euro	-	22,661,656	22,661,656
Japanese Yen	-	7,931,420	7,931,420
New Zealand Dollar	-	4,321,453	4,321,453
Norwegian Krone	-	1,271,294	1,271,294
Sterling	-	17,387,439	17,387,439
Swedish Krona	-	12,920,737	12,920,737
US Dollar	-	27,655,389	27,655,389
	-	£114,339,807	£114,339,807
31 Dec 10			
Australian Dollar	-	2,851,656	2,851,656
Canadian Dollar	-	2,839,153	2,839,153
Euro	-	7,215,610	7,215,610
Japanese Yen	-	7,313,720	7,313,720
Swiss Franc	-	502,755	502,755
Sterling	-	13,889,973	13,889,973
US Dollar	-	9,043,209	9,043,209
	-	£43,656,076	£43,656,076

iii) Fixed rate financial assets

Currency	Weighted average interest rate %	Weighted average period for which the rate is fixed in years
31 Dec 11		
Euro	10.56	5.04
Sterling	5.07	17.01
US Dollar	5.64	7.53
31 Dec 10		
Euro	6.54	5.91
Sterling	5.29	18.42
US Dollar	4.50	5.30

(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 11			
Australian Dollar	(4,310,531)	-	(4,310,531)
Canadian Dollar	2,808,979	-	2,808,979
Euro	(9,043,676)	5,212,241	(3,831,435)
Japanese Yen	2,923,605	-	2,923,605
New Zealand Dollar	(1,458,488)	-	(1,458,488)
Norwegian Krone	4,035,539	-	4,035,539
Swedish Krona	(3,942,377)	-	(3,942,377)
US Dollar	(2,718,419)	7,946,251	5,227,832
	(11,705,368)	13,158,492	1,453,124
Sterling	21,625,254	123,710,816	145,336,070
	£9,919,886	£136,869,308	£146,789,194

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 10			
Australian Dollar	226	-	226
Canadian Dollar	-	(43,577)	(43,577)
Euro	337,302	(206,679)	130,623
Japanese Yen	2,454	-	2,454
New Zealand Dollar	257	-	257
Norwegian Krone	-	4,600,142	4,600,142
Swedish Krona	-	4,555,815	4,555,815
Swiss Franc	-	(502,755)	(502,755)
US Dollar	613,227	4,171,301	4,784,528
	953,466	12,574,247	13,527,713
Sterling	4,485,097	123,202,489	127,687,586
	£5,438,563	£135,776,736	£141,215,299

(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 2011, the Fund's VaR was 3.13%. This means that per the statistical analysis there is a 99% probability that, over a month, the maximum loss the Fund could suffer is 3.13% of its value.

Further information on risks can be found in the Risk Profile on pages 18 to 20.

14. Portfolio transaction costs

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

Distribution table**For the year ended 31 December 2011 (in pence per share)****Final interest distribution**

Group 1: Shares purchased prior to 1 October 2011

Group 2: Shares purchased between 1 October 2011 and 31 December 2011

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 29/02/12 (p)	Distribution paid 28/02/11 (p)
Class A - Accumulation Gross						
Group 1	0.820000	-	0.820000	-	0.820000	0.780000
Group 2	0.219222	-	0.219222	0.600778	0.820000	0.780000
Class A - Accumulation Net						
Group 1	0.850000	0.170000	0.680000	-	0.680000	0.640000
Group 2	0.166104	0.033221	0.132883	0.547117	0.680000	0.640000
Class A - Income Gross						
Group 1	0.710000	-	0.710000	-	0.710000	0.690000
Group 2	0.710000	-	0.710000	0.000000	0.710000	0.690000
Class A - Income Net						
Group 1	0.725000	0.145000	0.580000	-	0.580000	0.580000
Group 2	0.215005	0.043001	0.172004	0.407996	0.580000	0.580000
Class B - Accumulation Gross						
Group 1	0.830000	-	0.830000	-	0.830000	0.780000
Group 2	0.501871	-	0.501871	0.328129	0.830000	0.780000

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 29/02/12 (p)	Distribution paid 28/02/11 (p)
Class B - Accumulation Net						
Group 1	0.837500	0.167500	0.670000	-	0.670000	0.630000
Group 2	0.331135	0.066227	0.264908	0.405092	0.670000	0.630000
Class B - Income Gross						
Group 1	0.740000	-	0.740000	-	0.740000	0.710000
Group 2	0.740000	-	0.740000	0.000000	0.740000	0.710000
Class B - Income Net						
Group 1	0.712500	0.142500	0.570000	-	0.570000	0.570000
Group 2	0.403583	0.080717	0.322866	0.247134	0.570000	0.570000
Class J - Accumulation Gross						
Group 1	17.250000	-	17.250000	-	17.250000	16.170000
Group 2	5.793675	-	5.793675	11.456325	17.250000	16.170000
Class K - Accumulation Gross						
Group 1	0.860000	-	0.860000	-	0.860000	0.800000
Group 2	0.860000	-	0.860000	0.000000	0.860000	0.800000

Third quarter interim interest distribution

Group 1: Shares purchased prior to 1 July 2011

Group 2: Shares purchased between 1 July 2011 and 30 September 2011

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/11 (p)	Distribution paid 30/11/10 (p)
Class A - Accumulation Gross						
Group 1	0.840000	-	0.840000	-	0.840000	0.890000
Group 2	0.482526	-	0.482526	0.357474	0.840000	0.890000
Class A - Accumulation Net						
Group 1	0.862500	0.172500	0.690000	-	0.690000	0.740000
Group 2	0.443932	0.088786	0.355146	0.334854	0.690000	0.740000
Class A - Income Gross						
Group 1	0.730000	-	0.730000	-	0.730000	0.820000
Group 2	0.730000	-	0.730000	0.000000	0.730000	0.820000
Class A - Income Net						
Group 1	0.750000	0.150000	0.600000	-	0.600000	0.670000
Group 2	0.224792	0.044958	0.179834	0.420166	0.600000	0.670000
Class B - Accumulation Gross						
Group 1	0.850000	-	0.850000	-	0.850000	0.900000
Group 2	0.834006	-	0.834006	0.015994	0.850000	0.900000

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/11 (p)	Distribution paid 30/11/10 (p)
Class B - Accumulation Net						
Group 1	0.887500	0.177500	0.710000	-	0.710000	0.730000
Group 2	0.284031	0.056806	0.227225	0.482775	0.710000	0.730000
Class B - Income Gross						
Group 1	0.750000	-	0.750000	-	0.750000	0.830000
Group 2	0.052829	-	0.052829	0.697171	0.750000	0.830000
Class B - Income Net						
Group 1	0.750000	0.150000	0.600000	-	0.600000	0.660000
Group 2	0.750000	0.150000	0.600000	0.000000	0.600000	0.660000
Class J - Accumulation Gross						
Group 1	17.750000	-	17.750000	-	17.750000	18.690000
Group 2	0.377006	-	0.377006	17.372994	17.750000	18.690000
Class K - Accumulation Gross						
Group 1	0.880000	-	0.880000	-	0.880000	0.920000
Group 2	0.000000	-	0.000000	0.880000	0.880000	0.920000

Second quarter interim interest distribution

Group 1: Shares purchased prior to 1 April 2011

Group 2: Shares purchased between 1 April 2011 and 30 June 2011

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/11 (p)	Distribution paid 31/08/10 (p)
Class A - Accumulation Gross						
Group 1	0.820000	-	0.820000	-	0.820000	0.730000
Group 2	0.521740	-	0.521740	0.298260	0.820000	0.730000
Class A - Accumulation Net						
Group 1	0.850000	0.170000	0.680000	-	0.680000	0.620000
Group 2	0.398655	0.079731	0.318924	0.361076	0.680000	0.620000
Class A - Income Gross						
Group 1	0.720000	-	0.720000	-	0.720000	0.690000
Group 2	0.720000	-	0.720000	0.000000	0.720000	0.690000
Class A - Income Net						
Group 1	0.737500	0.147500	0.590000	-	0.590000	0.560000
Group 2	0.178648	0.035729	0.142919	0.447081	0.590000	0.560000
Class B - Accumulation Gross						
Group 1	0.830000	-	0.830000	-	0.830000	0.740000
Group 2	0.470733	-	0.470733	0.359267	0.830000	0.740000

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/11 (p)	Distribution paid 31/08/10 (p)
Class B - Accumulation Net						
Group 1	0.837500	0.167500	0.670000	-	0.670000	0.610000
Group 2	0.654003	0.130800	0.523203	0.146797	0.670000	0.610000
Class B - Income Gross						
Group 1	0.740000	-	0.740000	-	0.740000	0.700000
Group 2	0.220478	-	0.220478	0.519522	0.740000	0.700000
Class B - Income Net						
Group 1	0.737500	0.147500	0.590000	-	0.590000	0.550000
Group 2	0.737500	0.147500	0.590000	0.000000	0.590000	0.550000
Class J - Accumulation Gross						
Group 1	17.330000	-	17.330000	-	17.330000	15.440000
Group 2	17.330000	-	17.330000	0.000000	17.330000	15.440000
Class K - Accumulation Gross						
Group 1	0.860000	-	0.860000	-	0.860000	0.760000
Group 2	0.803784	-	0.803784	0.056216	0.860000	0.760000

First quarter interim interest distribution

Group 1: Shares purchased prior to 1 January 2011

Group 2: Shares purchased between 1 January 2011 and 31 March 2011

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/11 (p)	<i>Distribution paid 31/05/10 (p)</i>
Class A - Accumulation Gross						
Group 1	0.780000	-	0.780000	-	0.780000	0.710000
Group 2	0.622430	-	0.622430	0.157570	0.780000	0.710000
Class A - Accumulation Net						
Group 1	0.812500	0.162500	0.650000	-	0.650000	0.600000
Group 2	0.203558	0.040711	0.162847	0.487153	0.650000	0.600000
Class A - Income Gross						
Group 1	0.700000	-	0.700000	-	0.700000	0.060000
Group 2	0.225861	-	0.225861	0.474139	0.700000	0.060000
Class A - Income Net						
Group 1	0.725000	0.145000	0.580000	-	0.580000	0.560000
Group 2	0.332680	0.066536	0.266144	0.313856	0.580000	0.560000
Class B - Accumulation Gross						
Group 1	0.790000	-	0.790000	-	0.790000	0.710000
Group 2	0.512110	-	0.512110	0.277890	0.790000	0.710000

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/11 (p)	<i>Distribution paid 31/05/10 (p)</i>
Class B - Accumulation Net						
Group 1	0.800000	0.160000	0.640000	-	0.640000	0.590000
Group 2	0.281633	0.056326	0.225307	0.414693	0.640000	0.590000
Class B - Income Gross						
Group 1	0.720000	-	0.720000	-	0.720000	0.680000
Group 2	0.720000	-	0.720000	0.000000	0.720000	0.680000
Class B - Income Net						
Group 1	0.700000	0.140000	0.560000	-	0.560000	0.540000
Group 2	0.700000	0.140000	0.560000	0.000000	0.560000	0.540000
Class J - Accumulation Gross						
Group 1	16.460000	-	16.460000	-	16.460000	14.600000
Group 2	9.401113	-	9.401113	7.058887	16.460000	14.600000
Class K - Accumulation Gross						
Group 1	0.810000	-	0.810000	-	0.810000	0.730000
Group 2	0.810000	-	0.810000	0.000000	0.810000	0.730000
Class K - Income Gross						
Group 1	-	-	-	-	-	138.070000
Group 2	-	-	-	-	-	138.070000

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

Key developed sovereign bond markets saw positive returns on the year, driven by deteriorating expectations of global growth, reductions in policy rates and risk aversion in light of the worsening situation in Europe. UK economic data continued to be soft and the Bank of England base rate was maintained at 0.5% throughout the year; in October the MPC decided to provide a further stimulus, injecting an additional £75billion into the economy. Elsewhere the European Central Bank cut interest rates in both November and December, having hiked rates twice earlier in the year, and US interest rates were kept at record low levels in conjunction with further quantitative stimulus. European policymakers failed to resolve the sovereign debt crisis, resulting in a sustained flight to safe haven assets such as UK Gilts, which was key to the strong performance of government bond markets.

UK gilt yields fell over the year. The yield on the All Stock index started at 3.67%, then rose as high as 4.10% and ended the period at 2.48%; the index returned 16.6%.

Fund performance

During 2011, the fund achieved a performance of 14.40%*, underperforming its benchmark. The main positive contributor was duration management. Spread management detracted from performance, while currency management was a quasi flat contributor.

At the start of the year, the fund was positioned for an economic recovery in the US and Europe, versus a negative view on the UK. Corporate bond exposure was positive. Following the deterioration of global growth prospects, the duration and country positions were adjusted and actively managed over the period, and brought closer to benchmark at year end. The corporate overweight was somewhat maintained, however, the composition of this was also rebalanced mid-year. As financial sector bonds suffered a significant diminution of liquidity as a broad wave of risk aversion set in, the fund reduced exposure through derivatives, which however, did not provide full protection against the extent of underperformance of the sector. Currency was actively managed, with a bias to short the GBP over the period.

Outlook

Expectations are overall low with a recession priced in for Europe, no 'silver bullet' to end the sovereign debt crisis, a fiscal impasse in the US, and European banks still on the drip feed of emergency ECB liquidity. In addition, most countries will remain in regimes of fiscal austerity. However, there are timid signs that the economic data may no longer be weakening, at a time when recession expectations are high. The big divergences in growth prospects between US and the Eurozone has led to crowded trades, most easily visible in the movements of the Euro versus the US Dollar. While the heightened uncertainty argues against significant outright directional duration trades the market dislocation provides for much more by way of relative value opportunities. Position sizes are reduced to reflect the increased volatility and focus in on ensuring ample diversity of active views and importantly the ability to access liquidity to close positions.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2011, based on J shares.

Percentage growth

	31/12/10 to 31/12/11 %	31/12/09 to 31/12/10 %	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	Launch to 31/12/07 %
Class J - Accumulation Gross Shares	14.40	11.71	16.33	-5.29	-
Class K - Accumulation Gross Shares	15.15	12.67	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

26 March 2012

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 (£)
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
2010	Class J - Accumulation Gross	382,085	1,229.8	4,699,065
	Class K - Accumulation Gross	17,613,580	60.5	10,655,084
				£15,354,149
2011	Class J - Accumulation Gross	337,237	1,404.7	4,737,093
	Class K - Accumulation Gross	17,358,282	69.5	12,071,231
				£16,808,324

* 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 11 (%)	31 Dec 10 (%)
Class J - Accumulation Gross	0.74	0.72
Class K - Accumulation Gross	0.09	0.07

3. Share dealing price range and distribution record

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

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
2010	1,242.65	1,101.45	49.29
2011	1,408.97	1,202.39	40.25
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
2010	61.03	53.73	2.42
2011	69.75	59.19	1.99

[†] covers period from launch to 31 December 2008.

^{††} 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 2011

	Holding	Market value £	Percentage of total net assets %
Bonds - 92.47% (31 Dec 10: 96.40%)			
Floating Rate Notes - 3.17% (31 Dec 10: 4.72%)			
Aviva 6.125% FRN Perpetual	£40,000	26,447	0.16
AXA 6.772% FRN Perpetual	£50,000	32,469	0.19
ELM 5.252% FRN Perpetual	€150,000	98,335	0.59
Old Mutual 5% FRN Perpetual	€100,000	66,741	0.40
RSA Insurance Group 6.701% FRN Perpetual	£100,000	79,635	0.47
Scottish & Southern Energy 5.453% FRN Perpetual	£80,000	77,017	0.46
Swiss Reinsurance FRN Perpetual	£50,000	38,722	0.23
UBS 7.152% FRN Perpetual	€100,000	74,582	0.44
Unicredit Bank 8.5925% FRN Perpetual	£80,000	37,865	0.23
Mortgage & Asset Backed Securities - 0.00% (31 Dec 10: 1.10%)			
Aladdin CDO 25X FRN 2016	\$100,000	-	-
Brushfield CDO FRN 2052	\$100,000	6	-
Ordinary Fixed Interest - 89.30% (31 Dec 10: 90.58%)			
Ally Financial 7.5% 2013	\$250	165	-
Anheuser-Busch InBev 9.75% 2024	£100,000	153,465	0.91
BAA Funding 6.75% 2028	£50,000	58,105	0.35
Barclays Bank 6% Non-Cum Callable Preference	£100,000	61,002	0.36
France Telecom 5.375% 2050	£50,000	50,055	0.30
Friends Provident 12% 2021	£90,000	100,234	0.60
GDF Suez 5% 2060	£100,000	96,071	0.57
Imperial Tobacco Finance 9% 2022	£50,000	67,623	0.40

	Holding	Market value £	Percentage of total net assets %
Instituto de Credito Oficial 4% 2014	£170,000	158,128	0.94
National Express Group 6.625% 2020	£80,000	85,904	0.51
Petrobras International Finance 6.25% 2026	£116,000	118,175	0.70
Tesco 6.125% 2022	£100,000	117,757	0.70
Treasury 0.625% Index-Linked 2040	£115,000	153,744	0.91
Treasury 2.75% 2015	£1,240,000	1,325,312	7.88
Treasury 4% 2022	£420,000	495,684	2.95
Treasury 4% 2060	£1,500,000	1,856,700	11.05
Treasury 4.25% 2027	£290,000	354,351	2.11
Treasury 4.25% 2036	£870,000	1,066,446	6.34
Treasury 4.25% 2039	£295,000	362,172	2.15
Treasury 4.25% 2040	£810,000	995,652	5.92
Treasury 4.5% 2013	£645,000	676,734	4.03
Treasury 4.5% 2019	£50,000	60,220	0.36
Treasury 4.5% 2034	£225,000	284,085	1.69
Treasury 4.75% 2020	£1,950,000	2,405,130	14.31
Treasury 4.75% 2030	£795,000	1,029,127	6.12
Treasury 5% 2014	£1,125,000	1,263,713	7.52
Treasury 5% 2025	£327,000	426,212	2.54
Treasury 5.25% 2012	£400,000	408,440	2.43
US Treasury 0.125% 2016	\$975,000	671,290	3.99
Wales & West Utilities 5.125% 2016	£100,000	110,114	0.66

	Holding	Market value £	Percentage of total net assets %
Derivatives - (0.03)% (31 Dec 10: (0.21)%)			
Credit Default Swaps - (0.30)% (31 Dec 10: (0.11)%)			
Barclays Credit Default Swaps ACAPF 5.065% Receive 20 Dec 2016	100,000	5,854	0.03
Barclays Credit Default Swaps Aero Finance 5.5% Receive 20 Dec 2016	90,000	3,071	0.02
Barclays Credit Default Swaps Banco San Paolo 4.75% Pay 20 Dec 2016	(200,000)	(13,622)	(0.08)
Barclays Credit Default Swaps Centrica 7% Pay 20 Jun 2016	(190,000)	(182)	-
Barclays Credit Default Swaps CNA Financial 5.85% Receive 20 Sep 2016	130,000	4,077	0.02
Barclays Credit Default Swaps Deutsche Telekom 6% Pay 20 Dec 2016	(90,000)	(782)	-
Barclays Credit Default Swaps E.ON 6.3% Pay 20 Jun 2016	(190,000)	(1,545)	(0.01)
Barclays Credit Default Swaps HIG Capital 4% Pay 20 Sep 2016	(130,000)	(8,131)	(0.05)
Barclays Credit Default Swaps iTraxx 1% Pay 20 Dec 2016	(195,000)	(12,627)	(0.08)
Barclays Credit Default Swaps iTraxx 5% Receive 20 Dec 2016	110,000	420	-
Barclays Credit Default Swaps Marks & Spencer 5.625% Receive 20 Mar 2017	100,000	6,022	0.04
Barclays Credit Default Swaps Societe Generale 5.25% Receive 20 Dec 2016	100,000	8,517	0.05

	Holding	Market value £	Percentage of total net assets %
Barclays Credit Default Swaps Telecom Italia 5.375% Receive 20 Dec 2016	60,000	7,860	0.05
Barclays Credit Default Swaps Wind Acquisition 11.75% Pay 20 Dec 2016	(60,000)	(12,386)	(0.07)
Deutsche Bank Credit Default Swaps BP Pay 20 Dec 2016	(90,000)	(323)	-
Deutsche Bank Credit Default Swaps CNA Financial 5.85% Receive 20 Sep 2016	130,000	4,077	0.02
Deutsche Bank Credit Default Swaps CSC 6.5% Receive 20 Mar 2014	195,000	8,226	0.05
Deutsche Bank Credit Default Swaps CSC 6.5% Pay 20 Mar 2016	(125,000)	(11,437)	(0.07)
Deutsche Bank Credit Default Swaps Daimler Receive 20 Dec 2016	90,000	2,558	0.02
Deutsche Bank Credit Default Swaps EDF 5.625% Pay 20 Dec 2016	(90,000)	(1,902)	(0.01)
Deutsche Bank Credit Default Swaps HIG Capital 4% Pay 20 Sep 2016	(130,000)	(8,131)	(0.05)
Deutsche Bank Credit Default Swaps iTraxx 1% Pay 20 Dec 2016	(195,000)	(12,627)	(0.08)
Deutsche Bank Credit Default Swaps iTraxx 5% Receive 20 Dec 2016	110,000	420	-
Deutsche Bank Credit Default Swaps Metlife 5% Pay 20 Jun 2016	(260,000)	(14,928)	(0.09)
Deutsche Bank Credit Default Swaps Prudential 4.5% Receive 20 Jun 2016	260,000	10,740	0.06

	Holding	Market value £	Percentage of total net assets %
Goldman Sachs Credit Default Swaps Allstate 6.75% Pay 20 Mar 2016	(60,000)	(138)	-
Goldman Sachs Credit Default Swaps Carrefour 4.375% Pay 20 Sep 2016	(60,000)	(2,774)	(0.02)
Goldman Sachs Credit Default Swaps France Telecom 5.625% Pay 20 Dec 2016	(90,000)	(1,365)	(0.01)
Goldman Sachs Credit Default Swaps Siemens Finance 5% Pay 20 Dec 2016	(90,000)	(835)	-
JPM Credit Default Swaps Allstate 6.75% Pay 20 Mar 2016	(60,000)	(138)	-
JPM Credit Default Swaps AXA 6% Pay 20 Mar 2016	(90,000)	(6,916)	(0.04)
JPM Credit Default Swaps BMW 5.06% Receive 20 Dec 2016	90,000	1,815	0.01
JPM Credit Default Swaps CSC 6.5% Pay 20 Mar 2016	(125,000)	(11,437)	(0.07)
JPM Credit Default Swaps CSC 6.5% Receive 20 Mar 2014	185,000	7,804	0.05
JPM Credit Default Swaps Metlife 7.625% Receive 20 Mar 2017	100,000	4,648	0.03
JPM Credit Default Swaps MICH 8% Receive 20 Sep 2016	180,000	7,391	0.04
Merrill Lynch Credit Default Swaps Renault Pay 20 Jun 2016	(140,000)	(17,148)	(0.10)
Merrill Lynch Credit Default Swaps Volvo Receive 20 Jun 2016	140,000	7,420	0.04

	Holding	Market value £	Percentage of total net assets %
Forwards - 0.32% (31 Dec 10: 0.33%)			
Bought Australian Dollar 500,000			
Sold Canadian Dollar 288,401		(4,664)	(0.03)
Bought Australian Dollar 1,540,000			
Sold US Dollar 1,515,967		30,768	0.19
Bought Canadian Dollar 521,355			
Sold Australian Dollar 500,000		2,098	0.01
Bought Canadian Dollar 258,005			
Sold Australian Dollar 250,000		(646)	-
Bought Canadian Dollar 263,753			
Sold New Zealand Dollar 330,000		2,290	0.01
Bought Canadian Dollar 255,000			
Sold Sterling 158,783		2,917	0.02
Bought Euro 195,000			
Sold Australian Dollar 256,181		(5,037)	(0.03)
Bought Euro 975,000			
Sold Swedish Krona 8,931,753		(21,354)	(0.12)
Bought Euro 555,000			
Sold US Dollar 757,917		(25,762)	(0.15)
Bought Japanese Yen 19,406,250			
Sold Australian Dollar 250,000		(1,906)	(0.01)
Bought Japanese Yen 19,780,064			
Sold Euro 190,000		6,384	0.04
Bought Japanese Yen 18,886,065			
Sold New Zealand Dollar 330,000		(6,967)	(0.04)
Bought Japanese Yen 90,974,863			
Sold Sterling 745,950		15,110	0.09

	Holding	Market value £	Percentage of total net assets %
Bought New Zealand Dollar 672,201			
Sold Euro 385,000		13,657	0.08
Bought Norwegian Krone 1,700,000			
Sold Sterling 191,053		(8,133)	(0.05)
Bought Norwegian Krone 3,830,000			
Sold Swedish Krona 4,455,845		(5,809)	(0.03)
Bought Sterling 165,000			
Sold Australian Dollar 255,564		(2,906)	(0.02)
Bought Sterling 165,000			
Sold Canadian Dollar 267,785		(4,807)	(0.03)
Bought Sterling 1,072,169			
Sold Euro 1,225,000		46,471	0.28
Bought Sterling 245,000			
Sold Swedish Krona 2,600,849		1,064	0.01
Bought Sterling 1,524,888			
Sold US Dollar 2,380,857		(15,822)	(0.09)
Bought Swedish Krona 5,357,105			
Sold Euro 580,000		16,811	0.10
Bought Swedish Krona 1,570,868			
Sold Norwegian Krone 1,360,000		997	0.01
Bought Swedish Krona 4,205,559			
Sold Sterling 401,596		(7,153)	(0.05)
Bought US Dollar 256,503			
Sold Australian Dollar 250,000		1,738	0.01
Bought US Dollar 1,013,759			
Sold Australian Dollar 1,004,250		(3,767)	(0.02)

	Holding	Market value £	Percentage of total net assets %
Bought US Dollar 503,020			
Sold Euro 380,000		7,341	0.04
Bought US Dollar 1,418,407			
Sold Japanese Yen 109,199,614		4,364	0.02
Bought US Dollar 258,634			
Sold New Zealand Dollar 330,000		2,408	0.01
Bought US Dollar 1,130,578			
Sold Sterling 720,870		10,755	0.07
Futures - (0.14)% (31 Dec 10: (0.23)%)			
Euro BOBL Future 8 Mar 2012	(17)	(19,282)	(0.11)
Euro Bund Future 8 Mar 2012	(6)	(21,354)	(0.13)
Long Gilt Future 28 Mar 2012	4	16,740	0.10
Interest Rate Swaps - 0.09% (31 Dec 10: (0.20)%)			
Interest Rate Swaps Receive 1.937% 21 Dec 2016	2,000,000	15,293	0.09
Investment assets		15,537,012	92.44
Net other assets		1,271,312	7.56
Net assets		£16,808,324	100.00

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

As at 31 December 2011, 100.0% of the debt securities were rated as investment grade.

Portfolio movements**For the year ended 31 December 2011**

	Cost £
Major purchases	
Treasury 2.75% 2015	4,613,189
Treasury 4.75% 2020	4,074,555
Treasury 3.25% 2011	2,698,018
Treasury 4% 2022	1,677,137
Treasury 4% 2016	1,608,506
Treasury 5% 2014	1,265,164
Treasury 4% 2060	1,212,615
Treasury 4.75% 2030	914,271
Treasury 4.5% 2013	677,798
US Treasury 0.125% 2016	669,497
US Treasury 0.875% 2016	666,963
Treasury 4.25% 2036	546,425
Treasury 4.75% 2015	543,115
Treasury 8% 2021	528,234
Treasury 4.25% 2040	467,507
Treasury 4.25% 2046	415,406
Treasury 5.25% 2012	409,472
Treasury 4.25% 2027	342,855
Treasury 2% 2016	225,285
Treasury 2.25% 2014	197,555
Total for the year (Note 14)	£25,890,140

	Proceeds £
Major sales	
Treasury 2.75% 2015	3,289,713
Treasury 3.25% 2011	2,661,027
Treasury 4% 2016	2,428,230
Treasury 4.75% 2020	2,050,521
Treasury 4% 2022	1,846,879
Treasury 4.75% 2015	1,289,887
Treasury 2.25% 2014	832,240
Treasury 8% 2021	816,959
Treasury 4.25% 2046	816,345
Treasury 5% 2014	783,734
Treasury 4.5% 2013	675,373
Treasury 4.25% 2040	670,047
US Treasury 0.875% 2016	667,185
Treasury 5% 2018	607,403
Treasury 4.25% 2027	523,292
Treasury 4.25% 2032	444,822
Treasury 4.25% 2055	434,430
Treasury 8.75% 2017	408,606
Treasury 4.5% 2019	406,334
Treasury 4.5% 2042	392,008
Total for the year (Note 14)	£26,678,511

Statement of total return
For the year ended 31 December 2011

		31 Dec 11		31 Dec 10	
	Notes	£	£	£	£
Income					
Net capital gains	2	1,751,061		1,264,332	
Revenue	3	497,453	699,652		
Expenses	4	(45,589)	(45,328)		
Net revenue before taxation		451,864	654,324		
Taxation	5	-	-		
Net revenue after taxation		451,864	654,324		
Total return before distributions		2,202,925	1,918,656		
Finance costs: Distributions	6	(497,232)	(699,812)		
Change in net assets attributable to shareholders from investment activities		£1,705,693	£1,218,844		

Statement of change in net assets attributable to shareholders
For the year ended 31 December 2011

	31 Dec 11		31 Dec 10	
	£	£	£	£
Opening net assets attributable to shareholders		15,354,149		19,984,876
Amounts receivable on issue of shares	935,425	7,083,590		
Amounts payable on cancellation of shares	(1,677,797)	(13,587,398)		
		(742,372)		(6,503,808)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		1,705,693		1,218,844
Retained distribution on accumulation shares		490,854		654,237
Closing net assets attributable to shareholders		£16,808,324		£15,354,149

Balance sheet**As at 31 December 2011**

	Notes	As at 31 Dec 11 £	As at 31 Dec 10 £
ASSETS			
Investment assets		15,831,755	14,896,111
Debtors	7	171,114	507,544
Cash and bank balances	8	1,113,486	174,703
Total other assets		1,284,600	682,247
Total assets		17,116,355	15,578,358
LIABILITIES			
Investment liabilities		294,743	127,138
Creditors	9	13,288	97,071
Total other liabilities		13,288	97,071
Total liabilities		308,031	224,209
Net assets attributable to shareholders		£16,808,324	£15,354,149

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 11 to 13.

2. Net capital gains

	31 Dec 11 £	31 Dec 10 £
Currency gains/(losses)	14,499	(2,256)
Derivative contracts	139,032	(49,613)
Forward currency contracts	(9,471)	355,183
Non-derivative securities	1,609,036	972,096
Transaction charges	(2,035)	(11,078)
Net capital gains	£1,751,061	£1,264,332

3. Revenue

	31 Dec 11 £	31 Dec 10 £
Bank interest	5,606	45
Interest on debt securities	504,689	693,640
Interest on derivative contracts	(12,842)	5,967
	£497,453	£699,652

4. Expenses

	31 Dec 11 £	31 Dec 10 £
<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	31,018	33,390
	31,018	33,390
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	1,903	1,977
	1,903	1,977
<i>Payable to other related parties and third parties:</i>		
Audit fees	10,342	8,398
Professional fees	923	-
Safe custody fees	406	563
Taxation fees	997	1,000
	12,668	9,961
	£45,589	£45,328

5. Taxation

(a) Analysis of tax charge

There is no tax charge for the year.

(b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 10: 20%).

The differences are explained below:

	31 Dec 11 £	31 Dec 10 £
Net revenue before taxation	451,864	654,324
Corporation tax at 20%	90,373	130,865
<i>Effects of:</i>		
Interest distributions	(99,447)	(139,931)
Movement in excess expenses	9,074	9,066
	(90,373)	(130,865)
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 2011 the Fund had excess management expenses of £228,818 (31 Dec 10: £183,450). The deferred tax in respect of this would be £45,764 (31 Dec 10: £36,690). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

6. Finance costs

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

	31 Dec 11 £	31 Dec 10 £
Interim - first quarter	134,912	159,602
Interim - second quarter	127,430	138,089
Interim - third quarter	117,368	203,562
Final	111,144	152,984
	490,854	654,237
Add: Amounts deducted on cancellation of shares	10,953	111,995
Deduct: Amounts added on issue of shares	(4,575)	(66,420)
Total finance costs	£497,232	£699,812
Net revenue after taxation	451,864	654,324
Add: Expense charged to capital	44,666	45,328
Add: Revenue brought forward	1,574	1,734
Deduct: Revenue carried forward	(872)	(1,574)
Net distributions as above	£497,232	£699,812

Details of the distribution per share are set out in the tables on pages 104 to 105.

7. Debtors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Accrued revenue	170,928	182,544
Amounts receivable on issue of shares	-	325,000
Interest receivable on swaps	186	-
	£171,114	£507,544

8. Cash & bank balances

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts held at futures clearing houses and brokers	83,778	82,856
Cash and bank balances	1,029,708	91,847
	£1,113,486	£174,703

9. Creditors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts payable on cancellation of shares	-	73,557
Expense accruals	13,288	18,408
Interest payable on swaps	-	5,106
	£13,288	£97,071

10. Equalisation

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

11. Contingent liabilities

At 31 December 2011 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. Management fees charged by the ACD are shown in note 4.

At 31 December 2011 the amounts included in creditors in respect of management fees due to the ACD are £2,507 (31 December 2010: £4,847).

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 £(753,235) (31 Dec 10: £(6,057,709)). As at 31 December 2011, the entity held 1,146,444 shares in the Fund with a market value of £797,237 (31 Dec 10: 2,309,046 shares with a market value of £1,396,825).

UBS Global Allocation Fund (UK) is also a significant investor in the Fund. Transactions with the Fund were entered into in the normal course of business and on normal commercial terms. No initial charge was paid by UBS Global Allocation Fund (UK) on these transactions. The entity holds Class K Accumulation Gross shares on which no ACD fee is payable. The aggregate value of these transactions during the period was £600,000 (31 Dec 10: £2,875,000). As at 31 December 2011, the entity held 16,211,838 shares in the Fund with a market value of £11,273,994 (31 Dec 10: 15,304,534 shares with a market value of £9,258,262).

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the 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 18 to 20.

(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 11				
Australian Dollar	1	-	1,340,287	1,340,288
Canadian Dollar	232	-	823,156	823,388
Czech Koruna	58	-	-	58
Euro	437,370	-	1,394,718	1,832,088
Japanese Yen	396	-	1,246,871	1,247,267
New Zealand Dollar	2,080	-	336,019	338,099
Norwegian Krone	-	-	595,028	595,028
Polish Zloty	1,477	-	-	1,477
Singapore Dollar	2,363	-	-	2,363
South African Rand	746	-	-	746
Sterling	1,213,642	14,317,218	3,354,994	18,885,854
Swedish Krona	136	-	1,044,223	1,044,359
US Dollar	9,942	671,456	2,945,162	3,626,560
	£1,668,443	£14,988,674	£13,080,458	£29,737,575

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 10				
Australian Dollar	1	-	303,785	303,786
Canadian Dollar	235	-	297,811	298,046
Czech Koruna	61	-	-	61
Euro	102,687	423,425	252,086	778,198
Japanese Yen	568	-	824,196	824,764
New Zealand Dollar	2,080	-	-	2,080
Norwegian Krone	-	-	523,997	523,997
Polish Zloty	1,711	-	-	1,711
Singapore Dollar	2,384	-	-	2,384
South African Rand	906	-	-	906
Sterling	60,840	14,279,002	1,052,476	15,392,318
Swedish Krona	139	-	499,206	499,345
US Dollar	103,822	171	1,025,181	1,129,174
	£275,434	£14,702,598	£4,778,738	£19,756,770

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 11			
Australian Dollar	-	1,817,268	1,817,268
Canadian Dollar	-	502,973	502,973
Euro	-	2,310,961	2,310,961
Japanese Yen	-	913,521	913,521
New Zealand Dollar	-	494,880	494,880
Norwegian Krone	-	146,336	146,336
Sterling	-	2,231,540	2,231,540
Swedish Krona	-	1,499,579	1,499,579
US Dollar	-	3,012,193	3,012,193
	-	£12,929,251	£12,929,251
31 Dec 10			
Australian Dollar	-	303,785	303,785
Canadian Dollar	-	302,453	302,453
Euro	-	780,182	780,182
Japanese Yen	-	824,196	824,196
Sterling	-	1,604,116	1,604,116
US Dollar	-	587,889	587,889
	-	£4,402,621	£4,402,621

iii) Fixed rate financial assets

Currency	Weighted average interest rate %	Weighted average period for which the rate is fixed in years
31 Dec 11		
Sterling	2.18	17.17
US Dollar	5.50	2.00
31 Dec 10		
Euro	4.53	12.38
Sterling	3.48	15.04
US Dollar	0.05	3.00

(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 11			
Australian Dollar	(476,980)	-	(476,980)
Canadian Dollar	320,415	-	320,415
Czech Koruna	58	-	58
Euro	(664,150)	185,277	(478,873)
Japanese Yen	333,746	-	333,746
New Zealand Dollar	(156,781)	-	(156,781)
Norwegian Krone	448,692	-	448,692
Polish Zloty	1,477	-	1,477
Singapore Dollar	2,363	-	2,363
South African Rand	746	-	746
Swedish Krona	(455,220)	-	(455,220)
US Dollar	(37,679)	652,046	614,367
	(683,313)	837,323	154,010
Sterling	2,005,064	14,649,250	16,654,314
	£1,321,751	£15,486,573	£16,808,324

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 10			
Australian Dollar	1	-	1
Canadian Dollar	235	(4,642)	(4,407)
Czech Koruna	61	-	61
Euro	17,931	(19,915)	(1,984)
Japanese Yen	568	-	568
New Zealand Dollar	2,080	-	2,080
Norwegian Krone	-	523,997	523,997
Polish Zloty	1,711	-	1,711
Singapore Dollar	2,384	-	2,384
South African Rand	906	-	906
Swedish Krona	139	499,206	499,345
US Dollar	82,741	458,544	541,285
	108,757	1,457,190	1,565,947
Sterling	476,419	13,311,783	13,788,202
	£585,176	£14,768,973	£15,354,149

(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 2011, the Fund's VaR was 2.62%. This means that per the statistical analysis there is a 99% probability that, over a month, the maximum loss the Fund could suffer is 2.62% of its value.

Further information on risks can be found in the Risk Profile on pages 18 to 20.

14. Portfolio transaction costs

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

Distribution table**For the year ended 31 December 2011 (in pence per share)****Final interest distribution**

Group 1: Shares purchased prior to 1 October 2011

Group 2: Shares purchased between 1 October 2011 and 31 December 2011

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 29/02/12 (p)	Distribution paid 28/02/11 (p)
Class J - Accumulation Gross						
Group 1	9.280000	- 9.280000		-	9.280000	12.380000
Group 2	9.280000	- 9.280000		0.000000	9.280000	12.380000
Class K - Accumulation Gross						
Group 1	0.460000	- 0.460000		-	0.460000	0.600000
Group 2	0.460000	- 0.460000		0.000000	0.460000	0.600000

Third quarter interim interest distribution

Group 1: Shares purchased prior to 1 July 2011

Group 2: Shares purchased between 1 July 2011 and 30 September 2011

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/11 (p)	Distribution paid 30/11/10 (p)
Class J - Accumulation Gross						
Group 1	9.700000	- 9.700000		-	9.700000	15.380000
Group 2	9.700000	- 9.700000		0.000000	9.700000	15.380000
Class K - Accumulation Gross						
Group 1	0.480000	- 0.480000		-	0.480000	0.760000
Group 2	0.000000	- 0.000000		0.480000	0.480000	0.760000

Second quarter interim interest distribution

Group 1: Shares purchased prior to 1 April 2011

Group 2: Shares purchased between 1 April 2011 and 30 June 2011

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/11 (p)	<i>Distribution paid 31/08/10 (p)</i>
Class J - Accumulation Gross						
Group 1	10.490000	-	10.490000	-	10.490000	10.590000
Group 2	10.490000	-	10.490000	0.000000	10.490000	10.590000
Class K - Accumulation Gross						
Group 1	0.520000	-	0.520000	-	0.520000	0.520000
Group 2	0.520000	-	0.520000	0.000000	0.520000	0.520000

First quarter interim interest distribution

Group 1: Shares purchased prior to 1 January 2011

Group 2: Shares purchased between 1 January 2011 and 31 March 2011

	Gross revenue (p)	Income tax (20%)	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/11 (p)	<i>Distribution paid 31/05/10 (p)</i>
Class J - Accumulation Gross						
Group 1	10.780000	-	10.780000	-	10.780000	10.940000
Group 2	10.780000	-	10.780000	0.000000	10.780000	10.940000
Class K - Accumulation Gross						
Group 1	0.530000	-	0.530000	-	0.530000	0.540000
Group 2	0.500296	-	0.500296	0.029704	0.530000	0.540000

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

The decline in global emerging market equities in 2011 was materially above that for developed markets. As a result, for only the second time since 2000, emerging market equities closed off the year underperforming their developed market counterparts.

Although emerging market equities did manage to rebound nearly 10% from their October lows, by the end of the reporting period; risk aversion, a loss of confidence in policymakers' attempts to tackle the debt crisis in Europe and the perception of increased political risk in certain underlying markets, weighed on equities over the course of the second half of the year.

Fund performance

The Fund achieved performance of -19.8%* in Sterling terms during the period under review, marginally underperforming its benchmark, the FTSE All-World Emerging Index, which fell 18.4%, also in Sterling terms.

An overweight position to China Unicom resulted in it being the largest contributor to performance during the reporting period. The firm's share price rose by more than 49%, in Sterling terms, throughout the course of 2011.

Cez, the Czech utility company, was also a large stock contributor to performance. The company is the second largest electricity exporter in Europe and the largest electric utility in Central Europe. During the period under review the fund was overweight to the company, whose share price rose by almost 7%, in Sterling terms.

An overweight position in the Brazilian materials company Gerdau was the largest stock detractor from performance during the reporting period, with the share price falling by more than 39% in Sterling terms. During the reporting period the overweight stance was reduced but the manager maintains a significant weight to this stock because, in our view, it remains attractive; given a combination of industry positioning, outlook and valuation.

Another significant detractor to performance during the period under review resulted from an overweight in the Indian materials company Jindal Steel & Power. A weakness in steel prices and fears of weaker economic growth contributed to the company's share price fall over 45% in Sterling terms.

At the sector level stock selection within Technology resulted in it being the primary contributor to relative performance, yet stock selection within Retail detracted from the Fund's return.

On a geographical basis, stock selection within Taiwan contributed to, yet within Brazil detracted from relative performance.

Outlook

The drag from economic uncertainty is likely to linger, given few signs that policymakers are able to effectively address sovereign debt and growth challenges. Most emerging market economies will not be spared as economic growth in many of these underlying markets remain linked to the global manufacturing cycle.

Lower inflation helps remove some headwinds and should allow modest scope for policy easing in 2012. That could give a boost to global recovery prospects later this year. Fundamentally, the emerging market universe offers better growth prospects than developed markets with structural drivers still intact, specifically: demographics, urbanisation, rising productivity and consumption growth. Most emerging market economies benefit from relatively sound balance sheets enjoying generally low debt at government, corporate and household levels.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2011, based on A shares.

Percentage growth

	31/12/10 to 31/12/11 %	31/12/09 to 31/12/10 %	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	31/12/06 to 31/12/07 %
Class A - Accumulation Shares	-19.77	20.53	68.00	-40.77	38.24
Class B - Accumulation Shares	-19.26	21.29	69.07	-40.38	39.14
Class J - Accumulation Shares	-19.51	20.90	68.53	-40.58	38.69
Class K - Accumulation Shares	-18.60	22.41	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

26 March 2012

Performance record**1. Fund size**

Accounting year		Number	Total net	Total net
31 December		of shares in	asset value	asset
		issue	per share	value
			(p)*	(£)
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		
2010	Class A - Accumulation	2,977,676	371.1	11,048,962
	Class B - Accumulation	3,168,008	162.2	5,139,170
	Class J - Accumulation	176,866,798	379.4	670,953,147
	Class K - Accumulation	113,960	13,709.3	15,623,045
		£702,764,324		
2011	Class A - Accumulation	2,913,194	298.9	8,708,686
	Class B - Accumulation	2,511,309	131.5	3,303,098
	Class J - Accumulation	110,776,133	306.6	339,650,301
	Class K - Accumulation	1,060,942	11,206.2	118,880,860
		£470,542,945		

* 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 11	31 Dec 10
	(%)	(%)
Class A - Accumulation	1.67	1.66
Class B - Accumulation	1.03	1.02
Class J - Accumulation	1.35	1.34
Class K - Accumulation	0.10	0.09

3. Share dealing price range and distribution record

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

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class A - Accumulation			
2007	320.08	216.51	0.81
2008	315.52	142.82	1.33
2009	311.73	160.70	0.50
2010	375.59	284.82	0.67
2011	379.49	273.22	3.12
Class B - Accumulation			
2007	137.13	92.28	0.88
2008	135.63	61.58	1.25
2009	135.43	69.46	0.83
2010	164.20	123.80	1.21
2011	165.93	120.03	2.35
Class J - Accumulation			
2007	323.98	218.59	1.68
2008	319.91	145.02	2.20
2009	317.71	163.40	1.15
2010	383.99	290.35	1.75
2011	388.00	280.01	4.29

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
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
2010	13,876.28	10,372.92	215.61
2011	14,027.34	10,212.69	307.22

† 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 2011

	Holding	Market value £	Percentage of total net assets %
Brazil - 17.96% (31 Dec 10: 17.94%)			
Banco Bradesco ADR	997,600	10,707,141	2.28
Companhia de Bebidas das Americas ADR Preference	331,350	7,688,361	1.63
Companhia Vale do Rio Doce 'A' Preference	1,262,772	16,470,835	3.50
Gerdau ADR	2,486,600	12,480,201	2.65
Itau Unibanco Unibanco Multiplo ADR Preference	1,421,910	16,963,009	3.60
Lojas Renner	571,000	9,535,757	2.03
OGX Petroleo e Gas Participacoes	2,276,000	10,678,129	2.27
China - 15.41% (31 Dec 10: 18.06%)			
China Construction Bank 'H'	31,874,040	14,260,048	3.03
China Mengniu Dairy Company	2,580,000	3,873,183	0.82
China Merchants Bank 'H'	4,181,000	5,431,457	1.15
China Resources Land	2,606,000	2,685,869	0.57
China Shenhua Energy 'H'	4,202,000	11,697,295	2.49
China Unicom	10,460,000	14,177,677	3.01
Dongfeng Motor Group 'H'	4,094,000	4,511,174	0.96
Ping An Insurance 'H'	1,846,000	7,815,247	1.66
Shimao Property	3,039,500	1,659,501	0.35
Zoomlion Heavy Industry	9,320,240	6,439,961	1.37
Czech Republic - 2.85% (31 Dec 10: 2.38%)			
CEZ	525,000	13,412,702	2.85
India - 9.75% (31 Dec 10: 11.32%)			
Compton Greaves	1,209,927	1,841,342	0.39

	Holding	Market value £	Percentage of total net assets %
Hero Honda Motors	188,772	4,357,307	0.93
ICICI Bank ADR	384,400	6,537,348	1.39
Infosys Technologies	98,431	3,285,785	0.70
Infosys Technologies ADR	269,300	8,901,576	1.89
ITC ELN 2017 (Deutsche Bank)	1,850,175	4,482,278	0.95
Jindal Steel & Power	1,604,231	8,798,630	1.87
Sun Pharmaceuticals Industries	1,278,442	7,672,466	1.63
Indonesia - 7.28% (31 Dec 10: 2.90%)			
Adaro Energy	39,311,000	4,909,760	1.04
Astra International	1,044,500	5,481,256	1.16
Bank Mandiri (Persero)	13,082,952	6,220,339	1.32
Bank Rakyat Indonesia	12,558,000	6,015,306	1.28
Telekomunikasi Indonesia 'B'	23,519,000	11,682,892	2.48
Korea - 0.00% (31 Dec 10: 0.12%)			
Malaysia - 0.95% (31 Dec 10: 0.00%)			
CIMB Group	3,053,600	4,475,186	0.95
Mexico - 3.61% (31 Dec 10: 7.33%)			
America Movil	7,402,800	5,379,384	1.14
Grupo Financiero Banorte 'O'	2,574,000	5,014,361	1.07
Grupo Modelo 'C'	1,629,000	6,603,726	1.40
Netherlands - 0.00% (31 Dec 10: 0.66%)			
Russia - 9.97% (31 Dec 10: 10.99%)			
Gazprom ADR	3,462,162	23,747,923	5.05
Lukoil ADR	370,199	12,601,201	2.68
Sberbank	6,652,979	10,529,353	2.24

	Holding	Market value £	Percentage of total net assets %
South Africa - 7.78% (31 Dec 10: 4.79%)			
First Rand	4,822,700	7,971,932	1.69
Foschini Group	76,115	635,279	0.14
Kumba Iron	300,114	11,959,715	2.54
Naspers 'N'	353,609	9,920,431	2.11
Truworths International	1,038,969	6,115,299	1.30
Taiwan - 13.60% (31 Dec 10: 13.63%)			
Advanced Semiconductor Engineering	8,060,652	4,428,027	0.94
Chunghwa Telecom	3,376,989	7,176,442	1.53
Formosa Chemicals & Fibre	5,983,000	10,158,868	2.16
Formosa Plastics	5,955,000	10,225,220	2.17
Hon Hai Precision Industry	7,590,823	13,356,686	2.84
Synnex Technology	3,211,000	4,967,652	1.06
Taiwan Semiconductor Manufacturing	5,894,000	9,469,160	2.01
WPG Holdings	5,641,468	4,184,052	0.89
Thailand - 4.21% (31 Dec 10: 3.57%)			
Banpu	453,350	5,048,332	1.07
Kasikornbank	1,582,300	3,953,180	0.84
Kasikornbank Non-Voting Depositary Receipt	2,302,300	5,705,055	1.21
Siam Commercial Bank (Alien Market)	174,600	413,070	0.09
Siam Commercial Bank Non-Voting Depositary Receipt	1,982,300	4,689,743	1.00
Turkey - 0.93% (31 Dec 10: 2.44%)			
Turkiye Garanti Bankasi	2,170,868	4,363,817	0.93

	Holding	Market value £	Percentage of total net assets %
United States- 4.16% (31 Dec 10: 1.19%)			
Mobile Telesystems ADR	1,015,800	9,588,692	2.04
Southern Copper	512,800	9,955,071	2.12
Investment assets		463,310,689	98.46
Net other assets		7,232,256	1.54
Net assets		£470,542,945	100.00

All holdings are ordinary shares or stock units and admitted to official stock exchange listings or trade on a regulated market unless otherwise stated.

Portfolio movements**For the year ended 31 December 2011**

	Cost £
Major purchases	
Gerdau ADR	24,751,374
ICICI Bank ADR	13,916,879
Kumba Iron	12,583,973
Banco Bradesco ADR	11,715,221
Southern Copper	9,990,937
Changsha Zoomlion Heavy Industry	8,770,284
Itau Unibanco Multiplo ADR Preference	8,428,908
FirstRand	7,671,330
Adaro Energy	7,431,322
Axis Bank	7,035,863
Bank Rakyat Indonesia	6,915,178
CIMB Group	6,382,132
Bank Mandiri (Persero)	6,329,181
Bank of Ayudhya Non-Voting Depositary Receipt	6,251,042
China Construction Bank 'H'	6,235,949
Banpu	5,573,510
China Merchants Bank 'H'	5,472,361
Banpu Non-Voting Depositary Receipt	5,463,851
Grupo Modelo 'C'	5,453,719
Synnex Technology	5,403,471
Total for the year (Note 14)	£223,616,027

	Proceeds £
Major sales	
Industrial & Commercial Bank of China 'H'	18,020,579
Companhia Vale do Rio Doce 'A' Preference	17,869,786
Cemex ADR	16,015,161
China Merchants Bank 'H'	15,641,304
Sterlite Industries	14,696,148
Kasikornbank Non-Voting Depositary Receipt	14,426,090
Grupo Financiero Banorte 'O'	12,862,559
Sberbank	12,029,712
Taiwan Semiconductor Manufacturing Usiminas Preference	10,307,762
Usiminas Preference	9,429,513
Turkiye Garanti Bankasi	9,090,334
Companhia de Bebidas das Americas ADR Preference	8,989,798
Hon Hai Precision Industry	8,736,751
Itau Unibanco Multiplo ADR Preference	8,730,944
China Construction Bank 'H'	8,346,645
Astra International	7,793,541
Naspers 'N'	7,749,606
Gazprom ADR	7,594,608
China Shenhua Energy 'H'	6,476,419
Deutsche Bank	5,874,158
Total for the year (Note 14)	£329,670,084

Statement of total return
For the year ended 31 December 2011

		31 Dec 11		31 Dec 10	
	Notes	£	£	£	£
Income					
Net capital (losses)/gains	2	(127,877,137)		112,707,318	
Revenue	3	15,526,332	13,595,233		
Expenses	4	(7,088,647)	(8,726,140)		
Finance costs: Interest	6	(4,731)	(1,884)		
Net revenue before taxation		8,432,954	4,867,209		
Taxation	5	(1,605,028)	(1,191,017)		
Net revenue after taxation		6,827,926		3,676,192	
Total return before distributions		(121,049,211)		116,383,510	
Finance costs: Distributions	6	(6,818,928)		(3,690,634)	
Change in net assets attributable to shareholders from investment activities		£(127,868,139)		£112,692,876	

Statement of change in net assets attributable to shareholders
For the year ended 31 December 2011

	31 Dec 11		31 Dec 10	
	£	£	£	£
Opening net assets attributable to shareholders		702,764,324		674,746,294
Amounts receivable on issue of shares	191,324,501		64,872,657	
Amounts payable on cancellation of shares	(303,105,416)		(153,125,014)	
		(111,780,915)		(88,252,357)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		(127,868,139)		112,692,876
Retained distribution on accumulation shares		7,427,675		3,577,511
Closing net assets attributable to shareholders		£470,542,945		£702,764,324

Balance sheet**As at 31 December 2011**

	Notes	As at 31 Dec 11 £	As at 31 Dec 10 £
ASSETS			
Investment assets		463,310,689	694,844,710
Debtors	7	1,063,202	6,155,574
Cash and bank balances	8	7,577,759	8,986,939
Total other assets		8,640,961	15,142,513
Total assets		471,951,650	709,987,223
LIABILITIES			
Creditors	9	1,408,705	6,875,834
Bank overdraft		-	347,065
Total liabilities		1,408,705	7,222,899
Net assets attributable to shareholders			
		£470,542,945	£702,764,324

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

Accounting policies of the Fund are as set out on pages 11 to 13.

2. Net capital (losses)/gains

	31 Dec 11	31 Dec 10
	£	£
Currency (losses)/gains	(1,376,133)	281,297
Non-derivative securities	(126,459,879)	112,776,127
Transaction charges	(41,125)	(350,106)
Net capital (losses)/gains	£(127,877,137)	£112,707,318

3. Revenue

	31 Dec 11	31 Dec 10
	£	£
Bank interest	28,945	21,474
Overseas dividends	15,242,012	13,140,850
Stock dividends	255,375	432,909
	£15,526,332	£13,595,233

4. Expenses

	31 Dec 11	31 Dec 10
	£	£
<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	6,528,864	8,121,960
Registration fees	8,117	8,564
	6,536,981	8,130,524
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	49,983	60,139
	49,983	60,139
<i>Payable to other related parties and third parties:</i>		
Audit fees	10,343	8,399
Professional fees	7,372	306
Safe custody fees	482,971	525,301
Taxation fees	997	1,471
	501,683	535,477
	£7,088,647	£8,726,140

5. Taxation

(a) Analysis of tax charge

	31 Dec 11 £	31 Dec 10 £
Overseas tax provision movement	(167,539)	-
Overseas tax suffered	1,772,567	1,212,672
Overseas tax written back	-	(21,655)
Total current tax (5.b)	1,605,028	1,191,017
Total tax charge	£1,605,028	£1,191,017

(b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 10: 20%).

The differences are explained below:

	31 Dec 11 £	31 Dec 10 £
Net revenue before taxation	8,432,954	4,867,209
Corporation tax at 20%	1,686,591	973,442
<i>Effects of:</i>		
Dividends not subject to corporation tax	(2,726,877)	(2,714,752)
Movement in excess expenses	1,040,286	1,741,310
Movement in overseas tax provision	(167,539)	-
Overseas tax suffered	1,772,567	1,212,672
Overseas tax written back	-	(21,655)
	(81,563)	217,575
Total tax charge (5.a)	£1,605,028	£1,191,017

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 2011 the Fund had excess management expenses of £15,716,422 (31 Dec 10: £10,514,990). The deferred tax in respect of this would be £3,143,284 (31 Dec 10: £2,102,998). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

6. Finance costs

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

	31 Dec 11 £	31 Dec 10 £
Interim	3,560,159	2,344,075
Final	3,867,516	1,233,436
	7,427,675	3,577,511
Add: Amounts deducted on cancellation of shares	1,091,463	157,197
Deduct: Amounts added on issue of shares	(1,700,210)	(44,074)
Net distributions	6,818,928	3,690,634
Interest	4,731	1,884
Total finance costs	£6,823,659	£3,692,518
Net revenue after taxation	6,827,926	3,676,192
Add: Revenue brought forward	3,758	18,200
Add: Shortfall transfer to capital	(2,863)	-
Deduct: Revenue carried forward	(9,893)	(3,758)
Net distributions as above	£6,818,928	£3,690,634

Details of the distribution per share are set out in the table on page 123.

7. Debtors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Accrued revenue	464,497	611,211
Amounts receivable on issue of shares	340,495	250,600
Currency transactions awaiting settlement	-	1,809,634
Overseas tax recoverable	45,605	246,832
Sales awaiting settlement	212,605	3,237,297
	£1,063,202	£6,155,574

8. Cash & bank balances

	As at 31 Dec 11 £	As at 31 Dec 10 £
Cash and bank balances	7,577,759	8,986,939
	£7,577,759	£8,986,939

9. Creditors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts payable on cancellation of shares	204,114	594,346
Corporation tax payable	19,164	19,164
Currency transactions awaiting settlement	-	1,820,420
Expense accruals	470,079	1,602,378
Overseas tax provision	-	167,539
Purchases awaiting settlement	715,348	2,671,987
	£1,408,705	£6,875,834

10. Equalisation

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

11. Contingent liabilities

At 31 December 2011 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 2011 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £375,600 and £594 respectively (31 Dec 2010: £1,462,621 and £1,588).

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 £(8,931,610) (31 Dec 10: £(7,850,000)). As at 31 December 2011, the entity held 40,172 shares in the Fund with a market value of £4,501,353 (31 Dec 10: 113,960 shares with a market value of £15,623,045).

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the 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 and UBS Global Asset Management (UK) Ltd are subsidiaries of UBS Global Asset Management Holdings Ltd.

13. Financial instruments

The Authorised Corporate Director's policy and approach to managing the risks associated with financial instruments are included in the Risk Profile on pages 18 to 20.

(a) Interest rate risk

At the year end date 1.61% (31 Dec 10: 1.28%) of the fund's net assets were interest bearing.

(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 affect the balance sheet and total return.

Numerical disclosures are as follows:

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 11			
Brazil Real	118,910	36,684,721	36,803,631
Czech Koruna	134	13,412,702	13,412,836
Hong Kong Dollar	98	72,551,412	72,551,510
Hungarian Forint	77	-	77
Indian Rupee	29,330	34,309,553	34,338,883
Indonesian Rupiah	45,291	25,955,530	26,000,821
Israeli Shekel	16,275	-	16,275
Malaysian Ringgit	-	4,475,186	4,475,186
Mexican Peso	213,012	16,997,471	17,210,483
Philippine Peso	576	-	576
Polish Zloty	598	-	598
Singapore Dollar	2,316	-	2,316
South African Rand	11,589	36,602,655	36,614,244
South Korean Won	2	-	2
Taiwanese Dollar	5,850,283	63,966,106	69,816,389
Thai Baht	-	19,809,381	19,809,381
Turkish Lira	597	4,363,817	4,364,414
US Dollar	107,647	134,182,155	134,289,802
	6,396,735	463,310,689	469,707,424
Sterling	835,521	-	835,521
	£7,232,256	£463,310,689	£470,542,945

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 10			
Brazil Real	210,573	87,331,475	87,542,048
Czech Koruna	66	16,755,645	16,755,711
Hong Kong Dollar	262	127,725,589	127,725,851
Hungarian Forint	89	-	89
Indian Rupee	23,869	68,648,712	68,672,581
Indonesian Rupiah	65,066	20,395,879	20,460,945
Israeli Shekel	19,329	-	19,329
Mexican Peso	637,953	32,537,878	33,175,831
Philippine Peso	575	-	575
Polish Zloty	693	-	693
Singapore Dollar	2,336	-	2,336
South African Rand	2,820,997	33,682,584	36,503,581
South Korean Won	2	-	2
Taiwanese Dollar	589,761	95,817,207	96,406,968
Thai Baht	-	25,066,156	25,066,156
Turkish Lira	425	17,184,950	17,185,375
US Dollar	388,617	169,698,635	170,087,252
	4,760,613	694,844,710	699,605,323
Sterling	3,159,001	-	3,159,001
	£7,919,614	£694,844,710	£702,764,324

(c) Fair value of financial assets and financial liabilities

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

14. Portfolio transaction costs

	£	31 Dec 11 £	£	31 Dec 10 £
Analysis of total purchase costs				
Purchases in year before transaction costs		223,122,218		208,716,808
Commissions & taxes	493,809		431,065	
Total purchase costs		493,809		431,065
Gross purchase total		£223,616,027		£209,147,873
Analysis of total sale costs				
Gross sales in year before transaction costs		330,459,362		292,903,460
Commissions & taxes	(789,278)		(638,833)	
Total sale costs		(789,278)		(638,833)
Total sales net of transaction costs		£329,670,084		£292,264,627

Distribution table**For the year ended 31 December 2011 (in pence per share)****Final dividend distribution**

Group 1: Shares purchased prior to 1 July 2011

Group 2: Shares purchased between 1 July 2011 and 31 December 2011

	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 29/02/12 (p)	<i>Distribution paid 28/02/11 (p)</i>
Class A - Accumulation				
Group 1	1.52	-	1.52	0.15
Group 2	0.00	1.52	1.52	0.15
Class B - Accumulation				
Group 1	1.11	-	1.11	0.51
Group 2	0.12	0.99	1.11	0.51
Class J - Accumulation				
Group 1	2.07	-	2.07	0.62
Group 2	0.00	2.07	2.07	0.62
Class K - Accumulation				
Group 1	141.60	-	141.60	102.00
Group 2	4.29	137.31	141.60	102.00

Interim dividend distribution

Group 1: Shares purchased prior to 1 January 2011

Group 2: Shares purchased between 1 January 2011 and 30 June 2011

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/11 (p)	<i>Distribution paid 31/08/10 (p)</i>
Class A - Accumulation				
Group 1	1.60	-	1.60	0.52
Group 2	1.54	0.06	1.60	0.52
Class B - Accumulation				
Group 1	1.24	-	1.24	0.70
Group 2	1.11	0.13	1.24	0.70
Class J - Accumulation				
Group 1	2.22	-	2.22	1.13
Group 2	1.06	1.16	2.22	1.13
Class K - Accumulation				
Group 1	165.62	-	165.62	113.61
Group 2	151.21	14.41	165.62	113.61

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

Despite a positive fourth quarter, markets experienced a volatile 2011. As economic problems increased during the year, so did investor concerns. As a result, defensive sectors such as consumer staples and health care finished significantly ahead of the index, whilst materials, financials and industrials fell significantly behind the index over the year.

Many market commentators started the period under review claiming 2011 would be make or break for the Euro. While there was definitely more of the latter than the former, by the end of the year the Eurozone was still intact.

The US continued to outperform relative to the Eurozone and UK, despite a slight downward revision of third quarter GDP to 1.8% annualised. The end of the reporting period saw a return to nervousness in markets, reversing the improvement in sentiment that was evident in the early part of the fourth quarter, as expectations of an outright recession across the Eurozone became more widespread.

The challenge for markets is that even with a gloomy outlook; conditions could get worse if the Euro sovereign situation deteriorates further.

Fund performance

The UBS Global Optimal Fund achieved performance of -13.1%* in Sterling terms during the reporting period. Over the same time, the Fund's MSCI World ex UK benchmark achieved performance of -4.6%.

A holding in the healthcare company UnitedHealth Group was the largest contributor to performance over the period under review on a relative basis. The Fund held a significant overweight position in the stock, which rose by more than 43% in Sterling terms over the period.

The second largest contributor to performance during the reporting period came from the Fund's overweight holding in Apple. The technology giant's share price rose by more than 26% in Sterling terms during 2011.

An overweight position in Citigroup was the largest detractor to performance during the period, after its share price fell by more than 43% in Sterling terms. A holding in the energy company Petrobank, which is not listed on the Fund's benchmark, also detracted from performance.

At an industry level, overweight positions in the healthcare and information technology sectors were the largest contributors to relative performance during the period under review, whereas stock selection within financials and energy were the largest detractors.

At a regional level, stock selection within Japan proved to be the largest contributor to performance in relative terms, yet within Canada, it was a significant detractor.

Outlook

Despite very modest expectations for the US, the consensus is now for outright recession in the Eurozone in 2012.

As ever, the question for investors remains the extent to which the deterioration in economic conditions has already been factored into share prices. We believe that the 2011 summer of panic has resulted in the 'over-selling' of many stocks, especially in Europe, and remain firmly of the opinion that there is a highly attractive opportunity to add value, by exploiting this current mispricing.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2011, based on A shares.

Percentage growth

	31/12/10 to 31/12/11 %	31/12/09 to 31/12/10 %	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	31/12/06 to 31/12/07 %
Class A - Accumulation Shares	-13.12	13.20	27.47	-21.87	-1.24
Class B - Accumulation Shares	-12.56	13.91	28.29	-21.36	-0.63

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

26 March 2012

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 (£)
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
2010	Class A - Accumulation	5,123,760	71.5	3,662,757
	Class B - Accumulation	22,143,947	75.5	16,724,515
				£20,387,272
2011	Class A - Accumulation	3,776,746	62.4	2,355,033
	Class B - Accumulation	20,921,555	66.3	13,872,093
				£16,227,126

* 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 11 (%)	31 Dec 10 (%)
Class A - Accumulation	1.65	1.63
Class B - Accumulation	1.01	0.99

3. Share dealing price range and distribution record

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

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class A - Accumulation			
2007	69.01	60.94	0.31
2008	64.76	40.60	0.37
2009	64.92	39.14	0.17
2010	72.45	59.00	0.08
2011	73.68	55.64	0.26
Class B - Accumulation			
2007	71.28	63.06	0.74
2008	67.29	42.32	0.74
2009	68.17	40.88	0.45
2010	76.54	62.14	0.52
2011	77.91	59.08	0.70

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 2011

	Holding	Market value £	Percentage of total net assets %
Australia - 0.00% (31 Dec 10: 2.24%)			
Bermuda - 1.27% (31 Dec 10: 1.16%)			
Jardine Matheson	6,800	205,825	1.27
Canada - 6.42% (31 Dec 10: 8.55%)			
Canadian Oil Sands	13,400	196,538	1.21
Gran Tierra Energy	51,000	158,563	0.98
Petrobank Energy & Resources	24,600	164,470	1.01
Petrominerales	13,747	142,903	0.88
Suncor Energy	12,770	237,088	1.46
Teck Resources 'B'	6,300	142,724	0.88
Columbia - 0.00% (31 Dec 10: 0.75%)			
Denmark - 1.36% (31 Dec 10: 1.43%)			
FLSmidth & Co	5,802	220,075	1.36
Finland - 1.24% (31 Dec 10: 1.45%)			
Sampo 'A'	12,632	201,535	1.24
France - 2.83% (31 Dec 10: 2.67%)			
BNP Paribas	5,815	147,419	0.91
Carrefour	21,215	311,624	1.92
Germany - 6.84% (31 Dec 10: 4.86%)			
Beiersdorf	5,135	187,721	1.16
E.On	13,185	182,604	1.12
Fresenius Medical Care	4,321	189,708	1.17
Infineon Technologies	23,890	116,400	0.72
SAP	5,270	180,133	1.11
Volkswagen Non-Voting Preference	2,637	253,972	1.56

	Holding	Market value £	Percentage of total net assets %
Greece - 0.51% (31 Dec 10: 0.69%)			
OTE (Hellenic Telecom)	35,443	82,600	0.51
Hong Kong - 2.10% (31 Dec 10: 2.11%)			
Aia Group	117,800	236,184	1.45
New World Development	202,500	104,856	0.65
Ireland - 2.11% (31 Dec 10: 3.20%)			
Covidien	7,541	218,403	1.35
Ingersoll Rand	6,300	123,438	0.76
Italy - 1.35% (31 Dec 10: 0.00%)			
Fiat	40,256	218,570	1.35
Japan - 9.51% (31 Dec 10: 12.48%)			
Asahi Glass	29,000	156,190	0.96
Benesse	5,900	182,074	1.12
Itochu	42,100	275,333	1.70
KDDI	37	153,016	0.95
Mitsubishi UFJ Financial Group	97,300	264,463	1.63
Sankyo	6,300	204,692	1.26
Shin-Etsu Chemical	5,500	174,099	1.07
Tokyo Gas	45,000	132,848	0.82
Luxembourg - 1.01% (31 Dec 10: 0.98%)			
ArcelorMittal	13,837	163,259	1.01
Netherlands - 5.14% (31 Dec 10: 3.88%)			
ASML	5,293	143,581	0.89
Heineken	8,694	259,767	1.60
LyondellBasell	7,485	156,433	0.96

	Holding	Market value £	Percentage of total net assets %
Wolters-Kluwer	24,576	274,055	1.69
Norway - 3.54% (31 Dec 10: 2.24%)			
Statoil	15,361	253,897	1.56
Telenor	30,478	322,039	1.98
Panama - 0.00% (31 Dec 10: 1.46%)			
Spain - 1.32% (31 Dec 10: 0.00%)			
Banco Santander	43,675	213,894	1.32
Switzerland - 4.54% (31 Dec 10: 5.35%)			
Nestle	7,081	262,875	1.62
Novartis	9,924	366,711	2.26
SGS	100	107,002	0.66
United States of America - 48.25% (31 Dec 10: 43.38%)			
Abbott Laboratories	8,830	319,144	1.97
Altria Group	12,530	239,135	1.47
Apple	1,890	492,524	3.03
Autodesk	6,000	117,097	0.72
Bank of New York Mellon	18,900	242,011	1.49
Boeing	6,600	311,505	1.92
Citigroup	19,300	326,489	2.01
Colgate-Palmolive	6,300	374,368	2.31
Comcast 'A'	12,600	192,231	1.18
F5 Network	1,760	120,168	0.74
General Electric	30,500	351,493	2.17
General Motors	13,310	173,601	1.07
Gilead Sciences	13,350	351,596	2.17
Google 'A'	940	390,662	2.41
Helmerich & Payne	6,100	228,912	1.41

	Holding	Market value £	Percentage of total net assets %
Lowes	20,000	326,620	2.01
MDU Resources Group	17,200	237,619	1.46
Metlife	8,800	176,555	1.09
Microsoft	31,650	528,688	3.26
Occidental Petroleum	30,500	174,866	1.08
Owens Corning	12,900	238,311	1.47
PNC Financial Services Group	4,700	174,439	1.07
Texas Instruments	14,550	272,444	1.68
Textron	12,700	150,854	0.93
Timken	4,600	114,549	0.71
United Health Group	9,550	311,430	1.92
Universal Health Services 'B'	10,500	262,618	1.62
Wellpoint	5,800	247,287	1.52
Wells Fargo	21,580	382,694	2.36
Investment assets		16,119,491	99.34
Net other assets		107,635	0.66
Net assets		£16,227,126	100.00

All holdings are ordinary shares or stock units and admitted to official stock exchange listings or trade on a regulated market unless otherwise stated.

Portfolio movements**For the year ended 31 December 2011**

	Cost
Major purchases	£
Metlife	390,715
Banco Santander	387,998
Fiat	376,451
Carrefour	374,517
Colgate-Palmolive	354,915
General Electric	347,877
Heineken	340,223
Capital One Financial	323,127
Abbott Laboratories	322,656
Boeing	314,586
Statoil	297,059
Allianz	293,609
Mitsubishi UFJ Financial Group	269,716
Texas Instruments	268,111
Nestle	265,460
Wellpoint	255,867
Canadian Oil Sands	250,060
Citigroup	246,950
Beiersdorf	246,814
Sampo 'A'	222,321
Total for the year (Note 14)	£12,093,540

	Proceeds
Major sales	£
Accenture 'A'	368,315
Textron	356,788
Sampo 'A'	353,016
Hewlett Packard	324,327
Nissan Motor	322,409
Republic Services	319,167
AFLAC	318,621
SGS	303,287
Capital One Financial	292,719
Kraft Foods 'A'	285,799
HeidelbergCement	279,829
Estee Lauder 'A'	273,447
Hess	262,256
Sumitomo Mitsui Financial Group	261,412
Goldman Sachs Group	259,641
Allianz	259,215
AmerisourceBergen	253,353
Ricoh	251,709
Carnival (Paired Stock)	248,049
Fortune Brands	247,684
Total for the year (Note 14)	£13,554,664

Statement of total return
For the year ended 31 December 2011

		31 Dec 11		31 Dec 10	
	Notes	£	£	£	£
Income					
Net capital (losses)/gains	2	(2,603,018)		2,482,361	
Revenue	3	413,560		434,432	
Expenses	4	(203,278)		(238,247)	
Finance costs: Interest	6	(24)		(1)	
Net revenue before taxation		210,258		196,184	
Taxation	5	(46,183)		(52,804)	
Net revenue after taxation			164,075		143,380
Total return before distributions			(2,438,943)		2,625,741
Finance costs: Distributions	6		(164,245)		(143,981)
Change in net assets attributable to shareholders from investment activities			£(2,603,188)		£2,481,760

Statement of change in net assets attributable to shareholders
For the year ended 31 December 2011

	31 Dec 11		31 Dec 10	
	£	£	£	£
Opening net assets attributable to shareholders		20,387,272		23,112,310
Amounts receivable on issue of shares	1,286,718		2,568,036	
Amounts payable on cancellation of shares	(3,006,030)		(7,897,881)	
		(1,719,312)		(5,329,845)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		(2,603,188)		2,481,760
Retained distribution on accumulation shares		162,354		123,185
Stamp duty reserve tax		-		(138)
Closing net assets attributable to shareholders		£16,227,126		£20,387,272

Balance sheet**As at 31 December 2011**

	Notes	As at 31 Dec 11 £	As at 31 Dec 10 £
ASSETS			
Investment assets		16,119,491	20,157,949
Debtors	7	93,056	51,107
Cash and bank balances	8	66,114	275,943
Total other assets		159,170	327,050
Total assets		16,278,661	20,484,999
LIABILITIES			
Creditors	9	51,535	97,727
Total liabilities		51,535	97,727
Net assets attributable to shareholders		£16,227,126	£20,387,272

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

Accounting policies of the Fund are as set out on pages 11 to 13.

2. Net capital (losses)/gains

	31 Dec 11	31 Dec 10
	£	£
Currency losses	(19,275)	(836)
Forward currency contracts	18	-
Non-derivative securities	(2,577,251)	2,490,124
Transaction charges	(6,510)	(6,927)
Net capital (losses)/gains	£(2,603,018)	£2,482,361

3. Revenue

	31 Dec 11	31 Dec 10
	£	£
Bank interest	312	710
Overseas dividends	402,322	433,722
Stock dividends	10,926	-
	£413,560	£434,432

4. Expenses

	31 Dec 11	31 Dec 10
	£	£
<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	182,633	217,186
Registration fees	6,679	8,035
	189,312	225,221
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	2,200	2,524
	2,200	2,524
<i>Payable to other related parties and third parties:</i>		
Audit fees	7,945	7,797
Professional fees	923	-
Safe custody fees	1,901	1,705
Taxation fees	997	1,000
	11,766	10,502
	£203,278	£238,247

5. Taxation

(a) Analysis of tax charge

	31 Dec 11 £	31 Dec 10 £
Movement in overseas tax provision	(3,944)	3,876
Overseas tax suffered	50,127	48,928
Total current tax (5.b)	46,183	52,804
Total tax charge	£46,183	£52,804

(b) Factors affecting current tax charge

The tax charged for the year is higher than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 10: 20%).

The differences are explained below:

	31 Dec 11 £	31 Dec 10 £
Net revenue before taxation	210,258	196,184
Corporation tax at 20%	42,052	39,237
<i>Effects of:</i>		
Dividends not subject to corporation tax	(82,650)	(83,274)
Movement in excess expenses	40,598	44,037
Movement in overseas tax provision	(3,944)	3,876
Overseas tax suffered	50,127	48,928
	4,131	13,567
Total tax charge (5.a)	£46,183	£52,804

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 2011 the Fund had excess management expenses of £423,175 (31 Dec 10: £220,185). The deferred tax in respect of this would be £84,635 (31 Dec 10: £44,037). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

6. Finance costs

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

	31 Dec 11 £	31 Dec 10 £
Interim	122,603	94,398
Final	39,751	28,787
	162,354	123,185
Add: Amounts deducted on cancellation of shares	4,811	24,753
Deduct: Amounts added on issue of shares	(2,920)	(3,957)
Net distributions	164,245	143,981
Interest	24	1
Total finance costs	£164,269	£143,982
Net revenue after taxation	164,075	143,380
Add: Revenue brought forward	1,351	1,952
Add: Shortfall transfer to capital	543	-
Deduct: Revenue carried forward	(1,724)	(1,351)
Net distributions as above	£164,245	£143,981

Details of the distribution per share are set out in the table on page 140.

7. Debtors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Accrued revenue	11,719	16,374
Amounts receivable on issue of shares	69,343	-
Currency transactions awaiting settlement	-	20,567
Overseas tax recoverable	11,994	14,166
	£93,056	£51,107

8. Cash & bank balances

	As at 31 Dec 11 £	As at 31 Dec 10 £
Cash and bank balances	66,114	275,943
	£66,114	£275,943

9. Creditors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts payable on cancellation of shares	27,537	25,727
Currency transactions awaiting settlement	-	20,585
Expense accruals	23,998	47,471
Overseas tax provision	-	3,944
	£51,535	£97,727

10. Equalisation

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

11. Contingent liabilities

At 31 December 2011 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 2011 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £13,092 and £477 respectively (31 December 2010: £34,439 and £1,272).

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 £231,614 (31 Dec 10: net purchases of £24,463). The value of the holding at the year end is £nil (31 Dec 10: £225,694)

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the 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 18 to 20.

(a) Interest rate risk

At the year end date 0.41% (31 Dec 10: 1.35%) of the fund's net assets were interest bearing.

(b) Currency exposure

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

Numerical disclosures are as follows:

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 11			
Australian Dollar	14	-	14
Canadian Dollar	3,093	1,042,286	1,045,379
Danish Krone	789	220,074	220,863
Euro	29,286	3,126,843	3,156,129
Hong Kong Dollar	3,286	341,041	344,327
Japanese Yen	5,703	1,542,715	1,548,418
Norwegian Krone	3,352	575,936	579,288
Singapore Dollar	606	-	606
Swedish Krona	854	-	854
Swiss Franc	6,874	736,588	743,462
US Dollar	11,468	8,534,008	8,545,476
	65,325	16,119,491	16,184,816
Sterling	42,310	-	42,310
	£107,635	£16,119,491	£16,227,126

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 10			
Australian Dollar	17,309	622,612	639,921
Canadian Dollar	6,163	1,898,392	1,904,555
Danish Krone	19,798	292,458	312,256
Euro	19,877	2,643,101	2,662,978
Hong Kong Dollar	31,519	429,141	460,660
Japanese Yen	3,068	2,539,544	2,542,612
Norwegian Krone	12,874	457,227	470,101
Singapore Dollar	611	-	611
Swedish Krona	874	-	874
Swiss Franc	9,688	1,089,803	1,099,491
US Dollar	63,302	10,185,671	10,248,973
	185,083	20,157,949	20,343,032
Sterling	44,240	-	44,240
	£ 229,323	£ 20,157,949	£ 20,387,272

(c) Fair value of financial assets and financial liabilities

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

14. Portfolio transaction costs

	31 Dec 11		31 Dec 10	
Analysis of total purchase costs	£	£	£	£
Purchases in year before transaction costs		12,079,779		12,672,425
Commissions & taxes	13,761		17,004	
Total purchase costs		13,761		17,004
<hr/>				
Gross purchase total		£12,093,540		£12,689,429

	31 Dec 11		31 Dec 10	
Analysis of total sale costs	£	£	£	£
Gross sales in year before transaction costs		13,567,027		17,805,114
Commissions & taxes	(12,363)		(19,902)	
Total sale costs		(12,363)		(19,902)
<hr/>				
Total sales net of transaction costs		£13,554,664		£17,785,212

Distribution table**For the year ended 31 December 2011****Final dividend distribution**

Group 1: Shares purchased prior to 1 July 2011

Group 2: Shares purchased between 1 July 2011 and 31 December 2011

	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 29/02/12 (p)	<i>Distribution paid 28/02/11 (p)</i>
Class A - Accumulation				
Group 1	0.00	-	0.00	0.00
Group 2	0.00	0.00	0.00	0.00
Class B - Accumulation				
Group 1	0.19	-	0.19	0.13
Group 2	0.12	0.07	0.19	0.13

Interim dividend distribution

Group 1: Shares purchased prior to 1 January 2011

Group 2: Shares purchased between 1 January 2011 and 30 June 2011

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/11 (p)	<i>Distribution paid 31/08/10 (p)</i>
Class A - Accumulation				
Group 1	0.26	-	0.26	0.08
Group 2	0.22	0.04	0.26	0.08
Class B - Accumulation				
Group 1	0.51	-	0.51	0.39
Group 2	0.28	0.23	0.51	0.39

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

Despite a positive fourth quarter, markets experienced a volatile 2011. As economic problems increased during the year, so did investor concerns. As a result, defensive sectors such as consumer staples and health care finished significantly ahead of the index, whilst materials, financials and industrials fell significantly behind the index over the year.

Many market commentators started the period under review claiming 2011 would be make or break for the Euro. While there was definitely more of the latter than the former, by the end of the year the Eurozone was still intact.

The US continued to outperform relative to the Eurozone and UK, despite a slight downward revision of third quarter GDP to 1.8% annualised. The end of the reporting period saw a return to nervousness in markets, reversing the improvement in sentiment that was evident in the early part of the fourth quarter, as expectations of an outright recession across the Eurozone became more widespread.

The challenge for markets is that even with a gloomy outlook; conditions could get worse if the Euro sovereign situation deteriorates further.

Fund performance

The UBS Global Optimal Thirds Fund 'J' share class delivered performance of -13.3%*, in Sterling terms, over the reporting period.

A holding in the healthcare company UnitedHealth Group was the largest contributor to performance over the period under review on a relative basis. The Fund held a significant overweight position in the stock, which rose by more than 43%, in Sterling terms, over the period.

The second largest contributor to performance over the year resulted from an overweight holding in the consumer staple Colgate-Palmolive, the global leader in oral care. The stock's share price rose by more than 18%, in Sterling terms, during 2011. Within developed markets, its oral care business benefits from its own market share and low penetration of private labelled goods, whilst there is growth potential for the company to target within emerging markets.

A holding in the energy company Petrobank, which is not listed on the Fund's benchmark, was the largest stock detractor from performance during the period under review.

An overweight position in Citigroup was the second largest detractor over the year, after its share price fell by more than 43%, in Sterling terms.

At an industry level, stock selection within information technology and an overweight position to healthcare resulted in the largest contributions to performance during the period under review, whereas stock selection within energy and consumer staples resulted in the main drags on performance.

Outlook

Despite very modest expectations for the US, the consensus is now for outright recession in the Eurozone in 2012.

As ever, the question for investors remains the extent to which the deterioration in economic conditions has already been factored into share prices. We believe that the 2011 summer of panic has resulted in the 'over-selling' of many stocks, especially in Europe, and remain firmly of the opinion that there is a highly attractive opportunity to add value, by exploiting this current mispricing.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2011, based on J shares.

Percentage growth

	31/12/10	31/12/09	31/12/08	31/12/07	31/12/06
	to	to	to	to	to
	31/12/11	31/12/10	31/12/09	31/12/08	31/12/07
	%	%	%	%	%
Class J - Accumulation Shares	-13.30	13.01	28.03	-22.11	2.30

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

26 March 2012

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 J - Accumulation	11,278,451	89.9	10,141,818
				£10,141,818
2010	Class J - Accumulation	8,992,388	101.2	9,104,190
				£9,104,190
2011	Class J - Accumulation	8,784,980	88.4	7,763,735
				£7,763,735

* 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 11 (%)	31 Dec 10 (%)
Class J - Accumulation	1.04	1.01

3. 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			
2007	95.16	85.54	0.92
2008	91.58	57.59	1.21
2009	92.17	55.92	0.74
2010	102.6	83.23	0.91
2011	104.5	79.57	1.17

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 2011

	Holding	Market value £	Percentage of total net assets %
Australia - 3.88% (31 Dec 10: 4.47%)			
National Australia Bank	7,011	107,993	1.39
Orica	7,017	112,020	1.44
Rio Tinto	2,040	81,148	1.05
Bahamas - 0.89% (31 Dec 10: 0.62%)			
Petrominerales	6,621	68,827	0.89
Belgium - 1.28% (31 Dec 10: 0.00%)			
Anheuser-Busch InBev	2,515	99,378	1.28
Bermuda - 1.40% (31 Dec 10: 1.23%)			
Jardine Matheson	3,600	108,966	1.40
Canada - 3.91% (31 Dec 10: 6.19%)			
Canadian Oil Sands	5,300	77,735	1.00
Petrobank Energy & Resources	11,000	73,543	0.95
Suncor Energy	5,400	100,256	1.29
Teck Resources 'B'	2,300	52,106	0.67
Denmark - 1.11% (31 Dec 10: 1.49%)			
FLSmidth & Co	2,273	86,217	1.11
Finland - 1.39% (31 Dec 10: 1.15%)			
Sampo 'A'	6,749	107,676	1.39
France - 3.02% (31 Dec 10: 3.31%)			
BNP Paribas	2,568	65,103	0.84
Carrefour	11,503	168,966	2.18
Germany - 8.24% (31 Dec 10: 7.27%)			
Beiersdorf	3,122	114,132	1.47
E.On	6,542	90,603	1.17

	Holding	Market value £	Percentage of total net assets %
Fresenius Medical Care	2,419	106,203	1.37
HeidelbergCement	2,086	57,309	0.74
Metro	1,981	46,622	0.60
SAP	2,829	96,697	1.24
Volkswagen Non-Voting Preference	1,328	127,901	1.65
Greece - 0.50% (31 Dec 10: 0.67%)			
OTE (Hellenic Telecom)	16,803	39,159	0.50
Hong Kong - 2.68% (31 Dec 10: 2.21%)			
Aia Group	73,200	146,763	1.89
New World Development	118,500	61,360	0.79
Ireland - 1.90% (31 Dec 10: 2.81%)			
Covidien	3,063	88,711	1.14
Ingersoll-Rand	3,000	58,780	0.76
Italy - 1.44% (31 Dec 10: 0.00%)			
Fiat	20,570	111,685	1.44
Japan - 14.32% (31 Dec 10: 17.98%)			
Asahi Glass	17,000	91,560	1.18
Benesse	3,600	111,096	1.43
Itochu	23,800	155,651	2.00
KDDI	14	57,898	0.74
Mitsubishi	6,000	77,978	1.00
Mitsubishi UFJ Financial Group	53,400	145,142	1.87
Sankyo	3,300	107,220	1.38
Shin-Etsu Chemical	3,600	113,956	1.47
THK	5,000	63,393	0.82

	Holding	Market value £	Percentage of total net assets %
Tokio Marine	8,100	115,160	1.48
Tokyo Gas	25,000	73,805	0.95
Luxembourg - 0.87% (31 Dec 10: 1.23%)			
ArcelorMittal	5,735	67,666	0.87
Netherlands - 5.04% (31 Dec 10: 3.35%)			
ASML	2,690	72,971	0.94
Heineken	4,114	122,922	1.58
Lyondellbasell Industries	3,876	81,007	1.04
Wolters-Kluwer	10,338	115,283	1.48
Norway - 3.99% (31 Dec 10: 2.74%)			
Statoil	7,360	121,651	1.57
Telenor	17,806	188,143	2.42
Panama - 0.00% (31 Dec 10: 1.20%)			
Singapore - 1.36% (31 Dec 10: 1.86%)			
Jardine Cycle & Carriage	4,416	105,276	1.36
South Korea - 2.20% (31 Dec 10: 0.00%)			
Samsung Electronics	289	170,786	2.20
Spain - 2.38% (31 Dec 10: 0.85%)			
Acciona	1,471	81,994	1.06
Banco Santander	20,898	102,346	1.32
Switzerland - 4.61% (31 Dec 10: 6.48%)			
Novartis	5,332	197,028	2.54
SGS	86	92,022	1.19
UBS	8,856	68,009	0.88
United States of America - 31.73% (31 Dec 10: 32.59%)			
Abbott Laboratories	3,230	116,742	1.50
Apple	660	171,992	2.22

	Holding	Market value £	Percentage of total net assets %
Autodesk	2,800	54,645	0.70
Bank of New York Mellon	7,360	94,244	1.21
Boeing	1,800	84,956	1.09
Capital One Financial	3,789	103,106	1.33
Citigroup	9,090	153,771	1.98
Colgate-Palmolive	2,860	169,951	2.19
F5 Network	840	57,353	0.74
General Motors	6,555	85,496	1.10
Gilead Sciences	6,000	158,021	2.04
Google 'A'	300	124,679	1.61
Helmerich & Payne	1,600	60,042	0.77
Microsoft	9,550	159,525	2.05
Occidental Petroleum	1,100	66,328	0.85
Owens Corning	4,400	81,284	1.05
PNC Financial Services Group	2,100	77,941	1.00
Texas Instruments	6,200	116,093	1.50
Timken	2,100	52,294	0.67
United Health Group	3,700	120,659	1.55
Universal Health Services 'B'	4,300	107,547	1.39
Wellpoint	2,050	87,403	1.13
Wells Fargo	9,000	159,604	2.06
Investment assets		7,619,498	98.14
Net other assets		144,237	1.86
Net assets		£7,763,735	100.00

All holdings are ordinary shares or stock units and admitted to official stock exchange listings or trade on a regulated market unless otherwise stated.

Portfolio movements**For the year ended 31 December 2011**

	Cost
Major purchases	£
Fiat	185,599
Allianz	183,754
Samsung Electronics	172,392
Sony Financial Holdings	159,011
Banco Santander	158,866
Wells Fargo	158,033
Heineken	153,821
Carrefour	150,986
Colgate-Palmolive	148,925
Mitsubishi UFJ Financial Group	148,030
Statoil	140,550
Capital One Financial	127,299
Tokio Marine	123,279
Sampo 'A'	110,630
Texas Instruments	108,956
Abbott Laboratories	108,314
SAP	104,896
Canadian Oil Sands	99,155
Citigroup	97,922
Petrobank Energy & Resources	91,966
Total for the year (Note 14)	£5,040,009

	Proceeds
Major sales	£
Allianz	161,752
Nissan Motor	149,839
Sumitomo Mitsui Financial Group	142,723
Sony Financial Holdings	139,305
Comcast 'A'	131,870
Hewlett Packard	127,671
Ricoh	126,734
Lowes	125,095
Hess	123,050
Textron	121,817
Altria Group	120,443
Sampo 'A'	120,272
Orix	117,818
Mitsui Sumitomo Insurance	116,172
Goldman Sachs Group	106,997
Carnival	106,196
Roche (Genusscheine)	101,195
AFLAC	101,089
Accenture 'A'	97,805
Republic Services	97,712
Total for the year (Note 14)	£5,309,677

Statement of total return
For the year ended 31 December 2011

		31 Dec 11	31 Dec 10
	Notes	£	£
Income			
Net capital (losses)/gains	2	(1,191,652)	1,071,569
Revenue	3	208,780	201,839
Expenses	4	(86,145)	(98,374)
Finance costs: Interest	6	(28)	(5)
Net revenue before taxation		122,607	103,460
Taxation	5	(22,031)	(9,040)
Net revenue after taxation		100,576	94,420
Total return before distributions		(1,091,076)	1,165,989
Finance costs: Distributions	6	(100,144)	(94,653)
Change in net assets attributable to shareholders from investment activities		£(1,191,220)	£1,071,336

Statement of change in net assets attributable to shareholders
For the year ended 31 December 2011

	31 Dec 11	31 Dec 10
	£	£
Opening net assets attributable to shareholders	9,104,190	10,141,818
Amounts receivable on issue of shares	708,184	902,112
Amounts payable on cancellation of shares	(958,991)	(3,100,280)
	(250,807)	(2,198,168)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)	(1,191,220)	1,071,336
Retained distribution on accumulation shares	101,572	89,410
Stamp duty reserve tax	-	(206)
Closing net assets attributable to shareholders	£7,763,735	£9,104,190

Balance sheet**As at 31 December 2011**

	Notes	As at 31 Dec 11 £	As at 31 Dec 10 £
ASSETS			
Investment assets		7,619,498	9,076,816
Debtors	7	79,001	49,881
Cash and bank balances	8	117,268	62,805
Total other assets		196,269	112,686
Total assets		7,815,767	9,189,502
LIABILITIES			
Creditors	9	52,032	85,312
Total liabilities		52,032	85,312
Net assets attributable to shareholders		£7,763,735	£9,104,190

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

Accounting policies of the Fund are as set out on pages 11 to 13.

2. Net capital (losses)/gains

	31 Dec 11	31 Dec 10
	£	£
Currency gains/(losses)	489	(5,315)
Non-derivative securities	(1,187,102)	1,082,407
Transaction charges	(5,039)	(5,523)
Net capital (losses)/gains	£(1,191,652)	£1,071,569

3. Revenue

	31 Dec 11	31 Dec 10
	£	£
Bank interest	128	256
Overseas dividends	203,402	201,583
Stock dividends	5,250	-
	£208,780	£201,839

4. Expenses

	31 Dec 11	31 Dec 10
	£	£
<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	74,160	87,678
	74,160	87,678
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	989	1,145
	989	1,145
<i>Payable to other related parties and third parties:</i>		
Audit fees	7,945	7,796
Professional fees	923	-
Safe custody fees	1,131	755
Taxation fees	997	1,000
	10,996	9,551
	£86,145	£98,374

5. Taxation

(a) Analysis of tax charge

	31 Dec 11 £	31 Dec 10 £
Overseas tax suffered	22,031	9,724
Prior year adjustment	-	(684)
Total current tax (5.b)	22,031	9,040
Total tax charge	£22,031	£9,040

(b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 10: 20%).

The differences are explained below:

	31 Dec 11 £	31 Dec 10 £
Net revenue before taxation	122,607	103,460
Corporation tax at 20%	24,521	20,692
<i>Effects of:</i>		
Adjustments in respect of prior periods	-	(684)
Dividends not subject to corporation tax	(41,730)	(36,996)
Movement in excess expenses	17,209	16,493
Overseas tax suffered	22,031	9,724
Revenue taxable in a different periods	-	(189)
	(2,490)	(11,652)
Total tax charge (5.a)	£22,031	£9,040

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 2011 the Fund had excess management expenses of £168,512 (31 Dec 10: £82,467). The deferred tax in respect of this would be £33,702 (31 Dec 10: £16,493). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

6. Finance costs

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

	31 Dec 11 £	31 Dec 10 £
Interim	76,974	57,936
Final	24,598	31,474
	101,572	89,410
Add: Amounts deducted on cancellation of shares	1,633	7,649
Deduct: Amounts added on issue of shares	(3,061)	(2,406)
Net distributions	100,144	94,653
Interest	28	5
Total finance costs	£100,172	£94,658
Net revenue after taxation	100,576	94,420
Add: Revenue brought forward	43	276
Deduct: Revenue carried forward	(475)	(43)
Net distributions as above	£100,144	£94,653

Details of the distribution per share are set out in the table on page 156.

7. Debtors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Accrued revenue	4,169	6,909
Amounts receivable on issue of shares	44,591	449
Currency transactions awaiting settlement	-	19,948
Overseas tax recoverable	18,575	22,575
Sales awaiting settlement	11,666	-
	£79,001	£49,881

8. Cash & bank balances

	As at 31 Dec 11 £	As at 31 Dec 10 £
Cash and bank balances	117,268	62,805
	£117,268	£62,805

9. Creditors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts payable on cancellation of shares	6,614	9,764
Corporation tax payable	29,741	29,741
Currency transactions awaiting settlement	-	19,885
Expense accruals	15,677	25,922
	£52,032	£85,312

10. Equalisation

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

11. Contingent liabilities

At 31 December 2011 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. Management fees charged by the ACD are shown in note 4.

At 31 December 2011 the amounts included in creditors in respect of management fees due to the ACD are £5,688 (31 Dec 2010: £14,720).

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 £74,575 (31 Dec 10: £52,472). The value of the holding at year end is £68,009 (31 Dec 10: £163,888).

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

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

13. Financial instruments

The Authorised Corporate Director's policy and approach to managing the risks associated with financial instruments are included in the Risk Profile on pages 18 to 20.

(a) Interest rate risk

At the year end date 1.51% (31 Dec 10: 0.69%) of the fund's net assets were interest bearing.

(b) Currency exposure

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

Numerical disclosures are as follows:

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 11			
Australian Dollar	7,225	301,161	308,386
Canadian Dollar	14,073	372,468	386,541
Danish Krone	292	86,217	86,509
Euro	37,400	1,794,614	1,832,014
Hong Kong Dollar	2,981	208,123	211,104
Japanese Yen	2,265	1,112,857	1,115,122
Korean Won	1,030	170,786	171,816
Norwegian Krone	2,708	309,794	312,502
Singapore Dollar	924	105,276	106,200
Swedish Krona	59	-	59
Swiss Franc	3,385	357,059	360,444
US Dollar	14,407	2,801,143	2,815,550
	86,749	7,619,498	7,706,247
Sterling	57,488	-	57,488
	£144,237	£7,619,498	£7,763,735

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 10			
Australian Dollar	4,431	485,720	490,151
Canadian Dollar	2,365	685,282	687,647
Danish Krone	443	135,422	135,865
Euro	39,569	1,554,471	1,594,040
Hong Kong Dollar	292	201,281	201,573
Japanese Yen	3,783	1,636,923	1,640,706
Norwegian Krone	283	249,764	250,047
Singapore Dollar	251	168,852	169,103
Swedish Krona	61	-	61
Swiss Franc	3,600	589,789	593,389
US Dollar	8,740	3,369,312	3,378,052
	63,818	9,076,816	9,140,634
Sterling	(36,444)	-	(36,444)
	£27,374	£9,076,816	£9,104,190

(c) Fair value of financial assets and financial liabilities

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

14. Portfolio transaction costs

	31 Dec 11		31 Dec 10	
Analysis of total purchase costs	£	£	£	£
Purchases in year before transaction costs		5,034,387		6,277,180
Commissions & taxes	5,622		7,952	
Total purchase costs		5,622		7,952
Gross purchase total		£5,040,009		£6,285,132

	31 Dec 11		31 Dec 10	
Analysis of total sale costs	£	£	£	£
Gross sales in year before transaction costs		5,315,322		8,161,050
Commissions & taxes	(5,645)		(9,026)	
Total sale costs		(5,645)		(9,026)
Total sales net of transaction costs		£5,309,677		£8,152,024

Distribution table**For the year ended 31 December 2011 (in pence per share)****Final dividend distribution**

Group 1: Shares purchased prior to 1 July 2011

Group 2: Shares purchased between 1 July 2011 and 31 December 2011

	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 29/02/12 (p)	<i>Distribution paid 28/02/11 (p)</i>
Class J - Accumulation				
Group 1	0.28	-	0.28	0.35
Group 2	0.13	0.15	0.28	0.35

Interim dividend distribution

Group 1: Shares purchased prior to 1 January 2011

Group 2: Shares purchased between 1 January 2011 and 30 June 2011

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/11 (p)	<i>Distribution paid 31/08/10 (p)</i>
Class J - Accumulation				
Group 1	0.89	-	0.89	0.56
Group 2	0.11	0.78	0.89	0.56

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

Key developed sovereign bond markets saw positive returns on the year, driven by deteriorating expectations of global growth, reductions in policy rates and risk aversion in light of the worsening situation in Europe. UK economic data continued to be soft and the Bank of England base rate was maintained at 0.5% throughout the year; in October the MPC decided to provide a further stimulus, injecting an additional £75billion into the economy. Elsewhere the European Central Bank cut interest rates in both November and December, having hiked rates twice earlier in the year, and US interest rates were kept at record low levels in conjunction with further quantitative stimulus. European policymakers failed to resolve the sovereign debt crisis, resulting in a sustained flight to safe haven assets such as UK Gilts, which was key to the strong performance of government bond markets.

The over 5 year UK index-linked bond index returned 9.8%. 10 year real yields fell from 0.59% to -0.58% over the year.

Fund performance

During 2011, the fund achieved a performance of 21.7%*, underperforming its benchmark. The main positive contributor was duration management, while the contribution from currency management was quasi flat. The main detractor from performance was spread management.

At the start of the year, the fund was positioned for an economic recovery in the US and Europe, versus a negative view on the UK. Corporate bond exposure was positive. Following the deterioration of global growth prospects, the duration and country positions were adjusted and actively managed over the period, and brought closer to benchmark at year end. The corporate overweight was somewhat maintained, however, the composition of this was also rebalanced mid-year. As financial sector bonds suffered a significant diminution of liquidity as a broad wave of risk aversion set in, the fund reduced exposure through derivatives, which however, did not provide full protection against the extent of underperformance of the sector. Currency was actively managed, with a bias to short the GBP over the period.

Outlook

Expectations are overall low with a recession priced in for Europe, no 'silver bullet' to end the sovereign debt crisis, a fiscal impasse in the US, and European banks still on the drip feed of emergency ECB liquidity. In addition, most countries will remain in regimes of fiscal austerity. However, there are timid signs that the economic data may no longer be weakening, at a time when recession expectations are high. The big divergences in growth prospects between US and the Eurozone has led to crowded trades, most easily visible in the movements of the Euro versus the US Dollar. While the heightened uncertainty argues against significant outright directional duration trades the market dislocation provides for much more by way of relative value opportunities. Position sizes are reduced to reflect the increased volatility and focus in on ensuring ample diversity of active views and importantly the ability to access liquidity to close positions.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2011, based on J shares.

Percentage growth

	31/12/10 to 31/12/11 %	31/12/09 to 31/12/10 %	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	Launch to 31/12/07 %
Class J - Accumulation Gross Shares	21.73	11.07	16.79	-10.45	7.13
Class K - Accumulation Gross Shares	17.49	11.80	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

26 March 2012

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 (£)
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
2010	Class J - Accumulation Gross	18,888,134	1,247.5	235,630,644
	Class K - Accumulation Gross	5,388,214	62.1	3,347,590
				£238,978,234
2011	Class J - Accumulation Gross	24,335,893	1,509.9	367,443,259
	Class K - Accumulation Gross	-	-	-
				£367,443,259

* 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 11 (%)	31 Dec 10 (%)
Class J - Accumulation Gross	0.66	0.67
Class K - Accumulation Gross	0.02	0.02

3. Share dealing price range and distribution record

The Fund was launched on 6 March 2007 at a price of 50p for Class K Accumulation Gross shares. Class 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 †	1,071.28	992.96	7.26
2008	1,190.38	811.16	32.05
2009	1,142.95	887.61	37.19
2010	1,244.48	1,099.66	22.13
2011	1,521.70	1,197.97	23.02
Class K - Accumulation Gross			
2007 †	51.74	47.76	0.64
2008	57.73	39.38	1.91
2009	56.54	43.16	1.85
2010	61.98	54.46	1.10
2011 ††	75.39	59.68	0.84

† covers period from launch to 31 December 2007.

†† share class closed on 9 December 2011.

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 2011**

	Holding	Market value £	Percentage of total net assets %
Bonds - 98.39% (31 Dec 10: 98.89%)			
Government Bonds - 89.21% (31 Dec 10: 88.19%)			
Treasury 0.375% Index-Linked 2062	£4,563,000	5,772,227	1.57
Treasury 0.5% Index-Linked 2050	£32,308,000	44,639,414	12.15
Treasury 0.625% Index-Linked 2040	£23,420,000	31,310,385	8.52
Treasury 0.625% Index-Linked 2042	£21,178,000	29,401,968	8.00
Treasury 0.75% Index-Linked 2034	£10,810,000	13,318,882	3.62
Treasury 0.75% Index-Linked 2047	£8,322,000	12,552,638	3.42
Treasury 1.125% Index-Linked 2037	£9,415,000	14,842,926	4.04
Treasury 1.25% Index-Linked 2027	£21,537,000	33,086,195	9.00
Treasury 1.25% Index-Linked 2032	£5,825,000	8,366,465	2.28
Treasury 1.25% Index-Linked 2055	£4,340,000	8,674,788	2.36
Treasury 2% Index-Linked 2035	£11,837,108	24,217,539	6.59
Treasury 2.5% Index-Linked 2020	£6,414,000	23,341,829	6.35
Treasury 2.5% Index-Linked 2024	£12,369,000	40,952,522	11.15
Treasury 4.125% Index-Linked 2030	£11,697,000	37,335,654	10.16
Mortgage & Asset Backed Securities - 0.00% (31 Dec 10: 0.35%)			
Abacus FRN 2041	\$350,000	-	-
Aladdin CDO 25X FRN 2016	\$400,000	-	-
Brushfield CDO FRN 2052	\$200,000	13	-
Ordinary Fixed Interest - 9.18% (31 Dec 10: 10.35%)			
Ally Financial 7.5% 2013	\$750	496	-
Anheuser-Busch InBev 9.75% 2024	£1,000,000	1,534,647	0.42

	Holding	Market value £	Percentage of total net assets %
Aviva 6.125% Perpetual	£840,000	555,392	0.15
AXA 6.772% Perpetual	£1,800,000	1,168,866	0.32
BAA Funding 6.75% 2028	£1,310,000	1,522,356	0.41
Barclays Bank 6% Non-Cum Callable Preference	£1,790,000	1,091,936	0.30
ELM 5.252% Perpetual	€3,050,000	1,999,482	0.54
France Telecom 5.375% 2050	£700,000	700,776	0.19
Friends Provident 12% 2021	£1,730,000	1,926,722	0.52
GDF Suez 5% 2060	£1,650,000	1,585,172	0.43
Imperial Tobacco Finance 9% 2022	£1,200,000	1,622,956	0.44
Instituto de Credito Oficial 4% 2014	£3,885,000	3,613,699	0.98
Morrison (Wm.) Supermarkets 4.625% 2023	£1,005,000	1,060,074	0.29
National Express Group 6.625% 2020	£1,130,000	1,213,397	0.33
Network Rail Infrastructure 1.375% 2037	£1,000,000	1,559,327	0.42
Old Mutual 5% Perpetual	€980,000	654,062	0.18
Petrobras International Finance 6.25% 2026	£2,505,000	2,551,969	0.70
RSA Insurance Group 6.701% Perpetual	£1,380,000	1,098,963	0.30
Scottish & Southern Energy 5.453% Perpetual	£1,250,000	1,203,391	0.33
Swiss Reinsurance 6.3024% Perpetual	£850,000	658,271	0.18
Tesco 6.125% 2022	£1,960,000	2,308,031	0.63
UBS 7.152% Perpetual	€1,650,000	1,230,607	0.34
Unicredit Bank 8.5925% Perpetual	£968,000	458,167	0.13
Unicredito Italiano Capital Trust 5.396% Perpetual	£763,000	334,726	0.09
Wales & West Utilities 5.125% 2016	£1,880,000	2,070,141	0.56

	Holding	Market value £	Percentage of total net assets %
Derivatives - (0.10)% (31 Dec 10: (0.27)%)			
Credit Default Swaps - (0.22)% (31 Dec 10: (0.07)%)			
Barclays Credit Default Swaps ACAPF 5.065% Receive 20 Dec 16	2,080,000	121,758	0.03
Barclays Credit Default Swaps Aero Finance 5.5% Receive 20 Dec 16	1,920,000	65,517	0.02
Barclays Credit Default Swaps Banco San Paolo 4.75% Pay 20 Dec 16	(4,160,000)	(283,329)	(0.08)
Barclays Credit Default Swaps Centrica 7% Pay 20 Jun 16	(2,800,000)	(2,683)	-
Barclays Credit Default Swaps CNA Financial 5.85% Receive 20 Sep 16	2,000,000	62,716	0.02
Barclays Credit Default Swaps DT 6% Pay 20 Dec 16	(1,920,000)	(16,692)	-
Barclays Credit Default Swaps E.ON 6.3% Pay 20 Jun 16	(2,800,000)	(22,769)	(0.01)
Barclays Credit Default Swaps HIG Capital 4% Pay 20 Sep 16	(2,000,000)	(125,091)	(0.03)
Barclays Credit Default Swaps iTraxx 1% Pay 20 Dec 16	(4,115,000)	(266,456)	(0.07)
Barclays Credit Default Swaps iTraxx 5% Receive 20 Dec 16	2,305,000	8,810	-
Barclays Credit Default Swaps Marks & Spencer Receive 5.625% 20 Mar 17	2,080,000	125,261	0.03
Barclays Credit Default Swaps Societe Generale 5.25% Receive 20 Dec 16	2,080,000	177,149	0.05

	Holding	Market value £	Percentage of total net assets %
Barclays Credit Default Swaps Telecom Italia 5.375% Receive 20 Dec 16	1,240,000	162,447	0.04
Credit Suisse Credit Default Swaps Wind Acquisition 11.75% Pay 20 Dec 16	(1,240,000)	(255,977)	(0.07)
Deutsche Bank Credit Default Swaps BP Pay 20 Dec 16	(1,920,000)	(6,887)	-
Deutsche Bank Credit Default Swaps CNA Financial 5.85% Receive 20 Sep 16	2,000,000	62,716	0.02
Deutsche Bank Credit Default Swaps CSC 6.5% Receive 20 Mar 14	2,840,000	119,809	0.03
Deutsche Bank Credit Default Swaps CSC 6.5% Pay 20 Mar 16	(1,885,000)	(172,473)	(0.05)
Deutsche Bank Credit Default Swaps Daimler Receive 20 Dec 16	1,920,000	54,578	0.02
Deutsche Bank Credit Default Swaps EDF 5.625% Pay 20 Dec 16	(1,920,000)	(40,575)	(0.01)
Deutsche Bank Credit Default Swaps HIG Capital 4% Pay 20 Sep 16	(2,000,000)	(125,091)	(0.03)
Deutsche Bank Credit Default Swaps iTraxx 1% Pay 20 Dec 16	(4,115,000)	(266,456)	(0.07)
Deutsche Bank Credit Default Swaps iTraxx 5% Receive 20 Dec 16	2,305,000	8,810	-
Deutsche Bank Credit Default Swaps Metlife 5% Pay 20 Jun 16	(3,820,000)	(219,328)	(0.06)
Deutsche Bank Credit Default Swaps Prudential 4.5% Receive 20 Jun 16	3,820,000	157,797	0.04

	Holding	Market value £	Percentage of total net assets %
Goldman Sachs Credit Default Swaps Allstate 6.75% Pay 20 Mar 16	(920,000)	(2,115)	-
Goldman Sachs Credit Default Swaps Carrefour 4.375% Pay 20 Sep 16	(1,260,000)	(58,256)	(0.02)
Goldman Sachs Credit Default Swaps France Telecom 5.625% Pay 20 Dec 16	(1,920,000)	(29,126)	(0.01)
Goldman Sachs Credit Default Swaps Siemens Finance 5% Pay 20 Dec 16	(1,920,000)	(17,817)	-
JPM Credit Default Swaps Allstate 6.75% Pay 20 Mar 16	(920,000)	(2,115)	-
JPM Credit Default Swaps AXA 6% Pay 20 Mar 16	(1,330,000)	(102,198)	(0.03)
JPM Credit Default Swaps BMW 5.06% Receive 20 Dec 16	1,920,000	38,714	0.01
JPM Credit Default Swaps CSC 6.5% Receive 20 Mar 14	2,760,000	116,434	0.03
JPM Credit Default Swaps CSC 6.5% Pay 20 Mar 16	(1,855,000)	(169,728)	(0.05)
JPM Credit Default Swaps Metlife 7.625% Receive 20 Mar 17	2,060,000	95,750	0.03
JPM Credit Default Swaps MICH 8% Receive 20 Sep 16	3,750,000	153,971	0.04
Merrill Lynch Credit Default Swaps Renault Pay 20 Jun 16	(2,080,000)	(254,777)	(0.07)

	Holding	Market value £	Percentage of total net assets %
Merrill Lynch Credit Default Swaps Volvo Receive 20 Jun 16	2,080,000	110,234	0.03
Forwards - 0.32% (31 Dec 10: 0.25%)			
Bought Australian Dollar 10,410,000			
Sold Canadian Dollar 10,938,828		(97,095)	(0.03)
Bought Australian Dollar 32,985,000			
Sold US Dollar 32,471,332		658,293	0.18
Bought Canadian Dollar 11,011,661			
Sold Australian Dollar 10,560,000		44,729	0.01
Bought Canadian Dollar 5,371,664			
Sold Australian Dollar 5,205,000		(13,437)	-
Bought Canadian Dollar 5,598,746			
Sold New Zealand Dollar 7,005,000		48,611	0.01
Bought Canadian Dollar 5,670,000			
Sold Sterling 3,530,596		64,850	0.02
Bought Euro 4,195,000			
Sold Australian Dollar 5,511,169		(108,363)	(0.03)
Bought Euro 2,380,000			
Sold Sterling 2,056,729		(63,944)	(0.02)
Bought Euro 20,740,000			
Sold Swedish Krona 189,994,561		(454,040)	(0.12)
Bought Euro 11,515,000			
Sold US Dollar 15,725,028		(534,472)	(0.15)

	Holding	Market value £	Percentage of total net assets %
Bought Japanese Yen 415,681,875			
Sold Australian Dollar 5,355,000		(40,822)	(0.01)
Bought Japanese Yen 433,079,296			
Sold Euro 4,160,000		139,784	0.04
Bought Japanese Yen 400,899,653			
Sold New Zealand Dollar 7,005,000		(147,882)	(0.04)
Bought Japanese Yen 1,917,572,624			
Sold Sterling 15,725,364		316,299	0.09
Bought New Zealand Dollar 14,823,345			
Sold Euro 8,490,000		301,158	0.08
Bought Norwegian Krone 30,370,000			
Sold Sterling 3,413,106		(145,294)	(0.04)
Bought Norwegian Krone 82,590,000			
Sold Swedish Krona 96,082,385		(124,959)	(0.03)
Bought Sterling 3,525,000			
Sold Australian Dollar 5,459,774		(62,091)	(0.02)
Bought Sterling 3,595,000			
Sold Canadian Dollar 5,834,469		(104,739)	(0.03)
Bought Sterling 19,322,055			
Sold Euro 22,055,000		855,296	0.23
Bought Sterling 735,947			
Sold Euro 880,000		(882)	-
Bought Swedish Krona 118,041,038			
Sold Euro 12,780,000		370,408	0.10

	Holding	Market value £	Percentage of total net assets %
Bought Swedish Krona 34,027,773			
Sold Norwegian Krona 29,460,000		21,596	0.01
Bought Swedish Krona 89,410,142			
Sold Sterling 8,537,906		(152,057)	(0.04)
Bought US Dollar 5,494,294			
Sold Australian Dollar 5,355,000		37,234	0.01
Bought US Dollar 21,772,892			
Sold Australian Dollar 21,568,945		(81,118)	(0.02)
Bought US Dollar 11,126,349			
Sold Euro 8,405,000		162,576	0.04
Bought US Dollar 29,959,935			
Sold Japanese Yen 2,306,654,228		91,217	0.03
Bought US Dollar 5,490,085			
Sold New Zealand Dollar 7,005,000		51,112	0.01
Bought US Dollar 30,326,531			
Sold Sterling 19,336,656		288,363	0.08
Futures - (0.25)% (31 Dec 10: (0.13)%)			
Euro BOBL Future Mar 2012	(371)	(420,805)	(0.12)
Euro BUND Future Mar 2012	(127)	(452,647)	(0.12)
Long Gilt Future Mar 2012	(11)	(45,920)	(0.01)
Inflation Swaps - (0.04)% (31 Dec 10: (0.10)%)			
Inflation Swaps UK RPI 3.23% Pay 11 Dec 2017	8,500,000	(144,481)	(0.04)

	Holding	Market value £	Percentage of total net assets %
Interest Rate Swaps - 0.09% (31 Dec 10: (0.22)%)			
Interest Rate Swaps 1.937% Receive 12 Dec 2016	43,800,000	334,910	0.09
Investment assets		361,178,258	98.29
Net other assets		6,265,001	1.71
Net assets		£367,443,259	100.00

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

At 31 December 2011, 100% of the debt securities were rated as investment grade.

Portfolio movements**For the year ended 31 December 2011**

Major purchases	Cost £
Treasury 0.5% Index-Linked 2050	25,826,668
Treasury 1.875% Index-Linked 2022	20,008,844
Treasury 4.125% Index-Linked 2030	17,353,750
Treasury 2.5% Index-Linked 2024	17,261,040
Treasury 0.625% Index-Linked 2042	16,106,329
Treasury 0.625% Index-Linked 2040	15,734,597
Treasury 1.25% Index-Linked 2027	15,315,500
Treasury 1.25% Index-Linked 2032	12,202,208
Treasury 2.5% Index-Linked 2011	12,158,293
Treasury 0.75% Index-Linked 2034	11,244,592
Treasury 2.5% Index-Linked 2020	8,370,500
Treasury 0.375% Index-Linked 2062	4,427,968
Treasury 1.125% Index-Linked 2037	3,926,540
Instituto de Credito Oficial 4% 2014	3,782,415
Goldman Sachs Group 6.125% 2017	2,599,196
Petrobras International Finance 6.25% 2026	2,450,541
Treasury 4.75% 2030	2,276,085
Treasury 2% Index-Linked 2035	2,014,152
Ireland 5.9% 2019	1,719,401
Ireland 4.5% 2020	1,719,171
Total for the year (Note 14)	£241,868,452

Major sales	Proceeds £
Treasury 1.875% Index-Linked 2022	24,899,028
Treasury 1.25% Index-Linked 2017	20,811,632
Treasury 1.25% Index-Linked 2032	20,446,314
Treasury 2.5% Index-Linked 2011	12,115,822
Treasury 2.5% Index-Linked 2020	9,831,356
Treasury 1.125% Index-Linked 2037	8,141,523
Treasury 0.5% Index-Linked 2050	6,863,892
Treasury 1.25% Index-Linked 2055	5,501,588
Treasury 2.5% Index-Linked 2024	5,013,030
Treasury 1.25% Index-Linked 2027	4,127,194
Treasury 4% 2016	3,775,389
Goldman Sachs Group 6.875% 2038	2,558,266
America Movil 5.75% 2030	2,525,882
Treasury 4.75% 2030	2,348,616
Goldman Sachs Group 6.125% 2017	2,277,842
Treasury 0.625% Index-Linked 2042	2,205,321
Ireland 4.5% 2020	1,524,798
Ireland 5.9% 2019	1,445,992
BPCE 5.25% FRN Perpetual	1,227,755
Treasury 0.625% Index-Linked 2040	1,188,060
Total for the year (Note 14)	£174,988,936

Statement of total return
For the year ended 31 December 2011

		31 Dec 11		31 Dec 10	
	Notes	£	£	£	£
Income					
Net capital gains	2	48,264,562		10,446,473	
Revenue	3	16,143,501	11,074,503		
Expenses	4	(1,957,226)	(1,208,505)		
Finance costs: Interest	6	(13)	(3,494)		
Net revenue before taxation		14,186,262	9,862,504		
Taxation	5	-	-		
Net revenue after taxation		14,186,262	9,862,504		
Total return before distributions		62,450,824	20,308,977		
Finance costs: Distributions	6	(5,183,771)	(3,473,839)		
Change in net assets attributable to shareholders from investment activities		£57,267,053	£16,835,138		

Statement of change in net assets attributable to shareholders
For the year ended 31 December 2011

	31 Dec 11		31 Dec 10	
	£	£	£	£
Opening net assets attributable to shareholders		238,978,234		175,424,145
Amounts receivable on issue of shares	79,765,867		55,258,847	
Amounts payable on cancellation of shares	(13,939,928)		(12,080,280)	
		65,825,939		43,178,567
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		57,267,053		16,835,138
Retained distribution on accumulation shares		5,372,033		3,540,384
Closing net assets attributable to shareholders		£367,443,259		£238,978,234

Balance sheet**As at 31 December 2011**

	Notes	As at 31 Dec 11 £	As at 31 Dec 10 £
ASSETS			
Investment assets		366,987,807	237,593,231
Debtors	7	1,796,627	2,689,085
Cash and bank balances	8	4,676,313	2,089,774
Total other assets		6,472,940	4,778,859
Total assets		373,460,747	242,372,090
LIABILITIES			
Investment liabilities		5,809,549	1,901,489
Creditors	9	207,939	1,492,367
Total other liabilities		207,939	1,492,367
Total liabilities		6,017,488	3,393,856
Net assets attributable to shareholders		£367,443,259	£238,978,234

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 11 to 13.

2. Net capital gains

	31 Dec 11 £	31 Dec 10 £
Currency gains	43,603	55,852
Derivative contracts	999,848	(474,532)
Forward currency contracts	278,359	3,402,325
Non-derivative securities	46,944,951	7,475,388
Transaction charges	(2,199)	(12,560)
Net capital gains	£48,264,562	£10,446,473

3. Revenue

	31 Dec 11 £	31 Dec 10 £
Bank interest	12,389	3,150
Interest on debt securities	16,328,412	11,059,701
Revenue from derivative contracts	(197,300)	11,652
	£16,143,501	£11,074,503

4. Expenses

	31 Dec 11 £	31 Dec 10 £
<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	1,909,798	1,175,437
	1,909,798	1,175,437
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	28,175	17,734
	28,175	17,734
<i>Payable to other related parties and third parties:</i>		
Audit fees	9,165	9,574
Professional fees	923	-
Safe custody fees	8,168	4,760
Taxation fees	997	1,000
	19,253	15,334
	£1,957,226	£1,208,505

5. Taxation

(a) Analysis of tax charge

There is no tax charge for the year.

(b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 10: 20%).

The differences are explained below:

	31 Dec 11 £	31 Dec 10 £
Net revenue before taxation	14,186,262	9,862,504
Corporation tax at 20%	2,837,252	1,972,501
<i>Effects of:</i>		
Interest distributions	(1,036,754)	(694,727)
Movement in excess expenses	391,239	241,701
Relief for indexation on UK Index Linked Gilts	(2,191,37)	(1,519,475)
	(3,705,200)	(1,972,501)
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 2011 the Fund had excess management expenses of £4,929,915 (31 Dec 10: £2,973,718). The deferred tax in respect of this would be £985,983 (31 Dec 10: £594,744). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

6. Finance costs

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

	31 Dec 11 £	31 Dec 10 £
Interim - first quarter	1,018,257	800,579
Interim - second quarter	1,354,032	720,887
Interim - third quarter	1,478,750	1,009,504
Final	1,520,993	1,009,414
	5,372,032	3,540,384
Add: Amounts deducted on cancellation of shares	45,872	48,423
Deduct: Amounts added on issue of shares	(234,133)	(114,968)
Net distributions	5,183,771	3,473,839
Interest	13	3,494
Total finance costs	£5,183,784	£3,477,333
Net revenue after taxation	14,186,262	9,862,504
Add: Expense charged to capital	1,956,303	1,208,505
Add: Revenue brought forward	1,804	2,007
Deduct: Relief from RPI allowance against Indexation	(10,958,688)	(7,597,373)
Deduct: Revenue carried forward	(1,910)	(1,804)
Net distributions as above	£5,183,771	£3,473,839

Details of the distribution per share are set out in the tables on pages 177 and 178.

7. Debtors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts receivable on issue of shares	-	1,150,000
Interest receivable on debt securities	1,792,541	1,539,085
Interest receivable on swaps	4,086	-
	£1,796,627	£ 2,689,085

8. Cash & bank balances

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts held at futures clearing houses and brokers	1,797,319	1,226,151
Cash and bank balances	2,878,994	863,623
	£4,676,313	£2,089,774

9. Creditors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Expense accruals	207,939	266,647
Interest payable on swaps	-	71,748
Purchases awaiting settlement	-	1,153,972
	£207,939	£1,492,367

10. Equalisation

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

11. Contingent liabilities

At 31 December 2011 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. Management fees charged by the ACD are shown in note 4.

At 31 December 2011 the amounts included in creditors in respect of management fees due to the ACD are £192,264 (31 Dec 2010: £246,040).

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 £(3,752,272) (31 Dec 10: £(1,519,133)). As at 31 December 2011, the entity do not held any shares in the Fund (31 Dec 10: 5,388,214 shares with a market value of £3,339,615).

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the 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 18 to 20.

(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 11				
Australian Dollar	3,000	-	28,510,669	28,513,669
Canadian Dollar	2,507	-	17,534,661	17,537,168
Czech Koruna	95	-	-	95
Euro	2,155,208	3,884,151	31,550,476	37,589,835
Japanese Yen	39	-	26,495,835	26,495,874
New Zealand Dollar	1,785	-	7,409,878	7,411,663
Norwegian Krone	-	-	12,154,499	12,154,499
Polish Zloty	4,256	-	-	4,256
South African Rand	522	-	-	522
Singapore Dollar	1,614	-	-	1,614
Sterling	2,439,601	357,652,411	56,046,758	416,138,770
Swedish Krona	1,711	-	22,648,506	22,650,217
US Dollar	66,485	-	67,114,465	67,180,950
	£4,676,823	£361,536,562	£269,465,747	£635,679,132

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 10				
Australian Dollar	2,950	-	4,716,829	4,719,779
Canadian Dollar	2,550	-	4,624,069	4,626,619
Czech Koruna	101	-	-	101
Euro	5,524,936	-	6,135,931	11,660,867
Hungarian Forint	634	-	-	634
Japanese Yen	3,167	-	10,455,815	10,458,982
New Zealand Dollar	1,785	-	-	1,785
Norwegian Krone	-	-	7,106,503	7,106,503
Polish Zloty	4,930	-	-	4,930
Singapore Dollar	1,628	-	-	1,628
Sterling	217,700,995	13,650,732	11,343,068	242,694,795
Swedish Krona	917	-	7,155,283	7,156,200
US Dollar	1,595,707	2,340	14,706,412	16,304,459
	£224,840,300	£13,653,072	£66,243,910	£304,737,282

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 11			
Australian Dollar	-	38,772,991	38,772,991
Canadian Dollar	-	10,636,240	10,636,240
Euro	-	47,533,798	47,533,798
Japanese Yen	-	19,296,566	19,296,566
New Zealand Dollar	-	10,504,955	10,504,955
Norwegian Krone	-	3,169,897	3,169,897
Sterling	-	52,808,297	52,808,297
Swedish Krona	-	31,834,559	31,834,559
US Dollar	-	53,678,570	53,678,570
	-	£268,235,873	£268,235,873
31 Dec 10			
Australian Dollar	-	4,716,829	4,716,829
Canadian Dollar	-	4,696,148	4,696,148
Euro	-	11,812,056	11,812,056
Japanese Yen	-	10,455,815	10,455,815
Sterling	-	25,316,549	25,316,549
US Dollar	-	8,761,651	8,761,651
	-	£65,759,048	£65,759,048

iii) Fixed rate financial assets

Currency	Weighted average interest rate %	Weighted average period for which the rate is fixed in years
31 Dec 11		
Euro	5.81	-
Sterling	1.36	23.63
31 Dec 10		
Sterling	5.86	17.77
US Dollar	4.96	3.00

(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 11			
Australian Dollar	(10,259,322)	-	(10,259,322)
Canadian Dollar	6,900,928	-	6,900,928
Czech Koruna	95	-	95
Euro	(12,788,573)	2,844,610	(9,943,963)
Japanese Yen	7,199,308	-	7,199,308
New Zealand Dollar	(3,093,292)	-	(3,093,292)
Norwegian Krone	8,984,602	-	8,984,602
Polish Zloty	4,256	-	4,256
Singapore Dollar	1,614	-	1,614
South African Rand	522	-	522
Swedish Krona	(9,184,342)	-	(9,184,342)
US Dollar	13,798,340	(295,960)	13,502,380
	1,564,136	2,548,650	4,112,786
Sterling	5,868,463	357,462,010	363,330,473
	£7,432,599	£360,010,660	£367,443,259

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 10			
Australian Dollar	2,950	-	2,950
Canadian Dollar	2,550	(72,080)	(69,530)
Czech Koruna	101	-	101
Euro	419,378	(570,566)	(151,188)
Hungarian Forint	634	-	634
Japanese Yen	3,167	-	3,167
New Zealand Dollar	1,785	-	1,785
Norwegian Krone	-	7,106,503	7,106,503
Polish Zloty	4,930	-	4,930
Singapore Dollar	1,628	-	1,628
Swedish Krona	917	7,155,282	7,156,199
US Dollar	1,050,009	6,492,800	7,542,809
	1,488,049	20,111,939	21,599,988
Sterling	1,798,443	215,579,803	217,378,246
	£3,286,492	£235,691,742	£238,978,234

(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 2011, the Fund's VaR was 4.95%. This means that per the statistical analysis there is a 99% probability that, over a month, the maximum loss the Fund could suffer is 4.95% of its value.

Further information on risks can be found in the Risk Profile on pages 18 to 20.

14. Portfolio transaction costs

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

Distribution table**For the year ended 31 December 2011 (in pence per share)****Final interest distribution**

Group 1: Shares purchased prior to 1 October 2011

Group 2: Shares purchased between 1 October 2011 and 31 December 2011

	Gross revenue (p)	Equalisation (note 10) (p)	Distribution payable 29/02/12 (p)	<i>Distribution paid 28/02/11 (p)</i>
Class J - Accumulation Gross				
Group 1	6.250000	-	6.250000	5.270000
Group 2	6.250000	0.000000	6.250000	5.270000
Class K - Accumulation Gross				
Group 1	-	-	-	0.260000
Group 2	-	-	-	0.260000

Third quarter interim interest distribution

Group 1: Shares purchased prior to 1 July 2011

Group 2: Shares purchased between 1 July 2011 and 30 September 2011

	Gross revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/11 (p)	<i>Distribution paid 30/11/10 (p)</i>
Class J - Accumulation Gross				
Group 1	6.000000	-	6.000000	6.740000
Group 2	6.000000	0.000000	6.000000	6.740000
Class K - Accumulation Gross				
Group 1	0.300000	-	0.300000	0.340000
Group 2	0.300000	0.000000	0.300000	0.340000

Second quarter interim interest distribution

Group 1: Shares purchased prior to 1 April 2011

Group 2: Shares purchased between 1 April 2011 and 30 June 2011

	Gross revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/11 (p)	<i>Distribution paid 31/08/10 (p)</i>
Class J - Accumulation Gross				
Group 1	5.410000		5.410000	4.830000
Group 2	1.637935	3.772065	5.410000	4.830000
Class K - Accumulation Gross				
Group 1	0.270000	-	0.270000	0.240000
Group 2	0.270000	0.000000	0.270000	0.240000

First quarter interim interest distribution

Group 1: Shares purchased prior to 1 January 2011

Group 2: Shares purchased between 1 January 2011 and 31 March 2011

	Gross revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/11 (p)	<i>Distribution paid 31/05/10 (p)</i>
Class J - Accumulation Gross				
Group 1	5.360000	-	5.360000	5.290000
Group 2	5.360000	0.000000	5.360000	5.290000
Class K - Accumulation Gross				
Group 1	0.270000	-	0.270000	0.260000
Group 2	0.270000	0.000000	0.270000	0.260000

Gross shareholders receive a distribution without the deduction of 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

Key developed sovereign bond markets saw positive returns on the year, driven by deteriorating expectations of global growth, reductions in policy rates and risk aversion in light of the worsening situation in Europe. UK economic data continued to be soft and the Bank of England base rate was maintained at 0.5% throughout the year; in October the MPC decided to provide a further stimulus, injecting an additional £75billion into the economy. Elsewhere the European Central Bank cut interest rates in both November and December, having hiked rates twice earlier in the year, and US interest rates were kept at record low levels in conjunction with further quantitative stimulus. European policymakers failed to resolve the sovereign debt crisis, resulting in a sustained flight to safe haven assets such as UK Gilts, which was key to the strong performance of government bond markets.

The additional yield on the iBoxx Non-Gilt index relative to UK Gilts rose from 1.68% to 2.65% (having followed a volatile path over the period, and reaching lows of 1.49%) and the index returned 6.9% over the period, underperforming government bond indices. The over 15 year iBoxx Non-Gilt index returned 12%.

Fund performance

During 2011, the fund achieved a performance of 10.8%*, underperforming its benchmark. The main positive contributor was duration management. Spread management detracted from performance and currency management was a flat contributor.

At the start of the year, the fund was positioned for an economic recovery in the US and Europe, versus a negative view on the UK. Corporate bond exposure was positive. Following the deterioration of global growth prospects, the duration and country positions were adjusted and actively managed over the period, and brought closer to benchmark at year end. The corporate overweight was somewhat maintained, however, the composition of this was also rebalanced mid-year. As financial sector bonds suffered a significant diminution of liquidity as a broad wave of risk aversion set in, the fund reduced exposure through derivatives, which however did not provide full protection against the extent of underperformance of the sector. An underweight position to AAA-rated supranationals was also introduced, which contributed positively at year end. Currency was actively managed, with a bias to short the GBP over the period.

Outlook

Expectations are overall low with a recession priced in for Europe, no 'silver bullet' to end the sovereign debt crisis, a fiscal impasse in the US, and European banks still on the drip feed of emergency ECB liquidity. In addition, most countries will remain in regimes of fiscal austerity. However there are timid signs that the economic data may no longer be weakening, at a time when recession expectations are high. The big divergences in growth prospects between US and the Eurozone has led to crowded trades, most easily visible in the movements of the Euro versus the US Dollar. While the heightened uncertainty argues against significant outright directional duration trades the market dislocation provides for much more by way of relative value opportunities. Position sizes are reduced to reflect the increased volatility and focus in on ensuring ample diversity of active views and importantly the ability to access liquidity to close positions.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2011, based on J shares.

Percentage growth

	31/12/10 to 31/12/11 %	31/12/09 to 31/12/10 %	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	Launch to 31/12/07 %
Class J - Accumulation Gross Shares	10.83	14.23	30.11	-16.52	1.83
Class K - Accumulation Gross Shares	11.54	14.99	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

26 March 2012

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 (£)
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
2010	Class J - Accumulation Gross	4,992,841	1,256.1	62,715,828
	Class K - Accumulation Gross	41,349,471	60.3	24,945,134
				£87,660,962
2011	Class J - Accumulation Gross	5,065,488	1,385.2	70,167,371
	Class K - Accumulation Gross	16,249,946	67.0	10,881,001
				£81,048,372

* 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 11 (%)	31 Dec 10 (%)
Class J - Accumulation	0.68	0.68
Class K - Accumulation	0.03	0.03

3. Share dealing price range and distribution record

The Fund was launched on 6 March 2007 at a price of 50p for Class K Accumulation Gross shares. 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
2010	1,304.48	1,109.73	71.12
2011	1,400.68	1,231.31	72.91
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
2010	62.56	52.95	3.40
2011	67.71	59.18	3.52

† 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 2011

	Holding	Market value £	Percentage of total net assets %
Bonds - 94.21% (31 Dec 10: 97.19%)			
Floating Rate Notes - 4.61% (31 Dec 10: 5.45%)			
Australia & New Zealand Bank Group 6.54% FRN Perpetual	£100,000	97,367	0.12
Aviva 6.125% FRN Perpetual	£310,000	204,966	0.25
AXA 6.463% FRN Undated Notes Perpetual	\$640,000	261,502	0.32
AXA FRN Perpetual	£500,000	311,185	0.38
Barclays Bank 6.125% FRN Perpetual	£250,000	174,475	0.21
ELM B.V 6.3024% FRN Perpetual	£300,000	232,331	0.29
ELM FRN Perpetual	€ 800,000	524,454	0.65
Equity Release Funding (No.2) 'A2' 5.88% FRN 2032	£430,000	485,707	0.60
Greene King Finance 5.106% 2034	£830,000	747,935	0.92
Nationwide Building Society 6.024% FRN Perpetual	£290,000	186,000	0.23
Old Mutual 5% Perpetual	€ 300,000	200,223	0.25
Societe Generale 8.875% FRN Perpetual	£340,000	208,530	0.26
Unicredito Italiano Capital Trust 5.396% FRN Perpetual	£235,000	103,094	0.13
Mortgage & Asset Backed Securities - 2.96% (31 Dec 10: 2.73%)			
Aspire Defence Finance A 4.674% 2040	£1,200,000	1,141,099	1.41
Brushfield CDO 'B2L' FRN 2052	\$350,000	23	-
Generali Finance 6.214% Perpetual	£200,000	114,553	0.14
Infiniti FRN 2016	\$200,000	-	-
Premiertel 'B' 6.175% 2032	£198,317	183,768	0.23
Telereal Securitisation 'B3' 5.4252% 2031	£966,000	939,397	1.16

	Holding	Market value £	Percentage of total net assets %
Unique Pub Finance 6.464% 2032	£50,000	16,000	0.02
Ordinary Fixed Interest - 86.55% (31 Dec 10: 88.94%)			
ABP Financial 6.25% 2026	£447,000	454,183	0.56
Ally Financial 7.5% 2013	\$750	496	-
Anglian Water Service Finance 6.293% 2030	£390,000	478,160	0.59
Annington Finance No.4 8.07% 2023	£80,000	96,681	0.12
Apria Healthcare Group 11.25% 2014	\$560,000	372,048	0.46
AT&T 7% 2040	£1,150,000	1,542,833	1.90
Aviva 6.125% FRN 2036	£1,190,000	940,959	1.16
BAA Funding 6.45% FRN 2033 'A'	£1,590,000	1,760,815	2.17
BAT International Finance 5.75% 2040	£600,000	680,904	0.84
BAT International Finance 6% 2034	£350,000	413,935	0.51
Bishopsgate Asset Finance GTD Asset Backed 4.808% 2044	£1,171,788	1,036,450	1.28
Boardriders 8.875% 2017	€ 280,000	203,481	0.25
British Telecommunications 6.375% 2037	£1,070,000	1,188,292	1.47
Broadgate Financing A4 4.821% 2036	£430,000	434,200	0.54
Celanese 6.625% 2018	\$410,000	280,307	0.35
CF Industries 7.125% 2020	\$350,000	266,312	0.33
Citigroup 5.15% 2026	£765,000	693,909	0.86
Citigroup 7.375% 2039	£930,000	1,016,071	1.25
Connect M77/GSO 5.404% FRN 2034	£972,420	883,385	1.09
Daily Mail & General Trust 6.375% 2027	£300,000	260,163	0.32
Dali Capital 4.79924% 2037	£500,000	480,063	0.59
E.ON International 6.75% 2039	£1,500,000	1,925,415	2.38
East Japan Railway 5.25% 2033	£350,000	404,303	0.50

	Holding	Market value £	Percentage of total net assets %
Edcon Proprietary 9.5% 2018	€ 310,000	205,214	0.25
EDF 6.125% 2034	£1,600,000	1,786,680	2.20
Eksportfinans 5.5% 2017	\$658,000	385,241	0.48
Enel 5.75% 2040	£1,925,000	1,514,586	1.87
Energy Transfer Partners 6.05% 2041	\$325,000	205,057	0.25
Energy Transfer Partners 7.5% 2038	\$180,000	132,237	0.16
Enterprise Inns 6.375% 2031	£800,000	488,000	0.60
Fiat Industrial Finance 6.25% 2018	€ 500,000	357,779	0.44
Ford Motor 8.125% 2020	\$250,000	189,349	0.23
France Telecom 5.375% 2050	£150,000	150,166	0.19
Freshwater Finance 4.556% 2036	£300,000	271,254	0.34
Freshwater Finance 4.607% 2036	£970,000	893,030	1.10
Friends Provident 8.25% 2022	£680,000	600,895	0.74
Friends Provident 12% 2021	£330,000	367,525	0.45
GDF Suez 5% 2060	£1,100,000	1,056,781	1.30
GE Capital UK Funding 6.25% 2038	£1,295,000	1,417,693	1.75
GE Capital UK Funding 8% 2039	£260,000	337,796	0.42
General Electric Capital 4.875% 2037	£1,900,000	1,556,906	1.92
GlaxoSmithKline Capital 5.25% 2042	£1,400,000	1,647,703	2.03
Goldman Sachs 6.875% 2038	£650,000	521,069	0.64
Great Rolling 6.875% 2035	£514,000	584,137	0.72
Greene King Finance 5.702% FRN 2034	£71,000	55,399	0.07
Heinz(H.J.) 6.25% 2030	£300,000	348,898	0.43
HSBC Bank 4.75% 2046	£500,000	353,892	0.44
HSBC Bank 7% 2039	\$2,950,000	2,058,144	2.54
HSBC Capital Funding 5.844% FRN Perpetual	£665,000	501,889	0.62
Imperial Tobacco Finance 5.5% 2026	£200,000	213,878	0.26

	Holding	Market value £	Percentage of total net assets %
Imperial Tobacco Finance 8.125% 2024	£220,000	285,482	0.35
Intelsat Jackson 7.25% 2020	\$420,000	274,307	0.34
KON 5.75% EMTN 2029	£635,000	686,979	0.85
Land Securities Capital Markets 5.125% FRN 2036	£550,000	598,767	0.74
Legal & General Finance 5.875% 2031	£550,000	565,138	0.70
Lunar Funding I Series 4 5.75% 2033	£410,000	485,235	0.60
Merrill Lynch 8.125% 2028	£800,000	677,088	0.84
Monte Dei Paschi di Siena 5.75% 2016	£500,000	332,500	0.41
Morrison (Wm.) Supermarkets 4.625% 2023	£215,000	226,782	0.28
National Grid Gas 6% 2038	£1,000,000	1,192,957	1.47
Northern Gas 5.625% 2040	£800,000	868,832	1.07
Octagon Healthcare 5.333% FRN 2035	£586,700	606,057	0.75
Peterborough Progress Health 5.58% 2042	£800,000	843,406	1.04
Petrobras International Finance 6.25% 2026	£546,000	556,237	0.69
Pfizer 6.5% 2038	£850,000	1,167,137	1.44
Quicksilver Resources 11.75% 2016	\$370,000	270,221	0.33
Range Resources 5.75% 2021	\$135,000	94,034	0.12
Reseau Ferre de 5% 2052	£1,300,000	1,319,551	1.63
Reynolds Group Issuer 8.5% 2018	\$415,000	255,687	0.32
Romulus Finance 5.441% 2023	£530,000	344,500	0.43
Royal Bank of Scotland 4.35% 2017	€ 500,000	307,851	0.38
Royal Bank of Scotland 6.875% Notes 2025	£590,000	570,586	0.70
RWE Finance 6.125% 2039	£1,550,000	1,842,166	2.27
Santander 5.875% 2031	£520,000	425,474	0.52
Southern Water Services Finance 5% 2041	£156,000	156,611	0.19
Sovereign Housing Capital 5.705% 2039	£450,000	529,562	0.65
StatoilHydro 6.875% 2031	£770,000	1,067,630	1.32

	Holding	Market value £	Percentage of total net assets %
T.H.F.C. (Funding No.2) 6.35% 2041	£445,000	554,937	0.68
Tesco 5.2% 2057	£550,000	611,143	0.75
Tesco Property Finance 5.744% 2040	£870,419	936,122	1.16
Tesco Property Finance 5.8006% 2040	£985,208	1,068,059	1.32
Thames Water Cayman 5.5% 2041	£1,480,000	1,636,990	2.02
Treasury 0.625% Index-Linked 2040	£555,000	741,984	0.92
Treasury 4% 2060	£2,840,000	3,515,352	4.34
Treasury 4.25% 2055	£1,295,000	1,665,240	2.05
Treasury 4.75% 2030	£655,000	847,897	1.05
Vattenfall 6.875% 2039	£855,000	1,147,749	1.42
Wales & West Utilities Finance 5.75% 2030	£870,000	970,643	1.20
Wal-Mart Stores 4.875% 2039	£1,000,000	1,125,255	1.39
Wal-Mart Stores 5.25% 2035	£1,450,000	1,711,796	2.11
Wells Fargo & Co 4.875% 2035	£750,000	624,607	0.77
Western Power Distribution 5.75% 2032	£440,000	487,864	0.60
Western Power Distribution 5.75% 2040	£400,000	439,784	0.54
White City Property Finance 5.1202% 2035	£543,341	569,147	0.70
Yorkshire Water Services Finance 6.375% 2039	£750,000	926,287	1.14
Zero Coupon Bonds - 0.09% (31 Dec 10: 0.07%)			
Annington Finance No.4 0% 2022	£110,000	71,106	0.09
Derivatives - (0.01)% (31 Dec 10: (0.50)%)			
Credit Default Swaps - (0.15)% (31 Dec 10: (0.09)%)			
Barclays Bank Credit Default Swaps ACAPF 5.065% Receive 20 Dec 16	470,000	27,512	0.03
Barclays Bank Credit Default Swaps Aero Finance 5.5% Receive 20 Dec 16	850,000	29,005	0.04
Barclays Bank Credit Default Swaps Banco San Paolo 4.75% Pay 20 Dec 16	(940,000)	(64,021)	(0.08)

	Holding	Market value £	Percentage of total net assets %
Barclays Bank Credit Default Swaps Centrica 7% Pay 20 Jun 16	1,020,000	(977)	-
Barclays Bank Credit Default Swaps CNA Financial 5.85% Receive 20 Sep 16	655,000	20,540	0.03
Barclays Bank Credit Default Swaps Deutsche Telekom 6% Pay 20 Dec 16	(850,000)	(7,390)	(0.01)
Barclays Bank Credit Default Swaps E.ON 6.3% Pay 20 Jun 16	(1,020,000)	(8,295)	(0.01)
Barclays Bank Credit Default Swaps FSL 8.875% Pay 20 Jun 16	(440,000)	(46,480)	(0.06)
Barclays Bank Credit Default Swaps HIG Capital 4% Pay 20 Sep 16	(655,000)	(40,967)	(0.05)
Barclays Bank Credit Default Swaps iTraxx 5% Receive 20 Dec 16	525,000	2,006	-
Barclays Bank Credit Default Swaps iTraxx Pay 20 Dec 16	(935,000)	(60,544)	(0.07)
Barclays Bank Credit Default Swaps Marks & Spencer 5.625% Receive 20 Mar 17	460,000	27,702	0.03
Barclays Bank Credit Default Swaps NEIM 7.125% Pay 20 Jun 16	(440,000)	(4,179)	(0.01)
Barclays Bank Credit Default Swaps Societe Generale 5.25% Receive 20 Dec 16	470,000	40,029	0.05
Barclays Bank Credit Default Swaps Telecom Italia 5.375% Receive 20 Dec 16	290,000	37,992	0.05
Barclays Bank Credit Default Swaps Toy's R Us 7.375% Pay 20 Jun 16	(440,000)	(33,515)	(0.04)
Credit Suisse Credit Default Swaps Wind Acquisition 11.75% Pay 20 Dec 16	(290,000)	(59,866)	(0.07)

	Holding	Market value £	Percentage of total net assets %
Deutsche Bank Credit Default Swaps BP Pay 20 Dec 16	(850,000)	(3,049)	-
Deutsche Bank Credit Default Swaps CNA Financial 5.85% Receive 20 Sep 16	655,000	20,540	0.03
Deutsche Bank Credit Default Swaps CSC 6.5% Pay 20 Mar 16	(705,000)	(64,506)	(0.08)
Deutsche Bank Credit Default Swaps CSC 6.5% Receive 20 Mar 14	1,065,000	44,928	0.06
Deutsche Bank Credit Default Swaps Daimler Receive 20 Dec 16	850,000	24,162	0.03
Deutsche Bank Credit Default Swaps EDF 5.625% Pay 20 Dec 16	(850,000)	(17,963)	(0.02)
Deutsche Bank Credit Default Swaps HIG Capital 4% Pay 20 Sep 16	(655,000)	(40,967)	(0.05)
Deutsche Bank Credit Default Swaps iTraxx 5% Receive 20 Dec 16	525,000	2,006	-
Deutsche Bank Credit Default Swaps iTraxx Pay 20 Dec 16	(935,000)	(60,544)	(0.07)
Deutsche Bank Credit Default Swaps Metlife 5% Pay 20 Jun 16	(1,410,000)	(80,956)	(0.10)
Deutsche Bank Credit Default Swaps Prudential 4.5% Receive 20 Jun 16	1,410,000	58,244	0.07
Goldman Sachs Credit Default Swaps Allstate 6.75% Pay 20 Mar 16	(350,000)	(804)	-
Goldman Sachs Credit Default Swaps Carrefour 4.375% Pay 20 Sep 16	(290,000)	(13,408)	(0.02)

	Holding	Market value £	Percentage of total net assets %
Goldman Sachs Credit Default Swaps France Telecom 5.625% Pay 20 Dec 16	(850,000)	(12,894)	(0.02)
Goldman Sachs Credit Default Swaps Hon Hai Precision 5.7% Pay 20 Jun 16	(630,000)	(10,801)	(0.01)
Goldman Sachs Credit Default Swaps Siemens Finance 5% Pay 20 Dec 16	(850,000)	(7,888)	(0.01)
JPM Credit Default Swaps Allstate 6.75% Pay 20 Mar 16	(350,000)	(804)	-
JPM Credit Default Swaps AXA 6% Pay 20 Mar 16	(500,000)	(38,420)	(0.05)
JPM Credit Default Swaps BMW 5.06% Receive 20 Dec 16	850,000	17,139	0.02
JPM Credit Default Swaps CSC 6.5% Receive 20 Mar 14	1,035,000	43,663	0.05
JPM Credit Default Swaps CSC 6.5% Pay 20 Mar 16	(695,000)	(63,591)	(0.08)
JPM Credit Default Swaps iTraxx 5% Receive 20 Dec 16	1,030,000	79,268	0.10
JPM Credit Default Swaps Metlife 7.625% Receive 20 Mar 17	920,000	42,762	0.05
JPM Credit Default Swaps MICH 8% Receive 20 Sep 16	850,000	34,900	0.04
Merrill Lynch Credit Default Swaps AIG Bank Pay 20 Jun 16	(440,000)	(20,813)	(0.03)
Merrill Lynch Credit Default Swaps Renault Pay 20 Jun 16	(770,000)	(94,316)	(0.12)

	Holding	Market value £	Percentage of total net assets %
Merrill Lynch Credit Default Swaps Volvo Receive 20 Jun 16	770,000	40,808	0.05
UBS Credit Default Swaps iTraxx 5% Receive 20 Dec 16	1,900,000	146,222	0.18
Forwards - 0.30% (31 Dec 10: 0.18%)			
Bought Australian Dollar 2,360,000			
Sold Canadian Dollar 2,479,888		(22,012)	(0.03)
Bought Australian Dollar 7,455,000			
Sold US Dollar 7,338,436		149,085	0.18
Bought Canadian Dollar 2,523,616			
Sold Australian Dollar 2,420,000		10,321	0.01
Bought Canadian Dollar 1,217,784			
Sold Australian Dollar 1,180,000		(3,046)	-
Bought Canadian Dollar 1,294,785			
Sold New Zealand Dollar 1,620,000		11,242	0.01
Bought Canadian Dollar 1,175,000			
Sold Sterling 731,649		13,439	0.02
Bought Euro 945,000			
Sold Australian Dollar 1,241,491		(24,411)	(0.03)
Bought Euro 4745,000			
Sold Swedish Krona 43,467,293		(103,821)	(0.13)
Bought Euro 2,465,000			
Sold US Dollar 3,368,958		(116,176)	(0.14)
Bought Japanese Yen 96,255,000			
Sold Australian Dollar 1,240,000		(9,453)	(0.01)
Bought Japanese Yen 96,297,680			
Sold Euro 925,000		31,082	0.04

	Holding	Market value £	Percentage of total net assets %
Bought Japanese Yen 92,713,410			
Sold New Zealand Dollar 1,620,000		(34,200)	(0.04)
Bought Japanese Yen 435,241,779			
Sold Sterling 3,567,555		73,507	0.09
Bought New Zealand Dollar 3,264,977			
Sold Euro 1,870,000		66,333	0.08
Bought Norwegian Krone 8,830,000			
Sold Sterling 992,352		(42,244)	(0.05)
Bought Norwegian Krone 18,480,000			
Sold Swedish Krona 21,500,937		(28,142)	(0.03)
Bought Sterling 800,000			
Sold Australian Dollar 1,239,098		(14,093)	(0.02)
Bought Sterling 800,000			
Sold Canadian Dollar 1,298,352		(23,308)	(0.03)
Bought Sterling 5,611,324			
Sold Euro 6,405,000		248,387	0.31
Bought Sterling 1,165,000			
Sold Swedish Krona 12,367,302		5,061	0.01
Bought Sterling 8,159,179			
Sold US Dollar 12,742,574		(86,843)	(0.11)
Bought Swedish Krona 25,769,523			
Sold Euro 2,790,000		80,864	0.10
Bought Swedish Krona 7,516,488			
Sold Norwegian Krone 6,507,500		4,770	0.01
Bought Swedish Krona 21,619,496			
Sold Sterling 2,064,472		(36,762)	(0.05)
Bought US Dollar 1,272,255			
Sold Australian Dollar 1,240,000		8,622	0.01

		Market value £	Percentage of total net assets %
	Holding		
Bought US Dollar 4,882,048			
Sold Australian Dollar 4,836,420		(18,256)	(0.02)
Bought US Dollar 2,462,192			
Sold Euro 1,860,000		35,956	0.04
Bought US Dollar 6,851,371			
Sold Japanese Yen 527,521,017		20,650	0.03
Bought US Dollar 1,269,656			
Sold New Zealand Dollar 1,620,000		11,820	0.01
Bought US Dollar 3,622,284			
Sold Sterling 2,310,000		34,066	0.04
Futures - 0.33% (31 Dec 10: (0.15)%)			
Euro BOBL Future 08 Mar 12	(83)	(94,142)	(0.12)
Euro Bund Future 08 Mar 12	(29)	(103,392)	(0.13)
Long Gilt Future 28 Mar 12	112	468,720	0.58
Interest Rate Swaps - (0.49)% (31 Dec 10: (0.44)%)			
Interest Rate Swap Pay 4.43% 21 Oct 2038	2,000,000	(474,244)	(0.58)
Interest Rate Swaps Receive 1.937% 12 Dec 2016	9,800,000	74,934	0.09
Investment assets		76,345,695	94.20
Net other assets		4,702,677	5.80
Net assets		£81,048,372	100.00

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

As at 31 December 2011, 98.8% of the debt securities were rated as investment grade, and 1.2% were unrated.

Portfolio movements**For the year ended 31 December 2011**

	Cost £
Major purchases	
Treasury 4% 2060	3,733,156
Thames Water Cayman 5.5% 2041	1,452,842
Tesco Property Finance 5.8006% 2040	1,370,000
Enel 5.75% 2040	1,097,450
Treasury 4.75% 2038	856,326
RWE Finance 6.125% 2039	816,488
Treasury 4.75% 2030	803,685
Treasury 4.25% 2055	728,650
Treasury 0.625% Index Linked 2040	701,489
Friends Provident 8.25% 2022	680,000
Barclays Bank 5.3304% FRN Perpetual	616,500
Jaguar Land Rover 8.125% 2018	600,000
Ireland 5.9% 2019	553,949
Ireland 4.5% 2020	553,826
Tesco 5.2% 2057	537,922
Petrobras International Finance 6.25% 2026	534,130
Commerzbank 7.75% 2021	515,165
Societe Generale 8.875% FRN Perpetual	497,700
Commerzbank 6.375% 2019	481,909
Imperial Tobacco Finance 5.5% 2026	478,680
Total for the year (Note 14)	£36,716,956

	Proceeds £
Major sales	
European Investment Bank 5.625% 2032	3,182,200
Reseau Ferre de 5.25% 2035	2,082,875
Treasury 4.5% 2034	1,650,341
KFW 6% 2028	1,534,950
Treasury 4.25% 2055	1,151,333
Vattenfall 6.875% 2039	1,095,889
Treasury 4% 2060	1,095,746
Scottish & Southern Energy 6.25% 2038	1,078,000
E.ON International 5.875% 2037	1,061,760
Tesco 4.875% 2042	917,100
American Movil Sab De 5.75% 2030	895,207
KFW 5.75% 2032	874,500
Centrica 7% 2033	855,918
Treasury 4.75% 2038	855,391
Goldman Sachs 7.25% 2028	854,633
Imperial Tobacco Finance 8.125% 2024	825,185
RWE Finance 6.125% 2039	754,555
Barclays Bank 5.3304% FRN Perpetual	630,000
Barclays Bank 6% FRN Perpetual	629,700
National Grid Electricity 7.375% 2031	622,235
Total for the year (Note 14)	£47,721,671

Statement of total return
For the year ended 31 December 2011

	Notes	£	31 Dec 11 £	31 Dec 10 £
Income				
Net capital gains	2		3,773,906	6,371,785
Revenue	3	4,479,157	4,825,467	
Expenses	4	(445,979)	(374,520)	
Finance costs: Interest	6	(9)	(18)	
Net revenue before taxation		4,033,169	4,450,929	
Taxation	5	-	-	
Net revenue after taxation			4,033,169	4,450,929
Total return before distributions			7,807,075	10,822,714
Finance costs: Distributions	6		(4,481,948)	(4,821,512)
Change in net assets attributable to shareholders from investment activities			£3,325,127	£6,001,202

Statement of change in net assets attributable to shareholders
For the year ended 31 December 2011

	£	31 Dec 11 £	31 Dec 10 £
Opening net assets attributable to shareholders		87,660,962	83,876,733
Amounts receivable on issue of shares	2,635,428	10,039,450	
Amounts payable on cancellation of shares	(16,903,756)	(17,039,494)	
		(14,268,328)	(7,000,044)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		3,325,127	6,001,202
Retained distribution on accumulation shares		4,330,611	4,783,071
Stamp duty reserve tax			
Closing net assets attributable to shareholders		£81,048,372	£87,660,962

Balance sheet**As at 31 December 2011**

	Notes	As at 31 Dec 11 £	As at 31 Dec 10 £
ASSETS			
Investment assets		78,438,198	85,664,061
Debtors	7	1,765,919	2,139,078
Cash and bank balances	8	2,995,570	897,989
Total other assets		4,761,489	3,037,067
Total assets		83,199,687	88,701,128
LIABILITIES			
Investment liabilities		2,092,503	902,603
Creditors	9	58,812	137,563
Total other liabilities		58,812	137,563
Total liabilities		2,151,315	1,040,166
Net assets attributable to shareholders		£81,048,372	£87,660,962

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 11 to 13.

2. Net capital gains

	31 Dec 11 £	31 Dec 10 £
Currency gains	24,611	13,616
Derivative contracts	1,350,670	(1,330,682)
Forward currency contracts	(52,854)	1,532,537
Non-derivative securities	2,453,621	6,169,198
Transaction charges	(2,142)	(12,884)
Net capital gains	£3,773,906	£6,371,785

3. Revenue

	31 Dec 11 £	31 Dec 10 £
Bank interest	20,951	40
Interest on debt securities	4,531,862	4,833,247
Interest on derivative contracts	(73,656)	(7,820)
	£4,479,157	£4,825,467

4. Expenses

	31 Dec 11 £	31 Dec 10 £
<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	418,999	350,275
	418,999	350,275
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	8,732	8,689
	8,732	8,689
<i>Payable to other related parties and third parties:</i>		
Audit fees	10,342	8,398
Professional fees	923	-
Safe custody fees	5,986	6,158
Taxation fees	997	1,000
	18,248	15,556
	£445,979	£374,520

5. Taxation

(a) Analysis of tax charge

There is no tax charge for the year.

(b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 10: 20%).

The differences are explained below:

	31 Dec 11 £	31 Dec 10 £
Net revenue before taxation	4,033,169	4,450,929
Corporation tax at 20%	806,634	890,186
<i>Effects of:</i>		
Interest distributions	(895,830)	(965,090)
Movement in excess expenses	89,196	74,904
	(806,634)	(890,186)
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 2011 the Fund had excess management expenses of £1,704,026 (31 Dec 10: £1,258,047). The deferred tax in respect of this would be £340,805 (31 Dec 10: £251,609). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

6. Finance costs

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

	31 Dec 11 £	31 Dec 10 £
Interim - first quarter	1,031,999	1,118,361
Interim - second quarter	1,140,926	1,116,334
Interim - third quarter	1,085,064	1,322,800
Final	1,072,622	1,225,576
	4,330,611	4,783,071
Add: Amounts deducted on cancellation of shares	175,910	99,169
Deduct: Amounts added on issue of shares	(24,573)	(60,728)
Net distributions	4,481,948	4,821,512
Interest	9	18
Total finance costs	£4,481,957	£4,821,530
Net revenue after taxation	4,033,169	4,450,929
Add: Expense charged to capital	445,056	374,520
Add: Revenue brought forward	4,536	599
Deduct: Revenue carried forward	(813)	(4,536)
Net distributions as above	£4,481,948	£4,821,512

Details of the distribution per share are set out in the table on pages 199 to 200.

7. Debtors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Interest receivable on debt securities	1,765,919	2,139,078
	£1,765,919	£2,139,078

8. Cash & bank balances

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts held at futures clearing houses and brokers	297,119	720,073
Cash and bank balances	2,698,451	177,916
	£2,995,570	£897,989

9. Creditors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Expense accruals	49,919	86,310
Interest payable on swaps	8,893	51,253
	£58,812	£137,563

10. Equalisation

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

11. Contingent liabilities

At 31 December 2011 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. Management fees charged by the ACD are shown in note 4.

At 31 Dec 11 the amounts included in creditors in respect of management fees due to the ACD are £37,101 (31 December 2010: £67,891).

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 £(15,656,800) (31 Dec 10: £(12,585,000)). As at 31 December 2011, the entity held 16,249,946 shares in the Fund with a market value of £10,881,001 (31 Dec 10: 41,349,471 shares with a market value of £24,925,134).

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the 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 18 to 20.

(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 11				
Australian Dollar	3,274	-	6,448,490	6,451,764
Canadian Dollar	1,843	-	3,938,620	3,940,463
Czech Koruna	240	-	-	240
Euro	784,851	1,799,002	6,860,813	9,444,666
Japanese Yen	194	-	6,027,487	6,027,681
New Zealand Dollar	1,867	-	1,632,093	1,633,960
Norwegian Krone	-	-	2,938,557	2,938,557
Polish Zloty	739	-	-	739
Singapore Dollar	737	-	-	737
South African Rand	658	-	-	658
Sterling	3,425,254	67,868,853	18,609,141	89,903,248
Swedish Krona	572	-	5,149,632	5,150,204
US Dollar	412,456	5,044,939	12,579,456	18,036,851
	£4,632,685	£74,712,794	£64,184,289	£143,529,768

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 10				
Australian Dollar	3,220	-	1,760,645	1,763,865
Canadian Dollar	1,874	-	1,726,020	1,727,894
Czech Koruna	255	-	-	255
Euro	393,943	1,705,373	1,540,300	3,639,616
Japanese Yen	1,148	-	4,098,719	4,099,867
New Zealand Dollar	1,867	-	-	1,867
Norwegian Krone	-	-	2,602,335	2,602,335
Polish Zloty	856	-	-	856
Singapore Dollar	744	-	-	744
South African Rand	799	-	-	799
Sterling	439,272	79,393,111	7,124,334	86,956,717
Swedish Krona	586	-	2,725,393	2,725,979
US Dollar	(43,143)	3,816,172	5,243,382	9,016,411
	£801,421	£84,914,656	£26,821,128	£112,537,205

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 11			
Australian Dollar	-	8,801,882	8,801,882
Canadian Dollar	-	2,395,848	2,395,848
Euro	-	11,596,673	11,596,673
Japanese Yen	-	4,413,034	4,413,034
New Zealand Dollar	-	2,429,411	2,429,411
Norwegian Krone	-	700,208	700,208
Sterling	-	9,715,947	9,715,947
Swedish Krona	-	7,253,362	7,253,362
US Dollar	-	15,175,031	15,175,031
	-	£62,481,396	£62,481,396
31 Dec 10			
Australian Dollar	-	1,760,645	1,760,645
Canadian Dollar	-	1,752,925	1,752,925
Euro	-	3,581,942	3,581,942
Japanese Yen	-	4,098,719	4,098,719
Sterling	-	7,721,464	7,721,464
US Dollar	-	5,960,548	5,960,548
	-	£24,876,243	£24,876,243

iii) Fixed rate financial assets

Currency	Weighted average interest rate %	Weighted average period for which the rate is fixed in years
31 Dec 11		
Euro	9.25	3.49
Sterling	5.05	26.93
US Dollar	6.60	16.75
31 Dec 10		
Euro	4.65	1.03
Sterling	5.53	24.41
US Dollar	5.68	19.06

(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 11			
Australian Dollar	(2,350,118)		(2,350,118)
Canadian Dollar	1,544,615		1,544,615
Czech Koruna	240		240
Euro	(3,930,349)	1,778,342	(2,152,007)
Japanese Yen	1,614,647		1,614,647
New Zealand Dollar	(795,451)		(795,451)
Norwegian Krone	2,238,349		2,238,349
Polish Zloty	739		739
Singapore Dollar	737		737
South African Rand	658		658
Swedish Krona	(2,103,158)		(2,103,158)
US Dollar	(1,488,428)	4,350,248	2,861,820
	(5,267,519)	6,128,590	861,071
Sterling	10,212,633	69,974,668	80,187,301
	£4,945,114	£76,103,258	£81,048,372

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 10			
Australian Dollar	3,220	-	3,220
Canadian Dollar	1,874	(26,905)	(25,031)
Czech Koruna	255	-	255
Euro	158,419	(100,745)	57,674
Japanese Yen	1,148	-	1,148
New Zealand Dollar	1,867	-	1,867
Norwegian Krone	-	2,602,335	2,602,335
Polish Zloty	856	-	856
Singapore Dollar	744	-	744
South African Rand	799	-	799
Swedish Krona	586	2,725,393	2,725,979
US Dollar	392,365	2,663,498	3,055,863
	562,133	7,863,576	8,425,709
Sterling	2,337,371	76,897,882	79,235,253
	£2,899,504	£84,761,458	£87,660,962

(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 2011, the Fund's VaR was 3.99%. This means that per the statistical analysis there is a 99% probability that, over a month, the maximum loss the Fund could suffer is 3.99% of its value.

Further information on risks can be found in the Risk Profile on pages 18 to 20.

14. Portfolio transaction costs

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

Distribution table**For the year ended 31 December 2011 (in pence per share)****Final interest distribution**

Group 1: Shares purchased prior to 1 October 2011

Group 2: Shares purchased between 1 October 2011 and 31 December 2011

	Gross revenue (p)	Equalisation (note 10) (p)	Distribution payable 29/02/12 (p)	<i>Distribution paid 28/02/11 (p)</i>
Class J - Accumulation Gross				
Group 1	18.320000	-	18.320000	17.590000
Group 2	11.729346	6.590654	18.320000	17.590000
Class K - Accumulation Gross				
Group 1	0.890000	-	0.890000	0.840000
Group 2	0.890000	0.000000	0.890000	0.840000

Third quarter interim interest distribution

Group 1: Shares purchased prior to 1 July 2011

Group 2: Shares purchased between 1 July 2011 and 30 September 2011

	Gross revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/11 (p)	<i>Distribution paid 30/11/10 (p)</i>
Class J - Accumulation Gross				
Group	18.750000	-	18.750000	21.150000
Group	0.326310	18.423690	18.750000	21.150000
Class K - Accumulation Gross				
Group	0.900000	-	0.900000	1.020000
Group	0.900000	0.000000	0.900000	1.020000

Second quarter interim interest distribution

Group 1: Shares purchased prior to 1 April 2011

Group 2: Shares purchased between 1 April 2011 and 30 June 2011

	Gross revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/11 (p)	<i>Distribution paid 31/08/10 (p)</i>
Class J - Accumulation Gross				
Group 1	18.810000	-	18.810000	16.470000
Group 2	18.810000	0.000000	18.810000	16.470000
Class K - Accumulation Gross				
Group 1	0.910000	-	0.910000	0.780000
Group 2	0.910000	0.000000	0.910000	0.780000

First quarter interim interest distribution

Group 1: Shares purchased prior to 1 January 2011

Group 2: Shares purchased between 1 January 2011 and 31 March 2011

	Gross revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/11 (p)	<i>Distribution paid 31/05/10 (p)</i>
Class J - Accumulation Gross				
Group 1	17.030000	-	17.030000	15.910000
Group 2	17.030000	0.000000	17.030000	15.910000
Class K - Accumulation Gross				
Group 1	0.820000	-	0.820000	0.760000
Group 2	0.820000	0.000000	0.820000	0.760000

Gross shareholder 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

Key developed sovereign bond markets saw positive returns on the year, driven by deteriorating expectations of global growth, reductions in policy rates and risk aversion in light of the worsening situation in Europe. UK economic data continued to be soft and the Bank of England base rate was maintained at 0.5% throughout the year; in October the MPC decided to provide a further stimulus, injecting an additional £75billion into the economy. Elsewhere the European Central Bank cut interest rates in both November and December, having hiked rates twice earlier in the year, and US interest rates were kept at record low levels in conjunction with further quantitative stimulus. European policymakers failed to resolve the sovereign debt crisis, resulting in a sustained flight to safe haven assets such as UK Gilts, which was key to the strong performance of government bond markets.

UK gilt yields fell over the year. The yield on the All Stock index started at 3.67%, then rose as high as 4.10% and ended the period at 2.48%; the index returned 16.6%. Longer dated Gilts outperformed shorter dated bonds with the over 15 year gilt index returning 26.2%.

Fund performance

During 2011, the fund achieved a performance of 25.1%*, underperforming its benchmark. The main positive contributor to performance was duration management, currency management was also marginally positive. Spread management detracted from performance.

At the start of the year, the fund was positioned for an economic recovery in the US and Europe, versus a negative view on the UK. Corporate bond exposure was positive. Following the deterioration of global growth prospects, the duration and country positions were adjusted and actively managed over the period, and brought closer to benchmark at year end. The corporate overweight was somewhat maintained, however, the composition of this was also rebalanced mid-year. As financial sector bonds suffered a significant diminution of liquidity as a broad wave of risk aversion set in, the fund reduced exposure through derivatives, which however, did not provide full protection against the extent of underperformance of the sector. Currency was actively managed, with a bias to short the GBP over the period.

Outlook

Expectations are overall low with a recession priced in for Europe, no 'silver bullet' to end the sovereign debt crisis, a fiscal impasse in the US, and European banks still on the drip feed of emergency ECB liquidity. In addition, most countries will remain in regimes of fiscal austerity. However, there are timid signs that the economic data may no longer be weakening, at a time when recession expectations are high. The big divergences in growth prospects between US and the Eurozone has led to crowded trades, most easily visible in the movements of the Euro versus the US Dollar. While the heightened uncertainty argues against significant outright directional duration trades the market dislocation provides for much more by way of relative value opportunities. Position sizes are reduced to reflect the increased volatility and focus in on ensuring ample diversity of active views and importantly the ability to access liquidity to close positions.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2011, based on J shares.

Percentage growth

	31/12/10 to 31/12/11 %	31/12/09 to 31/12/10 %	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	Launch to 31/12/07 %
Class J - Accumulation Gross Shares	25.13	11.96	10.24	-2.43	5.22
Class K - Accumulation Gross Shares	-	15.20	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.
Class K Accumulation Gross Shares closed 30 August 2010. The performance quoted is up to this date.

UBS Global Asset Management Funds Ltd

26 March 2012

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 (£)
2009	Class J - Accumulation Gross	5,383,015	1,130.8	60,871,472
	Class K - Accumulation Gross	3,665,532	53.8	1,971,638
				£62,843,110
2010	Class J - Accumulation Gross	5,954,925	1,267.9	75,503,345
				£75,503,345
2011	Class J - Accumulation Gross	5,574,918	1,580.4	88,106,712
				£88,106,712

* 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 11 (%)	31 Dec 10 (%)
Class J - Accumulation Gross	0.68	0.68

3. Share dealing price range and distribution record

The Fund was launched on 6 March 2007 at a price of 50p for Class K Accumulation Gross shares. The Class J Accumulation Gross shares were launched on 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
2010	1,307.17	1,120.66	55.66
2011	1,587.26	1,207.91	55.52
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
2010 ^{††}	62.45	53.36	1.22

[†] covers period from launch to 31 December 2007.^{††} covers period from 1 January 2010 to 31 August 2010.

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 2011

	Holding	Market value £	Percentage of total net assets %
Bonds - 98.30% (31 Dec 10: 98.81%)			
Floating Rate Notes - 1.98% (31 Dec 10: 2.20%)			
Aviva 6.125% FRN Perpetual	£210,000	138,848	0.16
AXA 6.6862% FRN Perpetual	£430,000	267,619	0.30
Barclays Bank 6% Perpetual	£430,000	262,309	0.30
ELM 6.3024% FRN Perpetual	£200,000	154,887	0.18
Old Mutual 5% FRN Perpetual	£200,000	133,482	0.15
Royal & Sun Alliance 6.701% FRN Perpetual	£380,000	302,613	0.34
UBS Jersey 7.152% FRN Perpetual	£400,000	298,329	0.34
Unicredit International Bank 8.5925% FRN Perpetual	£185,000	87,563	0.10
Unicredito Italiano Capital Trust 5.396% FRN Perpetual	£215,000	94,320	0.11
Mortgage & Asset Backed Securities - 0.00% (31 Dec 10: 0.32%)			
Brushfield CDO FRN 2052	£200,000	13	-
Infiniti SPC FRN 2016	£200,000	-	-
Ordinary Fixed Interest - 90.60% (31 Dec 10: 90.67%)			
Ally Financial 7.5% 2013	£750	496	-
Anheuser-Busch InBev 9.75% 2024	£275,000	422,028	0.48
BAA Funding Limited 6.75% 2028	£160,000	185,937	0.21
ELM 5.252% FRN Perpetual	£750,000	491,676	0.56
France Telecom 5.375% 2050	£150,000	150,166	0.17
Friends Provident 12% 2021	£400,000	445,485	0.51

	Holding	Market value £	Percentage of total net assets %
GDF Suez 5% 2060	£400,000	384,284	0.44
General Electric Capital UK Funding 5.875% 2033	£477,000	499,626	0.57
Imperial Tobacco Finance 9% 2022	£350,000	473,362	0.54
Morrison (Wm.) Supermarkets 4.625% 2023	£238,000	251,042	0.28
Petrobras International Finance 6.25% 2026	£592,000	603,100	0.68
Tesco 6.125% 2022	£400,000	471,027	0.53
Treasury 0.625% Index-Linked 2040	£600,000	802,145	0.91
Treasury 4% 2060	£6,265,000	7,754,817	8.80
Treasury 4.25% 2032	£4,421,000	5,391,852	6.12
Treasury 4.25% 2036	£4,960,000	6,079,968	6.90
Treasury 4.25% 2039	£3,990,000	4,898,522	5.56
Treasury 4.25% 2040	£5,825,000	7,160,090	8.13
Treasury 4.25% 2046	£6,335,000	7,935,221	9.01
Treasury 4.25% 2049	£865,000	1,092,754	1.24
Treasury 4.25% 2055	£6,674,000	8,582,097	9.74
Treasury 4.5% 2034	£4,155,000	5,246,103	5.95
Treasury 4.5% 2042	£5,675,000	7,312,805	8.30
Treasury 4.75% 2030	£4,890,000	6,330,105	7.18
Treasury 4.75% 2038	£5,177,000	6,866,772	7.79
Zero Coupon Bonds - 5.72% (31 Dec 10: 5.62%)			
Treasury 0% Strip 2028	£7,675,000	4,731,392	5.37
Treasury 0% Strip 2036	£660,000	306,664	0.35

	Holding	Market value £	Percentage of total net assets %
Derivatives - (0.15)% (31 Dec 10: (0.41)%)			
Credit Default Swaps - (0.29)% (31 Dec 10: (0.09)%)			
Barclays Credit Default Swaps ACAPF 5.065% Receive 20 Dec 2016	510,000	29,854	0.03
Barclays Credit Default Swaps Aero Finance 5.5% Receive 20 Dec 2016	460,000	15,696	0.02
Barclays Credit Default Swaps Banco San Paolo 4.75% Pay 20 Dec 2016	1,020,000	(69,470)	(0.08)
Barclays Credit Default Swaps Centrica 7% Pay 20 Jun 2016	(880,000)	(843)	-
Barclays Credit Default Swaps CNA Financial 5.85% Receive 20 Sep 2016	635,000	19,912	0.02
Barclays Credit Default Swaps Deutsche Telekom 6% Pay 20 Dec 2016	(460,000)	(3,999)	-
Barclays Credit Default Swaps E.ON 6.3% Pay 20 Jun 2016	(880,000)	(7,156)	(0.01)
Barclays Credit Default Swaps HIG Capital 4% Pay 20 Sep 2016	(635,000)	(39,716)	(0.05)
Barclays Credit Default Swaps iTraxx 1% Pay 20 Dec 2016	(1,005,000)	(65,076)	(0.07)
Barclays Credit Default Swaps iTraxx 5% Receive 20 Dec 2016	560,000	2,140	-
Barclays Credit Default Swaps Marks & Spencer 5.625% Receive 20 Mar 2017	500,000	30,111	0.03
Barclays Credit Default Swaps Societe Generale 5.25% Receive 20 Dec 2016	510,000	43,437	0.05
Barclays Credit Default Swaps Telecom Italia 5.375% Receive 20 Dec 2016	300,000	39,302	0.04

	Holding	Market value £	Percentage of total net assets %
CreditSuisse Credit Default Swaps Wind Acquisition 11.75% Pay 20 Dec 2016	(300,000)	(61,930)	(0.07)
Deutsche Bank Credit Default Swaps BP Pay 20 Dec 2016	(460,000)	(1,650)	-
Deutsche Bank Credit Default Swaps CNA Financial 5.85% Receive 20 Sep 2016	635,000	19,912	0.02
Deutsche Bank Credit Default Swaps CSC 6.5% Pay 20 Mar 2014	895,000	37,757	0.04
Deutsche Bank Credit Default Swaps CSC 6.5% Receive 20 Mar 2016	(595,000)	(54,441)	(0.06)
Deutsche Bank Credit Default Swaps Daimler Receive 20 Dec 2016	460,000	13,076	0.01
Deutsche Bank Credit Default Swaps EDF 5.625% Pay 20 Dec 2016	(460,000)	(9,721)	(0.01)
Deutsche Bank Credit Default Swaps HIG Capital 4% Pay 20 Sep 2016	(635,000)	(39,716)	(0.05)
Deutsche Bank Credit Default Swaps iTraxx 1% Pay 20 Dec 2016	(1,005,000)	(65,076)	(0.07)
Deutsche Bank Credit Default Swaps iTraxx 5% Receive 20 Dec 2016	560,000	2,140	-
Deutsche Bank Credit Default Swaps Metlife 5% Pay 20 Jun 2016	(1,210,000)	(69,473)	(0.08)
Deutsche Bank Credit Default Swaps Prudential 4.5% Receive 20 Jun 2016	1,210,000	49,983	0.06
Goldman Sachs Credit Default Swaps Allstate 6.75% Pay 20 Mar 2016	(290,000)	(667)	-
Goldman Sachs Credit Default Swaps Carrefour 4.375% Pay 20 Sep 2016	(300,000)	(13,870)	(0.02)

	Holding	Market value £	Percentage of total net assets %
Goldman Sachs Credit Default Swaps France Telecom 5.625% Pay 20 Dec 2016	(460,000)	(6,978)	(0.01)
Goldman Sachs Credit Default Swaps Siemens Finance 5% Pay 20 Dec 2016	(460,000)	(4,269)	-
JPM Credit Default Swaps Allstate 6.75% Pay 20 Mar 2016	(290,000)	(667)	-
JPM Credit Default Swaps AXA 6% Pay 20 Mar 2016	(420,000)	(32,273)	(0.04)
JPM Credit Default Swaps BMW 5.06% Receive 20 Dec 2016	460,000	9,275	0.01
JPM Credit Default Swaps CSC 6.5% Receive 20 Mar 2014	875,000	36,913	0.04
JPM Credit Default Swaps CSC 6.5% Pay 20 Mar 2016	(585,000)	(53,526)	(0.06)
JPM Credit Default Swaps Metlife 7.625% Receive 20 Mar 2017	500,000	23,240	0.03
JPM Credit Default Swaps MICH 8% Receive 20 Sep 2016	890,000	36,543	0.04
Merrill Lynch Credit Default Swaps Renault Pay 20 Jun 2016	(650,000)	(79,619)	(0.09)
Merrill Lynch Credit Default Swaps Volvo Receive 20 Jun 2016	650,000	34,448	0.04
Forwards - 0.35% (31 Dec 10: 0.25%)			
Bought Australian Dollar 2,570,000			
Sold Canadian Dollar 2,700,556		(23,971)	(0.03)
Bought Australian Dollar 8,005,000			
Sold US Dollar 7,880,016		159,967	0.18

	Holding	Market value £	Percentage of total net assets %
Bought Canadian Dollar 2,687,246			
Sold Australian Dollar 2,585,000		10,891	0.01
Bought Canadian Dollar 1,326,146			
Sold Australian Dollar 1,285,000		(3,317)	-
Bought Canadian Dollar 1,358,725			
Sold New Zealand Dollar 1,700,000		11,797	0.01
Bought Canadian Dollar 1,400,000			
Sold Sterling 871,752		16,012	0.02
Bought Euro 1,015,000			
Sold Australian Dollar 1,333,453		(26,219)	(0.03)
Bought Euro 860,000			
Sold Sterling 741,551		(21,468)	(0.02)
Bought Euro 5,045,000			
Sold Swedish Krona 46,216,473		(110,478)	(0.12)
Bought Euro 2,777,500			
Sold US Dollar 3,794,295		(129,764)	(0.14)
Bought Japanese Yen 100,912,500			
Sold Australian Dollar 1,300,000		(9,910)	(0.01)
Bought Japanese Yen 104,105,600			
Sold Euro 1,000,000		33,602	0.04
Bought Japanese Yen 97,291,850			
Sold New Zealand Dollar 1,700,000		(35,889)	(0.04)
Bought Japanese Yen 467,016,741			
Sold Sterling 3,828,861		78,019	0.09
Bought New Zealand Dollar 3,553,063			
Sold Euro 2,035,000		72,186	0.08

	Holding	Market value £	Percentage of total net assets %
Bought Norwegian Krone 6,880,000			
Sold Sterling 773,203		(32,915)	(0.04)
Bought Norwegian Krone 19,900,000			
Sold Swedish Krona 23,151,471		(30,155)	(0.03)
Bought Sterling 860,000			
Sold Australian Dollar 1,332,030		(15,148)	(0.02)
Bought Sterling 865,000			
Sold Canadian Dollar 1,403,843		(25,201)	(0.03)
Bought Sterling 133,808			
Sold Euro 160,000		(160)	-
Bought Sterling 4,949,880			
Sold Euro 5,650,000		219,107	0.25
Bought Sterling 1,270,000			
Sold Swedish Krona 13,481,952		5,517	0.01
Bought Sterling 5,480,000			
Sold US Dollar 8,534,384		(42,803)	(0.05)
Bought Swedish Krona 28,170,983			
Sold Euro 3,050,000		88,399	0.10
Bought Swedish Krona 8,171,979			
Sold Norwegian Krone 7,075,000		5,186	0.01
Bought Swedish Krona 23,119,021			
Sold Sterling 2,207,666		(39,314)	(0.04)
Bought US Dollar 1,333,816			
Sold Australian Dollar 1,300,000		9,039	0.01
Bought US Dollar 5,247,330			
Sold Australian Dollar 5,186,155		(19,556)	(0.02)
Bought US Dollar 2,667,429			
Sold Euro 2,015,000		38,988	0.04

	Holding	Market value £	Percentage of total net assets %
Bought US Dollar 7,313,457			
Sold Japanese Yen 563,058,947		22,380	0.03
Bought US Dollar 1,332,355			
Sold New Zealand Dollar 1,700,000		12,404	0.01
Bought US Dollar 7,425,981			
Sold Sterling 4,733,157		72,372	0.08
Futures - (0.30)% (31 Dec 10: (0.14)%)			
Euro Bobl Future 8 Mar 12	(89)	(100,948)	(0.12)
Euro Bund Future 8 Mar 12	(33)	(117,823)	(0.13)
Long Gilt Future 28 Mar 12	(11)	(45,920)	(0.05)
Interest Rate Swaps - 0.09% (31 Dec 10: (0.43)%)			
Interest Rate Swaps 1.937% 12 Dec 2016	10,500,000	80,287	0.09
Investment assets		86,478,316	98.15
Net other assets		1,628,396	1.85
Net assets		£88,106,712	100.00

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

At 31 December 2011, 94.2% of the debt securities were rated as investment grade and 5.8% were unrated.

Portfolio movements**For the year ended 31 December 2011**

	Cost £
Major purchases	
Treasury 4% 2060	2,121,980
Treasury 4.75% 2030	1,609,338
Treasury 8% 2021	1,089,899
Treasury 0.625% Index-Linked 2040	758,366
Treasury 4.75% 2038	629,565
Petrobras International Finance 6.25% 2026	579,130
Ireland 5.9% 2019	539,561
Ireland 4.5% 2020	537,613
JPM Credit Default Swaps iTraxx 1% 20 Dec 2016	412,584
Goldman Sachs Group 6.125% 2017	409,570
Unicredit International Bank 8.5925% FRN Perpetual	379,012
Barclays Bank 6% Non-Cum Callable Preference	346,150
Morrison (Wm.) Supermarkets 4.625% 2023	236,853
Goldman Sachs Credit Default Swaps iTraxx 1% 20 Dec 2016	184,287
Citibank Credit Default Swaps iTraxx 1% 20 Jun 2016	155,845
France Telecom 5.375% 2050	151,748
Goldman Sachs Credit Default Swaps iTraxx 1% 20 Jun 2016	144,989
Old Mutual 5% FRN Perpetual	136,176
JPM Credit Default Swaps ITV 5.375% 21 Mar 16	104,718
Unicredito Italiano Capital Trust 5.396% FRN Perpetual	96,913
Total for the year (Note 14)	£13,693,106

	Proceeds £
Major sales	
Treasury 4.25% 2027	2,150,668
Treasury 4.25% 2055	1,116,403
Treasury 4.75% 2038	1,086,075
Treasury 8% 2021	477,600
America Movil 5.75% 2030	476,855
Treasury 4.75% 2030	453,780
Treasury 0% Strip 2028	435,975
Ireland 4.5% 2020	364,781
Ireland 5.9% 2019	325,663
Wales & West Utilities 5.125% 2016	116,063
Santander Finance 11.3% FRN Perpetual	99,205
Goldman Sachs Group 6.875% 2038	68,824
Treasury 4% 2060	66,913
Goldman Sachs Group 6.125% 2017	56,412
Barclays Bank 6% FRN Perpetual	52,931
BPCE 5.25% FRN Perpetual	49,186
Aviva 6.125% FRN Perpetual	35,078
Black Diamond FRN 2019	19,585
Unicredit International Bank 8.5925% FRN Perpetual	12,663
Clavos CDO Subordinated FRN 2023	4,819
Total for the year (Note 14)	£12,319,426

Statement of total return
For the year ended 31 December 2011

		31 Dec 11		31 Dec 10	
	Notes	£	£	£	£
Income					
Net capital gains	2	15,220,803		4,724,531	
Revenue	3	3,235,017	2,951,990		
Expenses	4	(532,339)	(426,962)		
Finance costs: Interest	6	(13)	(895)		
Net revenue before taxation		2,702,665	2,524,133		
Taxation	5	-	-		
Net revenue after taxation		2,702,665	2,524,133		
Total return before distributions		17,923,468	7,248,664		
Finance costs: Distributions	6	(3,234,266)	(2,951,087)		
Change in net assets attributable to shareholders from investment activities		£14,689,202	£4,297,577		

Statement of change in net assets attributable to shareholders
For the year ended 31 December 2011

	31 Dec 11		31 Dec 10	
	£	£	£	£
Opening net assets attributable to shareholders		75,503,345		62,843,110
Amounts receivable on issue of shares	-	13,870,872		
Amounts payable on cancellation of shares	(5,285,536)	(8,445,685)		
		(5,285,536)		5,425,187
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		14,689,202		4,297,577
Retained distribution on accumulation shares		3,199,701		2,937,471
Closing net assets attributable to shareholders		£88,106,712		£75,503,345

Balance sheet**As at 31 December 2011**

	Notes	As at 31 Dec 11 £	As at 31 Dec 10 £
ASSETS			
Investment assets		87,989,411	75,030,349
Debtors	7	579,178	1,098,324
Cash and bank balances	8	1,107,250	665,039
Total other assets		1,686,428	1,763,363
Total assets		£89,675,839	£76,793,712
LIABILITIES			
Investment liabilities		1,511,095	737,399
Creditors	9	58,032	552,968
Total other liabilities		58,032	552,968
Total liabilities		1,569,127	1,290,367
Net assets attributable to shareholders		£88,106,712	£75,503,345

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

Accounting policies of the Fund are as set out on pages 11 to 13.

2. Net capital gains

	31 Dec 11	31 Dec 10
	£	£
Currency losses	(6,995)	(19,847)
Derivative contracts	635,174	(278,230)
Forward currency contracts	57,659	1,279,850
Non-derivative securities	14,536,476	3,755,221
Transaction charges	(1,511)	(12,463)
Net capital gains	£15,220,803	£4,724,531

3. Revenue

	31 Dec 11	31 Dec 10
	£	£
Bank interest	14,437	881
Interest on debt securities	3,255,726	2,943,854
Interest on derivative contracts	(35,146)	7,255
	£3,235,017	£2,951,990

4. Expenses

	31 Dec 11	31 Dec 10
	£	£
<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	510,412	407,517
	510,412	407,517
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	8,564	7,117
	8,564	7,117
<i>Payable to other related parties and third parties:</i>		
Audit fees	9,165	9,575
Professional fees	923	-
Safe custody fees	2,278	1,753
Taxation fees	997	1,000
	13,363	12,328
	£532,339	£426,962

5. Taxation

(a) Analysis of tax charge

There is no tax charge for the year

(b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 10: 20%).

The differences are explained below:

	31 Dec 11 £	31 Dec 10 £
Net revenue before taxation	2,702,665	2,524,133
Corporation tax at 20%	540,533	504,827
<i>Effects of:</i>		
Interest distributions	(646,853)	(590,219)
Movement in excess expenses	106,320	85,392
	(540,533)	(504,827)
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 2011 the Fund had excess management expenses of £1,906,032 (31 Dec 10: £1,374,430). The deferred tax in respect of this would be £381,206 (31 Dec 10: £274,886). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

6. Finance costs

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

	31 Dec 11 £	31 Dec 10 £
Interim - first quarter	792,282	654,010
Interim - second quarter	826,333	660,527
Interim - third quarter	790,562	804,132
Final	790,524	818,802
	3,199,701	2,937,471
Add: Amounts deducted on cancellation of shares	34,565	80,180
Deduct: Amounts added on issue of shares	-	(66,564)
Net distributions	3,234,266	2,951,087
Interest	13	895
Total finance costs	£3,234,279	£2,951,982
Net revenue after taxation	2,702,665	2,524,133
Add: Expense charged to capital	531,416	426,962
Add: Revenue brought forward	367	359
Deduct: Revenue carried forward	(182)	(367)
Net distributions as above	£3,234,266	£2,951,087

Details of the distribution per share are set out in the table on pages 218 to 219.

7. Debtors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts receivable on issue of shares	-	425,000
Interest receivable on debt securities	578,198	673,324
Interest receivable on swaps	980	-
	£579,178	£1,098,324

8. Cash & bank balances

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts held at futures clearing houses and brokers	553,918	360,964
Cash and bank balances	553,332	304,075
	£1,107,250	£665,039

9. Creditors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Expense accruals	58,032	96,659
Interest payable on swaps	-	39,485
Purchases awaiting settlement	-	416,824
	£58,032	£552,968

10. Equalisation

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

11. Contingent liabilities

At 31 December 2011 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 charged by the ACD are shown in note 4.

At 31 December 2011 the amounts included in creditors in respect of management fees due to the ACD are £46,187 (31 December 2010: £79,791).

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 18 to 20.

(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 11				
Australian Dollar	3	-	6,947,812	6,947,815
Canadian Dollar	2,341	-	4,299,532	4,301,873
Czech Koruna	320	-	-	320
Euro	1,555,465		7,857,188	9,412,653
Japanese Yen	646	-	6,435,886	6,436,532
New Zealand Dollar	152	-	1,766,101	1,776,253
Norwegian Krone	-	-	2,881,528	2,881,528
Polish Zloty	1,971	-	-	1,971
Singapore Dollar	1,264	-	-	1,264
South African Rand	307	-	-	307
Sterling	1,599,805	84,464,928	14,073,370	100,138,103
Swedish Krona	422	-	5,576,987	5,577,409
US Dollar	88,637	-	16,284,285	16,372,922
	£3,251,333	£84,464,928	£66,132,689	£153,848,950

Currency	Floating rate financial assets £	Fixed rate financial assets £	Financial assets not carrying interest £	Total £
31 Dec 10				
Australian Dollar	3	-	1,502,591	1,502,594
Canadian Dollar	2,381	-	1,473,041	1,475,422
Czech Koruna	339	-	-	339
Euro	311,080	1,556,704	2,048,751	3,916,535
Japanese Yen	910	-	3,471,480	3,472,390
New Zealand Dollar	152	-	-	152
Norwegian Krone	-	-	2,285,730	2,285,730
Polish Zloty	2,283	-	-	2,283
Singapore Dollar	1,275	-	-	1,275
South African Rand	373	-	-	373
Sterling	1,831,134	71,143,425	4,089,571	77,064,130
Swedish Krona	431	-	2,289,151	2,289,582
US Dollar	(11,303)	514	4,946,162	4,935,373
	£2,139,058	£72,700,643	£22,106,477	£96,946,178

ii) Financial liabilities

Currency	Floating rate financial liabilities £	Financial liabilities not carrying interest £	Total £
31 Dec 11			
Australian Dollar	-	9,409,367	9,409,367
Canadian Dollar	-	2,602,671	2,602,671
Euro	-	11,646,911	11,646,911
Japanese Yen	-	4,710,331	4,710,331
New Zealand Dollar	-	2,549,382	2,549,382
Norwegian Krone	-	761,270	761,270
Swedish Krona	-	7,770,559	7,770,559
Sterling	-	13,214,221	13,214,221
US Dollar	-	13,077,526	13,077,526
		£65,742,238	£65,742,238
31 Dec 10			
Australian Dollar	-	1,502,591	1,502,591
Canadian Dollar	-	1,496,002	1,496,002
Euro	-	3,892,291	3,892,291
Japanese Yen	-	3,471,480	3,471,480
Sterling	-	8,414,339	8,414,339
US Dollar	-	2,666,130	2,666,130
	-	£21,442,833	£21,442,833

iii) Fixed rate financial assets

Currency	Weighted average interest rate %	Weighted average period for which the rate is fixed in years
31 Dec 11		
Sterling	3.06	29.16
US Dollar	5.50	2.00
31 Dec 10		
Euro	6.62	-
Sterling	4.27	29.87
US Dollar	4.96	3.00

(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 11			
Australian Dollar	(2,461,552)	-	(2,461,552)
Canadian Dollar	(1,699,202)	-	(1,699,202)
Czech Koruna	320	-	320
Euro	(2,876,592)	642,334	(2,234,258)
Japanese Yen	1,726,201	-	1,726,201
New Zealand Dollar	(773,129)	-	(773,129)
Norwegian Krone	2,120,258	-	2,120,258
Polish Zloty	1,971	-	1,971
Singapore Dollar	1,264	-	1,264
Swedish Krona	(2,193,150)	-	(2,193,150)
South African Rand	307	-	307
US Dollar	3,388,616	(93,220)	3,295,396
	633,716	549,114	1,182,830
Sterling	1,284,279	85,639,603	86,923,882
	£1,917,995	£86,188,717	£88,106,712

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 10			
Australian Dollar	3	-	3
Canadian Dollar	2,381	(22,962)	(20,581)
Czech Koruna	339	-	339
Euro	121,012	(96,768)	24,244
Japanese Yen	910	-	910
New Zealand Dollar	152	-	152
Norwegian Krone	-	2,285,730	2,285,730
Polish Zloty	2,283	-	2,283
Singapore Dollar	1,275	-	1,275
South African Rand	373	-	373
Swedish Krona	431	2,289,151	2,289,582
US Dollar	341,021	1,928,222	2,269,243
	470,180	6,383,373	6,853,553
Sterling	740,215	67,909,577	68,649,792
	£1,210,395	£74,292,950	£75,503,345

(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 2011, the Fund's VaR was 4.86%. This means that per the statistical analysis there is a 99% probability that, over a month, the maximum loss the Fund could suffer is 4.86% of its value.

Further information on risks can be found in the Risk Profile on pages 18 to 20.

14. Portfolio transaction costs

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

Distribution table**For the year ended 31 December 2011 (in pence per share)****Final interest distribution**

Group 1: Shares purchased prior to 1 October 2011

Group 2: Shares purchased between 1 October 2011 and 31 December 2011

	Gross revenue (p)	Equalisation (note 10) (p)	Distribution payable 29/02/12 (p)	<i>Distribution paid 28/02/11 (p)</i>
Class J - Accumulation Gross				
Group 1	14.180000	-	14.180000	13.750000
Group 2	14.180000	0.000000	14.180000	13.750000

Third quarter interim interest distribution

Group 1: Shares purchased prior to 1 July 2011

Group 2: Shares purchased between 1 July 2011 and 30 September 2011

	Gross revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/11 (p)	<i>Distribution paid 30/11/10 (p)</i>
Class J - Accumulation Gross				
Group 1	13.920000	-	13.920000	16.490000
Group 2	13.920000	0.000000	13.920000	16.490000

Second quarter interim interest distribution

Group 1: Shares purchased prior to 1 April 2011

Group 2: Shares purchased between 1 April 2011 and 30 June 2011

	Gross revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/11 (p)	<i>Distribution paid 31/08/10 (p)</i>
Class J - Accumulation Gross				
Group 1	14.060000	-	14.060000	12.820000
Group 1	14.060000	0.000000	14.060000	12.820000
Class K - Accumulation Gross				
Group 1	-	-	-	0.620000
Group 2	-	-	-	0.620000

First quarter interim interest distribution

Group 1: Shares purchased prior to 1 January 2011

Group 2: Shares purchased between 1 January 2011 and 31 March 2011

	Gross revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/11 (p)	<i>Distribution paid 31/05/10 (p)</i>
Class J - Accumulation Gross				
Group 1	13.360000	-	13.360000	12.600000
Group 1	13.360000	0.000000	13.360000	12.600000
Class K - Accumulation Gross				
Group 1	-	-	-	0.600000
Group 2	-	-	-	0.600000

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 was closed on 23 November 2007. Termination will be completed once all assets and liabilities have been settled.

Percentage growth

	31/12/06 to closure %	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
26 March 2012

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 (£)
2009	Class A - Accumulation	-	-	3,529
	Class B - Accumulation	-	-	252,449
	Class J - Income	-	-	7,528
				£263,506
2010	Class A - Accumulation	-	-	373
	Class B - Accumulation	-	-	26,666
	Class J - Income	-	-	794
				£27,833
2011	Class A - Accumulation	-	-	393
	Class B - Accumulation	-	-	28,085
	Class J - Income	-	-	835
				£29,313

* 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 Class A and B Accumulation shares, and on 10 November 2006 at a price of 50p for Class J Income 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 ^{††}	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 ^{††}	77.95	70.49	1.62
Class J - Income			
2006 [†]	51.12	49.20	0.13
2007 ^{††}	54.09	48.09	1.46

[†] covers period from launch to 31 December 2006.

^{††} covers period from 1 January 2007 to 23 November 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 2011

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

Portfolio movements
For the year ended 31 December 2011

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

Statement of total return**For the year ended 31 December 2011**

		31 Dec 11		31 Dec 10	
	Notes	£	£	£	£
Income					
Net capital (losses)/gains	2		(367)		5,132
Revenue	3	-		1,049	
Net revenue before taxation		-		1,049	
Taxation	4	1,847		(9,395)	
Net revenue/(expense) after taxation			1,847		(8,346)
Total return before distributions			1,480		(3,214)
Finance costs: Distributions	5		-		-
Change in net assets attributable to shareholders from investment activities			£1,480		£(3,214)

Statement of change in net assets attributable to shareholders**For the year ended 31 December 2011**

	31 Dec 11		31 Dec 10	
	£	£	£	£
Opening net assets attributable to shareholders		27,833		263,506
Amounts receivable on issue of shares	-		-	
Amounts payable on cancellation of shares	-		-	
Payment to on-going Fund: UBS Global Allocation Fund (UK)	-	(232,459)		
		-		(232,459)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		1,480		(3,214)
Closing net assets attributable to shareholders		£29,313		£27,833

Balance sheet

As at 31 December 2011

	Notes	As at 31 Dec 11 £	As at 31 Dec 10 £
ASSETS			
Investment assets		-	-
Debtors	6	410	52,073
Cash and bank balances	7	36,541	50,540
Total assets		36,951	102,613
LIABILITIES			
Creditors	8	7,638	74,780
Total liabilities		7,638	74,780
Net assets attributable to shareholders		£29,313	£27,833

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 11 to 13.

2. Net capital (losses)/gains

	31 Dec 11 £	31 Dec 10 £
Currency losses	(367)	(1,698)
Non-derivative securities	-	7,180
Transaction charges	-	(350)
Net capital (losses)/gains	£(367)	£5,132

3. Revenue

	31 Dec 11 £	31 Dec 10 £
Bank interest	-	1,049
	-	£1,049

4. Taxation

(a) Analysis of tax charge

	31 Dec 11 £	31 Dec 10 £
Prior year adjustment	(1,847)	9,395
Total current tax (4.b)	(1,847)	9,395
Total tax charge	£(1,847)	£9,395

(b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 10: 20%).

The differences are explained below:

	31 Dec 11 £	31 Dec 10 £
Net revenue before taxation	-	1,049
Corporation tax at 20%	-	210
<i>Effects of:</i>		
Movement in income accruals taxable on receipt	-	(210)
Prior year adjustment	(1,847)	9,395
	(1,847)	9,185
Total tax charge (4.a)	£(1,847)	£9,395

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 provision required for deferred taxation at the Balance Sheet date in the current or prior year.

5. Finance costs

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

	31 Dec 11 £	31 Dec 10 £
Net distributions	-	-
Interest	-	-
Total finance costs	-	-
Net revenue/(expense) after taxation	1,847	(8,346)
Add: Revenue brought forward	130,258	138,604
Deduct: Revenue carried forward	(132,105)	(130,258)
Net distributions as above	-	-

6. Debtors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Overseas tax recoverable	410	52,073
	£410	£52,073

7. Cash & bank balances

	As at 31 Dec 11 £	As at 31 Dec 10 £
Cash and bank balances	36,541	50,540
	£36,541	£50,540

8. Creditors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Corporation tax payable	-	67,142
Expense accruals	7,638	7,638
	£7,638	£74,780

9. Contingent liabilities

At 31 December 2011 there were no contingent liabilities or commitments at the current or prior year ends.

10. Related party transactions

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

At 31 December 2011 there were no amounts included in creditors in respect of management fees and registration fees due to the ACD (31 December 2010: 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 2011 were £29,313 (31 December 10: £27,833), 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 net assets attributable to shareholders.

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

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

11. Financial instruments

The Authorised Corporate Director's policy and approach to managing the risks associated with financial instruments are included in the Risk Profile on pages 18 to 20.

(a) 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

Note of Fund wind up

The UBS Medium Term Fixed Interest Fund closed on 10 February 2010. Termination will be completed once all assets and liabilities have been settled.

Percentage growth

	31/12/09 to closure %	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 %
Class A - Accumulation Net Shares	1.55	2.30	6.62	4.91	1.05

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

26 March 2012

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 (£)
2009	Class A - Accumulation	6,459,535	61.7	3,987,833
				£3,987,833
2010	Class A - Accumulation	-	-	-
				-
2011	Class A - Accumulation	-	-	-
				-

* rounded to one decimal place.

2. 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			
2007	56.64	53.84	1.81
2008	60.39	55.78	2.03
2009	62.24	60.17	1.62
2010 [†]	62.74	61.73	0.16

[†] covers period from 1 January 2010 to 10 February 2010.

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 2011

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

Portfolio movements
For the year ended 31 December 2011

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

Statement of total return**For the year ended 31 December 2011**

		31 Dec 11		31 Dec 10	
	Notes	£	£	£	£
Income					
Net capital gains	2		-		59,034
Revenue	3	2		13,835	
Expenses	4	-		(5,730)	
Net revenue before taxation		2		8,105	
Taxation	5	-		-	
Net revenue after taxation			2		8,105
Total return before distributions			2		67,139
Finance costs: Distributions	6		(2)		(13,005)
Change in net assets attributable to shareholders from investment activities			-		£54,134

Statement of change in net assets attributable to shareholders**For the year ended 31 December 2011**

	31 Dec 11		31 Dec 10	
	£	£	£	£
Opening net assets attributable to shareholders		-		3,987,833
Amounts receivable on issue of shares	-		1,236	
Amounts payable on cancellation of shares	-		(4,053,676)	
		-		(4,052,440)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		-		54,134
Retained distribution on accumulation shares		-		10,473
Closing net assets attributable to shareholders		-		-

Balance sheet**As at 31 December 2011**

	Notes	As at 31 Dec 11 £	As at 31 Dec 10 £
ASSETS			
Investment assets		-	-
Debtors		-	-
Cash and bank balances	7	17	597
Total assets		17	597
LIABILITIES			
Creditors	8	17	597
Total liabilities		17	597
Net assets attributable to shareholders		-	-

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

Accounting policies of the Fund are as set out on pages 11 to 13.

2. Net capital gains

	31 Dec 11 £	31 Dec 10 £
Non-derivative securities	-	59,393
Transaction charges	-	(359)
Net capital gains	-	£59,034

3. Revenue

	31 Dec 11 £	31 Dec 10 £
Bank interest	2	215
Interest on debt securities	-	13,620
	£2	£13,835

4. Expenses

	31 Dec 11 £	31 Dec 10 £
<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	-	4,500
Registration fees	-	315
	-	4,815
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	-	53
	-	53
<i>Payable to other related parties and third parties:</i>		
Audit fees	-	763
Safe custody fees	-	(10)
Taxation fees	-	109
	-	862
	-	£5,730

5. Taxation

(a) Analysis of tax charge

There is no tax charge for the year.

(b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 10: 20%).

The differences are explained below:

	31 Dec 11 £	31 Dec 10 £
Net revenue before taxation	2	8,105
Corporation tax at 20%	-	1,621
<i>Effects of:</i>		
Expenses charged to capital for which no relief taken	-	969
Interest distributions	-	(2,590)
	-	(1,621)
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 amounts added on the issue of shares and amounts deducted on the cancellation of shares, and comprise:

	31 Dec 11 £	31 Dec 10 £
Interim	-	12,950
Final	-	-
	-	12,950
Add: Amounts deducted on cancellation of shares	-	56
Add: Movement on revenue due to Fund closure	2	-
Deduct: Amounts added on issue of shares	-	(1)
Net distributions	2	13,005
Interest	-	-
Total finance costs	£2	£13,005
Net revenue after taxation	2	8,105
Add: Expense charged to capital	-	4,500
Add: Revenue brought forward	178	578
Deduct: Revenue carried forward	(178)	(178)
Net distributions as above	£2	£13,005

7. Cash & bank balances

	As at 31 Dec 11 £	As at 31 Dec 10 £
Cash and bank balances	17	597
	£17	£597

8. Creditors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts payable to UBS due to Fund closure	17	-
Income tax payable	-	597
	£17	£597

9. Contingent liabilities

At 31 December 2011 there were no contingent liabilities or commitments at the current or prior year ends.

10. 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.

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

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the 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.

11. Financial instruments

The Authorised Corporate Director's policy and approach to managing the risks associated with financial instruments are included in the Risk Profile on pages 18 to 20.

(a) 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.

12. Portfolio transaction costs

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

Distribution table

A distribution of 0.16p per share was paid on 10 April 2010 as part of the closure process of the Fund.

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

Despite the troubles in the eurozone, the UK market proved robust in 2011 with the FTSE All-Share only falling 3.5% during the period under review. As risk aversion came to the fore in 2011, defensive sectors such as consumer goods, healthcare and tobacco performed best, whereas banks and miners did poorly.

Having started the year at 4%, headline inflation peaked at 5.2% in September before falling back to 4.2% in December, but it has still been above the government set-target of 2% in every December since 2005. In the face of this the Monetary Policy Committee kept interest rates on hold at 0.5% throughout the course of the year, although in October it expanded its quantitative easing programme from £200 billion to £275 billion to provide added stimulus to the economy.

Fund performance

The Fund outperformed its benchmark, the FTSE All-Share, during the period under review. It posted performance of -1.8%* compared with the benchmark which fell -3.5%, both in Sterling terms.

The Fund's underweight position in HSBC was the largest contributor to performance over the period under review. Over the course of 2011 the bank's share price fell by more than 20% in Sterling terms.

Lloyds Banking Group was also a significant stock contributor to relative performance during the period under review. While the bank's share price fell by more than 60%, in Sterling terms, in 2011, active management of our holdings within this stock proved beneficial to relative performance.

An overweight position in Admiral proved to be the largest detractor to performance in 2011, as the firm's share price fell by more than 40% in Sterling terms. Another significant detractor to stock performance resulted from the time Ashted Group was held within the portfolio. However, the manager sold out of this position by the end of the period under review.

At an industry level, an underweight position within basic resources provided most beneficial to performance in relative terms, followed by being underweight in banks during the period under review. Stock selection within financial services and industrial goods and services were the largest detractors from relative performance.

Outlook

2011 was another year dominated by macro-economics. The Fund portfolio is primarily constructed through bottom up stock selection, rather than top down asset allocation. This leads us to our long-term core investment objective of being invested in high quality businesses. Although 2011 may not have been a favourable environment for the Fund to invest in, we believe stock selection opportunities overall are presently at above average level, providing us with confidence we can add considerable value relative to the market, despite current economic conditions.

Inflation is expected to remain above 2% in the near-term, but to fall sharply towards the end of 2012 as temporary factors such as high commodity prices erode. Meanwhile the dovish tone of the MPC's December minutes makes the possibility of further quantitative easing ('QE') more likely in the first half of 2012.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2011, based on A income shares.

Percentage growth

	31/12/10 to 31/12/11 %	31/12/09 to 31/12/10 %	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	Launch to 31/12/07 %
Class A - Accumulation Shares	-1.84	9.28	15.65	-29.90	0.46
Class A - Income Shares	-1.84	8.53	14.47	-28.97	0.48
Class B - Accumulation Shares	-1.30	10.08	16.15	-29.46	0.94
Class B - Income Shares	-1.31	9.09	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

26 March 2012

Performance record**1. Fund size**

Accounting year		Number	Total net	Total net
31 December		of shares in	asset value	asset
		issue	per share	value
			(p)*	(£)
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
2010	Class A - Accumulation	24,002,735	44.3	10,628,729
	Class A - Income	13,797,712	35.4	4,879,509
	Class B - Accumulation	970,635	45.3	439,759
	Class B - Income	34,674,615	36.1	12,509,444
				£28,457,441
2011	Class A - Accumulation	6,730,817	43.9	2,951,585
	Class A - Income	9,191,931	33.1	3,043,264
	Class B - Accumulation	699,599	45.0	315,002
	Class B - Income	14,610,649	34.0	4,961,082
				£11,270,933

* 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 11	31 Dec 10
	(%)	(%)
Class A - Accumulation	1.64	1.61
Class A - Income	1.64	1.62
Class B - Accumulation	1.00	0.99
Class B - Income	1.00	0.97

3. Share dealing price range and distribution record

The Fund was launched on 1 April 2007 at a price of 50p for all share classes.

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
2010	44.85	36.56	2.39
2011	46.44	38.83	2.39
Class A - Income			
2007 [†]	52.73	45.92	1.50
2008	49.25	27.34	2.41
2009	35.88	27.21	2.29
2010	36.12	29.95	1.98
2011	36.34	30.23	1.88
Class B - Accumulation			
2007 [†]	53.21	46.35	1.53
2008	50.92	29.31	2.59
2009	41.71	30.31	2.63
2010	45.87	37.31	2.62
2011	47.63	39.85	2.39

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class B - Income			
2007 [†]	52.79	46.03	1.58
2008	49.49	27.61	2.46
2009	36.40	27.51	2.34
2010	36.82	30.49	2.01
2011	37.09	30.95	1.87

[†] 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 2011

	Holding	Market value £	Percentage of total net assets %
United Kingdom - 97.49% (31 Dec 10: 99.30%)			
Aerospace & Defence - 0.00% (31 Dec 10: 0.99%)			
Banks - 3.83% (31 Dec 10: 12.25%)			
HSBC	87,843	431,353	3.83
Chemicals - 0.00% (31 Dec 10: 1.36%)			
Electronics & Electrical Equipment - 1.85% (31 Dec 10: 0.00%)			
Scottish & Southern Energy	16,156	208,412	1.85
Fixed Line Telecommunications - 0.00% (31 Dec 10: 2.47%)			
Food & Drug Retailers - 6.86% (31 Dec 10: 3.28%)			
Booker Group	209,900	155,326	1.38
Morrison (Wm.) Supermarkets	78,254	255,186	2.26
Tesco	90,026	363,210	3.22
Food Producers & Processors - 2.05% (31 Dec 10: 0.00%)			
Associated British Foods	20,890	231,252	2.05
Gas, Water & Multiutilities - 5.55% (31 Dec 10: 4.89%)			
International Power	80,461	271,314	2.41
National Grid	24,496	152,855	1.35
Penngon Group	28,264	201,381	1.79
General Financial - 3.37% (31 Dec 10: 9.19%)			
Ashmore Group	32,434	108,297	0.96
Hargreaves Lansdown	19,611	84,327	0.75
ICAP	21,922	75,960	0.67
Provident Financial	11,897	111,475	0.99

	Holding	Market value £	Percentage of total net assets %
General Industrials - 0.00% (31 Dec 10: 1.15%)			
General Retailers - 1.96% (31 Dec 10: 0.00%)			
WH Smith	41,873	221,299	1.96
Health Care Equipment & Services - 0.00% (31 Dec 10: 0.46%)			
Household Goods - 2.72% (31 Dec 10: 0.00%)			
Reckitt Benckiser Group	9,652	306,934	2.72
Industrial Engineering - 1.49% (31 Dec 10: 2.58%)			
Weir Group	8,244	167,518	1.49
Life Insurance - 4.37% (31 Dec 10: 4.25%)			
Legal & General Group	225,581	231,897	2.06
Prudential	40,862	260,495	2.31
Media - 2.79% (31 Dec 10: 5.45%)			
Pearson	20,237	244,665	2.17
WPP	10,298	69,563	0.62
Mining - 8.89% (31 Dec 10: 11.11%)			
Antofagasta	15,950	193,793	1.72
BHP Billiton	15,712	294,050	2.61
Randgold Resources	2,310	152,114	1.35
Rio Tinto	11,576	361,750	3.21
Mobile Telecommunications - 7.91% (31 Dec 10: 4.70%)			
Vodafone Group	498,180	891,244	7.91
Non Life Insurance - 0.87% (31 Dec 10: 0.00%)			
Admiral Group	11,575	98,619	0.87

	Holding	Market value £	Percentage of total net assets %
Oil & Gas Producers - 17.41% (31 Dec 10: 9.50%)			
BG Group	42,405	583,705	5.18
BP	178,539	820,922	7.28
Royal Dutch Shell 'B'	22,756	558,318	4.95
Oil Equipment, Services & Distribution - 1.77% (31 Dec 10: 0.00%)			
Hunting	26,630	199,326	1.77
Personal Goods - 1.23% (31 Dec 10: 0.00%)			
Burberry Group	11,688	138,503	1.23
Pharmaceuticals & Biotechnology - 10.39% (31 Dec 10: 4.97%)			
GlaxoSmithKline	67,350	990,719	8.79
Shire	8,054	180,410	1.60
Software & Computer Services - 0.53% (31 Dec 10: 2.96%)			
Sage Group	20,448	59,851	0.53
Support Services - 2.93% (31 Dec 10: 7.76%)			
Aggreko	8,818	177,859	1.58
Howden Joinery Group	151,624	151,927	1.35
Tobacco - 8.72% (31 Dec 10: 4.54%)			
British American Tobacco	26,293	803,383	7.13
Imperial Tobacco Group	7,353	179,046	1.59
Travel & Leisure - 0.00% (31 Dec 10: 5.44%)			
<hr/>			
Investment assets		10,988,258	97.49
Net other assets		282,675	2.51
Net assets		£11,270,933	100.00

All holdings are ordinary shares or stock units and admitted to official stock exchange listings or trade on a regulated market unless otherwise stated.

Portfolio movements**For the year ended 31 December 2011**

	Cost £
Major purchases	
British American Tobacco	2,392,079
HSBC	2,114,334
Barclays	1,878,115
National Grid	1,628,942
Royal Dutch Shell 'B'	1,515,998
AstraZeneca	1,377,077
Xstrata	1,234,663
Tesco	1,209,459
SABMiller	1,037,547
Vodafone Group	1,031,259
Rio Tinto	1,024,591
Imperial Tobacco Group	1,024,516
Scottish & Southern Energy	1,007,910
Diageo	920,722
Reckitt Benckiser Group	903,453
Royal Bank of Scotland Group	812,198
Shire	787,861
Standard Chartered	772,870
BP	691,451
Aviva	685,442
Total for the year (Note 14)	£48,047,588

	Proceeds £
Major sales	
HSBC	3,315,134
British American Tobacco	2,573,764
Barclays	2,474,675
National Grid	2,219,531
Rio Tinto	1,746,451
Xstrata	1,705,127
Royal Dutch Shell 'B'	1,589,063
Vodafone Group	1,569,947
AstraZeneca	1,470,969
Tesco	1,420,558
Standard Chartered	1,384,209
Imperial Tobacco Group	1,376,987
Anglo American	1,270,676
Aviva	1,229,457
BP	1,128,756
SABMiller	1,085,569
Centrica	1,074,093
GlaxoSmithKline	994,141
Diageo	971,108
BT Group	869,888
Total for the year (Note 14)	£63,868,268

Statement of total return
For the year ended 31 December 2011

		31 Dec 11		31 Dec 10	
	Notes	£	£	£	£
Income					
Net capital (losses)/gains	2	(1,568,949)		882,991	
Revenue	3	1,324,745	2,087,973		
Expenses	4	(310,437)	(436,088)		
Finance costs: Interest	6	(16)	(497)		
Net revenue before taxation		1,014,292	1,651,388		
Taxation	5	(1,531)	(1,148)		
Net revenue after taxation		1,012,761	1,650,240		
Total return before distributions		(556,188)	2,533,231		
Finance costs: Distributions	6	(1,267,435)	(2,006,281)		
Change in net assets attributable to shareholders from investment activities		£(1,823,623)	£526,950		

Statement of change in net assets attributable to shareholders
For the year ended 31 December 2011

	31 Dec 11		31 Dec 10	
	£	£	£	£
Opening net assets attributable to shareholders		28,457,441		46,545,728
Amounts receivable on issue of shares	2,977,481		5,554,894	
Amounts payable on cancellation of shares	(18,774,767)		(24,877,447)	
		(15,797,286)		(19,322,553)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		(1,823,623)		526,950
Retained distribution on accumulation shares		457,352		748,505
Stamp duty reserve tax		(22,951)		(41,189)
Closing net assets attributable to shareholders		£11,270,933		£28,457,441

Balance sheet**As at 31 December 2011**

	Notes	As at 31 Dec 11 £	As at 31 Dec 10 £
ASSETS			
Investment assets		10,988,258	28,257,364
Debtors	7	75,537	135,391
Cash and bank balances	8	357,025	388,268
Total other assets		432,562	523,659
Total assets		11,420,820	28,781,023
LIABILITIES			
Creditors	9	25,194	185,772
Distribution payable		124,693	137,810
Total liabilities		149,887	323,582
Net assets attributable to shareholders		£11,270,933	£28,457,441

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 11 to 13.

2. Net capital (losses)/gains

	31 Dec 11 £	31 Dec 10 £
Currency losses	(73)	(294)
Derivative contracts	(109,865)	(138,165)
Non-derivative securities	(1,446,034)	1,039,272
Transaction charges	(12,977)	(17,822)
Net capital (losses)/gains	£(1,568,949)	£882,991

3. Revenue

	31 Dec 11 £	31 Dec 10 £
Bank interest	2,381	2,915
Option income	285,345	354,689
Overseas dividends	39,968	90,710
UK franked dividends	997,051	1,596,855
Underwriting commission	-	42,804
	£1,324,745	£2,087,973

4. Expenses

	31 Dec 11 £	31 Dec 10 £
<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	283,099	404,984
Registration fees	12,070	16,822
	295,169	421,806
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	2,722	3,986
	2,722	3,986
<i>Payable to other related parties and third parties:</i>		
Audit fees	10,177	8,563
Professional fees	923	-
Safe custody fees	449	733
Taxation fees	997	1,000
	12,546	10,296
	£310,437	£436,088

5. Taxation

(a) Analysis of tax charge

	31 Dec 11 £	31 Dec 10 £
Overseas tax suffered	1,531	1,148
Total current tax (5.b)	1,531	1,148
Total tax charge	£1,531	£1,148

(b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 10: 20%).

The differences are explained below:

	31 Dec 11 £	31 Dec 10 £
Net revenue before taxation	1,014,292	1,651,388
Corporation tax at 20%	202,858	330,278
<i>Effects of:</i>		
Dividends not subject to corporation tax	(207,403)	(337,513)
Movement in excess expenses	4,545	7,235
Overseas tax suffered	1,531	1,148
	(201,327)	(329,130)
Total tax charge (5.a)	£1,531	£1,148

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 2011 the Fund had excess management expenses of £58,905 (31 Dec 10: £36,178). The deferred tax in respect of this would be £11,781 (31 Dec 10: £7,236). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

6. Finance costs

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

	31 Dec 11 £	31 Dec 10 £
Interim - first quarter	329,834	549,280
Interim - second quarter	305,580	551,364
Interim - third quarter	295,655	505,443
Final	179,678	283,141
	1,110,747	1,889,228
Add: Amounts deducted on cancellation of shares	184,047	167,719
Deduct: Amounts added on issue of shares	(27,359)	(50,666)
Net distributions	1,267,435	2,006,281
Interest	16	497
Total finance costs	£1,267,451	£2,006,778
Net revenue after taxation	1,012,761	1,650,240
Add: Expense charged to capital	309,514	436,088
Add: Revenue brought forward	4,106	4,041
Deduct: Revenue carried forward	(1,588)	(4,106)
Deduct: Tax relief on capital expenses	(57,358)	(79,982)
Net distributions as above	£1,267,435	£2,006,281

Details of the distribution per share are set out in the table on pages 256 to 257.

7. Debtors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Accrued revenue	73,744	127,334
Amounts receivable on issue of shares	1,001	6,393
Overseas tax recoverable	792	1,664
	£75,537	£135,391

8. Cash & bank balances

	As at 31 Dec 11 £	As at 31 Dec 10 £
Cash and bank balances	357,025	388,268
	£357,025	£388,268

9. Creditors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts payable on cancellation of shares	-	106,169
Expense accruals	25,194	79,603
	£25,194	£185,772

10. Equalisation

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

11. Contingent liabilities

At 31 December 2011 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 2011 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £11,598 and £1,686 respectively (31 Dec 2010: £62,032 and £3,809).

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

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the 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 18 to 20.

(a) Interest rate risk

At the year end date 3.17% (31 Dec 10: 1.36%) of the fund's net assets were interest bearing.

(b) Currency exposure

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

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

(c) Fair value of financial assets and financial liabilities

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

14. Portfolio transaction costs

	31 Dec 11		31 Dec 10	
Analysis of total purchase costs	£	£	£	£
Purchases in year before transaction costs		47,763,332		67,641,575
Commissions & taxes	284,256		405,943	
Total purchase costs		284,256		405,943
Gross purchase total		£48,047,588		£68,047,518

	31 Dec 11		31 Dec 10	
Analysis of total sale costs	£	£	£	£
Gross sales in year before transaction costs		63,947,590		85,573,104
Commissions & taxes	(79,322)		(96,387)	
Total sale costs		(79,322)		(96,387)
Total sales net of transaction costs		£63,868,268		£85,476,717

Distribution table**For the year ended 31 December 2011 (in pence per share)****Final dividend distribution**

Group 1: Shares purchased prior to 1 October 2011

Group 2: Shares purchased between 1 October 2011 and 31 December 2011

	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 29/02/12 (p)	<i>Distribution paid 28/02/11 (p)</i>
Class A - Accumulation				
Group 1	0.74	-	0.74	0.58
Group 2	0.26	0.48	0.74	0.58
Class A - Income				
Group 1	0.53	-	0.53	0.27
Group 2	0.14	0.39	0.53	0.27
Class B - Accumulation				
Group 1	0.74	-	0.74	0.63
Group 2	0.74	0.00	0.74	0.63
Class B - Income				
Group 1	0.52	-	0.52	0.29
Group 2	0.00	0.52	0.52	0.29

Third quarter dividend distribution

Group 1: Shares purchased prior to 1 July 2011

Group 2: Shares purchased between 1 July 2011 and 30 September 2011

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 30/11/11 (p)	<i>Distribution paid 30/11/10 (p)</i>
Class A - Accumulation				
Group 1	0.55	-	0.55	0.60
Group 2	0.03	0.52	0.55	0.60
Class A - Income				
Group 1	0.45	-	0.45	0.60
Group 2	0.06	0.39	0.45	0.60
Class B - Accumulation				
Group 1	0.55	-	0.55	0.60
Group 2	0.00	0.55	0.55	0.60
Class B - Income				
Group 1	0.45	-	0.45	0.60
Group 2	0.08	0.37	0.45	0.60

Second quarter dividend distribution

Group 1: Shares purchased prior to 1 April 2011

Group 2: Shares purchased between 1 April 2011 and 30 June 2011

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/11 (p)	<i>Distribution paid 31/08/10 (p)</i>
Class A - Accumulation				
Group 1	0.55	-	0.55	0.60
Group 2	0.11	0.44	0.55	0.60
Class A - Income				
Group 1	0.45	-	0.45	0.59
Group 2	0.14	0.31	0.45	0.59
Class B - Accumulation				
Group 1	0.55	-	0.55	0.60
Group 2	0.20	0.35	0.55	0.60
Class B - Income				
Group 1	0.45	-	0.45	0.60
Group 2	0.14	0.31	0.45	0.60

First quarter dividend distribution

Group 1: Shares purchased prior to 1 January 2011

Group 2: Shares purchased between 1 January 2011 and 31 March 2011

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/05/11 (p)	<i>Distribution paid 31/05/10 (p)</i>
Class A - Accumulation				
Group 1	0.55	-	0.55	0.61
Group 2	0.25	0.30	0.55	0.61
Class A - Income				
Group 1	0.45	-	0.45	0.52
Group 2	0.34	0.11	0.45	0.52
Class B - Accumulation				
Group 1	0.55	-	0.55	0.79
Group 2	0.00	0.55	0.55	0.79
Class B - Income				
Group 1	0.45	-	0.45	0.52
Group 2	0.32	0.13	0.45	0.52

UBS UK Opportunities Fund

Manager's report

Investment objective and policy

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

Market environment

Despite the troubles in the eurozone, the UK market proved robust in 2011 with the FTSE All-Share only falling 3.5% during the period under review. As risk aversion came to the fore in 2011, defensive sectors such as consumer goods, healthcare and tobacco performed best, whereas banks and miners did poorly.

Having started the year at 4%, headline inflation peaked at 5.2% in September before falling back to 4.2% in December, but it has still been above the government set-target of 2% in every December since 2005. In the face of this the Monetary Policy Committee kept interest rates on hold at 0.5% throughout the course of the year, although in October it expanded its quantitative easing programme from £200 billion to £275 billion to provide added stimulus to the economy.

Fund performance

The Fund underperformed its benchmark, the FTSE All-Share, during the period under review. It posted performance of -9.1%* compared to the benchmark which posted performance of -3.5%, both in Sterling terms.

The Fund's overweight position in the biopharmaceutical company Shire, resulted in it being the largest stock contributor to performance over the period under review. During the course of 2011, the company delivered robust performance, with the share price rising by more than 46%, in Sterling terms.

Lloyds Banking Group was also a significant stock contributor to relative performance during the period under review. While the bank's share price fell by more than 60%, in Sterling terms, in 2011, active management of our holdings within this stock proved beneficial to relative performance.

An overweight stance in Royal Dutch Shell 'B' was another significant stock contributor to performance during the period under review. The oil giant's 'B' share price rose by more than 22% in Sterling terms, over the course of 2011. The largest detractor from performance resulted from a zero weight to Royal Dutch Shell 'A' throughout the period; as the share price rose by 16.3% over the year.

Another significant detractor from performance resulted in the holding to Ashtead Group, a stock the manager sold out of the portfolio by the period end.

At an industry level, stock selection within and an underweight position to banks proved most beneficial to relative performance, whereas stock selection within industrial goods and services detracted from relative performance.

Outlook

2011 was another year dominated by macro-economics. The Fund portfolio is primarily constructed through bottom up stock selection, rather than top down asset allocation. This leads us to our long-term core investment objective of being invested in high quality businesses. Although 2011 may not have been a favourable environment for the Fund to invest in, we believe stock selection opportunities overall are presently at above average level, providing us with confidence we can add considerable value relative to the market, despite current economic conditions.

Inflation is predicted to expected to remain above 2% in the near-term, but to fall sharply towards the end of 2012 as temporary factors such as high commodity prices erase. Meanwhile the dovish tone of the MPC's December minutes makes the possibility of further quantitative easing ('QE') more likely in the first half of 2012.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2011, based on A shares.

Percentage growth

	31/12/10 to 31/12/11 %	31/12/09 to 31/12/10 %	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	31/12/06 to 31/12/07 %
Class A - Accumulation Shares	-9.06	13.99	20.61	-35.02	-1.67
Class B - Accumulation Shares	-8.47	14.72	21.40	-34.61	-1.03

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

26 March 2012

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 (£)
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
2010	Class A - Accumulation	3,378,016	66.6	2,248,406
	Class B - Accumulation	73,781,001	70.4	51,934,152
				£54,182,558
2011	Class A - Accumulation	3,202,486	60.9	1,952,676
	Class B - Accumulation	64,211,096	64.9	41,672,435
				£43,625,111

* 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 11 (%)	31 Dec 10 (%)
Class A - Accumulation	1.60	1.60
Class B - Accumulation	0.96	0.96

3. Share dealing price range and distribution record

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

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class A - Accumulation			
2007	84.25	72.75	0.95
2008	75.82	41.26	1.69
2009	59.09	41.07	1.50
2010	67.22	54.34	1.08
2011	69.47	53.95	0.79
Class B - Accumulation			
2007	87.15	75.42	1.50
2008	78.67	43.02	2.16
2009	62.04	42.93	1.93
2010	71.09	57.29	1.55
2011	73.71	57.34	1.27

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 2011

	Holding	Market value £	Percentage of total net assets %
United Kingdom - 97.49% (31 Dec 10: 98.50%)			
Aerospace & Defence - 1.59% (31 Dec 10: 1.37%)			
Rolls Royce Group	92,105	687,103	1.58
Rolls Royce Group 'C' Shares (January 2012)*	5,585,481	5,585	0.01
Banks - 7.57% (31 Dec 10: 12.67%)			
Barclays	254,131	447,143	1.02
HSBC	396,587	1,947,440	4.46
Standard Chartered	64,813	913,215	2.09
Beverages - 2.68% (31 Dec 10: 4.22%)			
Diageo	36,376	511,628	1.17
SABMiller	29,091	659,348	1.51
Chemicals - 0.77% (31 Dec 10: 0.00%)			
Croda International	18,616	335,833	0.77
Electricity - 1.23% (31 Dec 10: 1.57%)			
Scottish & Southern Energy	41,575	536,318	1.23
Electronic & Electrical Equipment - 0.58% (31 Dec 10: 0.00%)			
Domino Printing Sciences	49,919	252,590	0.58
Equity Investment Instruments - 0.00% (31 Dec 10: 2.02%)			
Financial Services - 1.78% (31 Dec 10: 0.00%)			
Ashmore Group	158,949	530,731	1.22
Hargreaves Lansdown	56,438	242,683	0.56
Food & Drug Retailers - 3.73% (31 Dec 10: 2.51%)			
Booker Group	290,184	214,736	0.49
Morrison (Wm.) Supermarkets	147,599	481,320	1.10

	Holding	Market value £	Percentage of total net assets %
Tesco	231,079	932,288	2.14
Food Producers - 2.06% (31 Dec: 0.00%)			
Unilever	41,583	899,024	2.06
Gas, Water & Multiutilities - 2.42% (31 Dec 10: 0.00%)			
International Power	162,734	548,739	1.26
Pennon Group	70,721	503,887	1.16
General Financial - 0.00% (31 Dec 10: 3.81%)			
ACP Mezzanine Limited#	930,003	777	-
General Industrials - 0.00% (31 Dec 10: 1.06%)			
General Retailers - 1.22% (31 Dec 10: 1.45%)			
Ted Baker	49,704	315,869	0.72
WH Smith	41,662	220,184	0.50
Household Goods - 2.90% (31 Dec 10: 0.00%)			
Berkeley Group 'B'	16,901	214,474	0.49
Reckitt Benckiser Group	33,057	1,051,213	2.41
Industrial Engineering - 3.33% (31 Dec 10: 2.42%)			
Fenner	57,362	228,932	0.52
Spirax-Sarco Engineering	14,652	273,553	0.63
Weir Group	46,826	951,504	2.18
Industrial Metals - 0.77% (31 Dec 10: 0.00%)			
First Quantum Minerals	27,734	333,917	0.77
Industrial Transportation - 0.00% (31 Dec 10: 0.54%)			
Life Insurance - 1.65% (31 Dec 10: 2.97%)			
Prudential	112,712	718,539	1.65

	Holding	Market value £	Percentage of total net assets %
Media - 5.57% (31 Dec 10: 4.31%)			
Aegis Group	130,209	187,631	0.43
British Sky Broadcasting Group	127,342	932,780	2.14
Pearson	76,799	928,500	2.13
Rightmove Group	9,190	114,048	0.26
WPP	39,506	266,863	0.61
Mining - 8.36% (31 Dec 10: 9.94%)			
African Minerals	40,486	176,721	0.41
BHP Billiton	42,673	798,625	1.83
Kenmare Resources	1,219,470	560,834	1.29
Randgold Resources	3,321	218,688	0.50
Rio Tinto	37,362	1,167,563	2.68
Xstrata	73,776	720,054	1.65
Mobile Telecommunications - 6.37% (31 Dec 10: 2.85%)			
Vodafone Group	1,552,727	2,777,829	6.37
Non Life Insurance - 0.38% (31 Dec 10: 0.00%)			
Admiral Group	19,307	164,496	0.38
Oil & Gas Producers - 19.12% (31 Dec 10: 13.28%)			
BG Group	127,842	1,759,745	4.03
BP	408,783	1,879,584	4.31
Premier Oil	114,921	415,899	0.95
Royal Dutch Shell 'B'	145,022	3,558,115	8.16
Salamander Energy	107,888	216,100	0.50
Tullow Oil	36,414	508,339	1.17
Oil Equipment, Services & Distribution - 3.20% (31 Dec 10: 2.96%)			
Hunting	139,191	1,041,845	2.39
Wood Group (John)	55,227	353,453	0.81

	Holding	Market value £	Percentage of total net assets %
Personal Goods - 0.00% (31 Dec 10: 1.09%)			
Pharmaceuticals & Biotechnology - 9.78% (31 Dec 10: 6.13%)			
GlaxoSmithKline	179,525	2,640,813	6.05
Shire	65,635	1,470,224	3.37
Vectura Group	285,147	158,969	0.36
Real Estate Investment Trusts - 1.61% (31 Dec 10: 0.00%)			
Derwent London	37,461	581,769	1.33
Metric Property Investments	145,849	123,972	0.28
Software & Computer Services - 3.15% (31 Dec 10: 3.52%)			
AVEVA Group	45,019	641,071	1.47
Sage Group	76,105	222,759	0.51
Telecity Group	79,188	510,763	1.17
Support Services - 1.21% (31 Dec 10: 9.07%)			
Babcock International Group	30,069	220,556	0.51
Howden Joinery Group	304,870	305,480	0.70
Tobacco - 3.68% (31 Dec 10: 1.94%)			
British American Tobacco	52,492	1,603,893	3.68
Travel & Leisure - 0.78% (31 Dec 10: 6.80%)			
Domino's Pizza	84,990	342,085	0.78
<hr/>			
Investment assets		42,528,639	97.49
Net other assets		1,096,472	2.51
<hr/>			
Net assets		£43,625,111	100.00

All holdings are ordinary shares or stock units and admitted to official stock exchange listings or trade on a regulated market unless otherwise stated.

Delisted security

* Unquoted security

Portfolio movements**For the year ended 31 December 2011**

	Cost £
Major purchases	
Xstrata	3,316,799
Barclays	3,258,843
Rio Tinto	2,938,992
British American Tobacco	2,733,193
Anglo American	2,553,048
Vodafone Group	2,248,153
British Sky Broadcasting Group	2,105,144
Reckitt Benckiser Group	2,104,476
Weir Group	2,046,858
HSBC	2,018,419
Kingfisher	1,934,537
Tesco	1,918,882
Hunting	1,916,497
Scottish & Southern Energy	1,850,448
Diageo	1,826,594
BHP Billiton	1,732,890
BG Group	1,713,200
GlaxoSmithKline	1,637,056
Royal Dutch Shell 'B'	1,617,478
Tullow Oil	1,591,006
Total for the year (Note 14)	£102,036,781

	Proceeds £
Major sales	
Barclays	3,960,240
Xstrata	3,208,702
Rio Tinto	2,985,744
BHP Billiton	2,349,996
HSBC	2,338,535
Anglo American	2,320,417
Prudential	2,148,054
Tesco	1,999,540
Kingfisher	1,788,483
Imperial Tobacco Group	1,785,970
International Personal Finance	1,746,039
IMI	1,624,692
Shire	1,613,665
Weir Group	1,574,383
Burberry Group	1,492,174
Compass Group	1,469,824
Experian	1,464,761
Aberdeen Asset Management	1,400,574
Diageo	1,397,515
British Sky Broadcasting Group	1,355,539
Total for the year (Note 14)	£107,860,158

Statement of total return
For the year ended 31 December 2011

		31 Dec 11		31 Dec 10	
	Notes	£	£	£	£
Income					
Net capital (losses)/gains	2	(5,019,590)		5,902,308	
Revenue	3	1,404,068	1,870,068		
Expenses	4	(485,497)	(534,430)		
Finance costs: Interest	6	-	(5)		
Net revenue before taxation		918,571	1,335,633		
Taxation	5	(3,873)	-		
Net revenue after taxation		914,698	1,335,633		
Total return before distributions		(4,104,892)	7,237,941		
Finance costs: Distributions	6	(914,559)	(1,340,286)		
Change in net assets attributable to shareholders from investment activities		£(5,019,451)	£5,897,655		

Statement of change in net assets attributable to shareholders
For the year ended 31 December 2011

	31 Dec 11		31 Dec 10	
	£	£	£	£
Opening net assets attributable to shareholders		54,182,558		56,325,202
Amounts receivable on issue of shares	2,420,092	1,899,745		
Amounts payable on cancellation of shares	(8,818,335)	(11,172,592)		
		(6,398,243)		(9,272,847)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		(5,019,451)		5,897,655
Retained distribution on accumulation shares		869,357		1,241,012
Stamp duty reserve tax		(9,110)		(8,464)
Closing net assets attributable to shareholders		£43,625,111		£54,182,558

Balance sheet**As at 31 December 2011**

	Notes	As at 31 Dec 11 £	As at 31 Dec 10 £
ASSETS			
Investment assets		42,528,639	53,368,500
Debtors	7	768,286	159,198
Cash and bank balances	8	463,290	813,853
Total other assets		1,231,576	973,051
Total assets		43,760,215	54,341,551
LIABILITIES			
Creditors	9	135,104	158,993
Total liabilities		135,104	158,993
Net assets attributable to shareholders		£43,625,111	£54,182,558

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 11 to 13.

2. Net capital (losses)/gains

	31 Dec 11 £	31 Dec 10 £
Currency gains	1,279	4,768
Non-derivative securities	(5,016,465)	5,900,480
Transaction charges	(4,404)	(2,940)
Net capital (losses)/gains	£(5,019,590)	£5,902,308

3. Revenue

	31 Dec 11 £	31 Dec 10 £
Bank interest	59	2,574
Overseas dividends	49,524	133,148
Property revenue distributions	2,168	-
Stock dividends	13,772	-
UK franked dividends	1,338,545	1,731,242
Underwriting commission	-	3,104
	£1,404,068	£1,870,068

4. Expenses

	31 Dec 11 £	31 Dec 10 £
<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	454,705	502,603
Registration fees	15,558	17,214
	470,263	519,817
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	5,849	6,254
	5,849	6,254
<i>Payable to other related parties and third parties:</i>		
Audit fees	6,475	6,359
Professional fees	923	-
Safe custody fees	990	1,000
Taxation fees	997	1,000
	9,385	8,359
	£485,497	£534,430

5. Taxation

(a) Analysis of tax charge

	31 Dec 11 £	31 Dec 10 £
Overseas tax suffered	3,873	-
Total current tax (5.b)	3,873	-
Total tax charge	£3,873	-

(b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 10: 20%).

The differences are explained below:

	31 Dec 11 £	31 Dec 10 £
Net revenue before taxation	918,571	1,335,633
Corporation tax at 20%	183,714	267,126
<i>Effects of:</i>		
Dividends not subject to corporation tax	(280,368)	(372,878)
Movement in excess expenses	96,654	105,752
Overseas tax suffered	3,873	-
	(179,841)	(267,126)
Total tax charge (5.a)	£3,873	-

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 2011 the Fund had excess management expenses of £4,278,234 (31 Dec 10: £3,794,963). The deferred tax in respect of this would be £855,647 (31 Dec 10: £758,993). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

6. Finance costs

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

	31 Dec 11 £	31 Dec 10 £
Interim	425,052	854,933
Final	444,305	386,079
	869,357	1,241,012
Add: Amounts deducted on cancellation of shares	55,932	106,700
Deduct: Amounts added on issue of shares	(10,730)	(7,426)
Net distributions	914,559	1,340,286
Interest	-	5
Total finance costs	£914,559	£1,340,291
Net revenue after taxation	914,698	1,335,633
Add: Revenue brought forward	4,097	8,750
Deduct: Revenue carried forward	(4,236)	(4,097)
Net distributions as above	£914,559	£1,340,286

Details of the distribution per share are set out in the table on page 273.

7. Debtors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Accrued revenue	167,347	136,697
Amounts receivable on issue of shares	14,582	14,674
Overseas tax recoverable	3,131	1,968
Property income tax recoverable	-	5,859
Sales awaiting settlement	583,226	-
	£768,286	£159,198

8. Cash & bank balances

	As at 31 Dec 11 £	As at 31 Dec 10 £
Cash and bank balances	463,290	813,853
	£463,290	£813,853

9. Creditors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts payable on cancellation of shares	6,270	40,375
Expense accruals	43,251	98,296
Purchases awaiting settlement	85,583	20,322
	£135,104	£158,993

10. Equalisation

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

11. Contingent liabilities

At 31 December 2011 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 2011 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £33,541 and £1,151 respectively (31 Dec 2010: £85,825 and £2,938).

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

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the 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 18 to 20.

(a) Interest rate risk

At the year end date 1.06% (31 Dec 10: 1.50%) of the fund's net assets were interest bearing.

(b) Currency exposure

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

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

(c) Fair value of financial assets and financial liabilities

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

14. Portfolio transaction costs

	31 Dec 11	31 Dec 10
Analysis of total purchase costs	£	£
Purchases in year before transaction costs	101,424,064	46,563,013
Commissions & taxes	612,717	285,708
Total purchase costs	612,717	285,708
Gross purchase total	£102,036,781	£46,848,721
Analysis of total sale costs	£	£
Gross sales in year before transaction costs	108,008,884	53,785,015
Commissions & taxes	(148,726)	(101,970)
Total sale costs	(148,726)	(101,970)
Total sales net of transaction costs	£107,860,158	£53,683,045

Distribution table**For the year ended 31 December 2011 (in pence per share)****Final dividend distribution**

Group 1: Shares purchased prior to 1 July 2011

Group 2: Shares purchased between 1 July 2011 and 31 December 2011

	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 29/02/12 (p)	<i>Distribution paid 28/02/11 (p)</i>
Class A - Accumulation				
Group 1	0.44	-	0.44	0.29
Group 2	0.12	0.32	0.44	0.29
Class B - Accumulation				
Group 1	0.67	-	0.67	0.51
Group 2	0.25	0.42	0.67	0.51

Interim dividend distribution

Group 1: Shares purchased prior to 1 January 2011

Group 2: Shares purchased between 1 January 2011 and 30 June 2011

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/11 (p)	<i>Distribution paid 31/08/10 (p)</i>
Class A - Accumulation				
Group 1	0.35	-	0.35	0.79
Group 2	0.14	0.21	0.35	0.79
Class B - Accumulation				
Group 1	0.60	-	0.60	1.04
Group 2	0.39	0.21	0.60	1.04

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

In a stockmarket dominated by the eurozone crisis, investors opted for perceived safe havens. As a result UK smaller companies, which are less liquid than larger companies and therefore typically seen as a riskier asset class, did not fare particularly well. Like their larger peers, smaller companies also faced several macroeconomic headwinds, most notably the continuation of a low growth environment which has resulted from banks cutting their lending.

Having started the year at 4%, headline inflation peaked at 5.2% in September before falling back to 4.2% in December, but it has still been above the government set-target of 2% in every December since 2005. In the face of this the Monetary Policy Committee kept interest rates on hold at 0.5% throughout the course of the year, although in October it expanded its quantitative easing programme from £200 billion to £275 billion to provide added stimulus to the economy.

Fund performance

The Fund underperformed its benchmark, the Hoare Govett Smaller Companies (ex ITs) Index, during the period under review. It posted performance of -19.7%*, compared to the benchmark which fell by 9.1%, both in Sterling terms.

A material weight to the luxury retailer Mulberry Group was the largest stock contributor to performance over the period under review. An overweight to the polymers company Fenner was the second largest stock contributor to performance on a relative basis. During the calendar year 2011, the company's share price rose over 14% in Sterling terms.

An overweight position to Theo-Fennell, an AIM-listed jeweller, was the largest stock detractor to performance over the period under review on a relative basis. Owing to a depressed UK consumer market, trading was weak in the Christmas period and the company is in the process of an in-depth restructuring of its cost base in an attempt to improve performance.

At a sector level being underweight in the retail sector was the largest contributor to relative performance, after the sector fell over 23% in Sterling terms during the period under review. Stock selection within the personal and households' goods sector resulted in it being the largest detractor to performance, on a relative basis.

Outlook

2011 was another year dominated by macro-economics. The Fund portfolio is primarily constructed through bottom up stock selection, rather than top down asset allocation. This leads us to our long-term core investment objective of being invested in high quality businesses. Although 2011 may not have been a favourable environment for the Fund to invest in, we believe stock selection opportunities overall are presently at above average level, providing us with confidence we can add considerable value relative to the market, despite current economic conditions.

Inflation is predicted to remain above 2% in the near-term, but to fall sharply towards the end of 2012 as temporary factors such as high commodity prices erode. Meanwhile the dovish tone of the MPC's December minutes makes the possibility of further quantitative easing ('QE') more likely in the first half of 2012.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2011, based on A shares.

Percentage growth

	31/12/10 to 31/12/11 %	31/12/09 to 31/12/10 %	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	31/12/06 to 31/12/07 %
Class A - Accumulation Shares	-19.74	11.44	52.55	-53.59	-0.96
Class B - Accumulation Shares	-19.23	12.15	53.53	-53.29	-0.32

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

26 March 2012

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 (£)
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
2010	Class A - Accumulation	8,499,722	126.3	10,731,939
	Class B - Accumulation	10,542,096	133.0	14,022,712
				£24,754,651
2011	Class A - Accumulation	4,390,006	101.5	4,454,965
	Class B - Accumulation	7,800,381	107.6	8,392,113
				£12,847,078

* 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 11 (%)	31 Dec 10 (%)
Class A - Accumulation	1.64	1.61
Class B - Accumulation	0.99	0.97

3. Share dealing price range and distribution record

The Fund was launched on 17 February 2003 at a price of 50p for Class A and B Accumulation shares.

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class A - Accumulation			
2007	194.27	156.34	-
2008	161.58	74.14	0.69
2009	122.82	70.82	0.90
2010	127.53	105.25	0.02
2011	130.15	96.47	0.13
Class B - Accumulation			
2007	200.18	161.54	-
2008	166.99	77.11	1.07
2009	128.41	73.75	1.59
2010	134.35	110.53	0.43
2011	137.16	102.12	0.79

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 2011

	Holding	Market value £	Percentage of total net assets %
Bermuda - 0.00% (31 Dec 10: 2.88%)			
Oil & Gas Producers - 0.00% (31 Dec 10: 2.88%)			
British Virgin Islands - 1.14% (31 Dec 10: 0.82%)			
Real Estate - 1.14% (31 Dec 10: 0.82%)			
Public Service Properties Investment	249,223	145,795	1.14
Canada - 1.92% (31 Dec 10: 0.00%)			
Industrial Metals - 0.86% (31 Dec 10: 0.00%)			
Afferro Mining	200,000	111,000	0.86
Mining - 1.06% (31 Dec 10: 0.00%)			
Aureus Mining	200,000	136,000	1.06
Guernsey - 0.00% (31 Dec 10: 1.61%)			
Financial Services - 0.00% (31 Dec 10: 1.61%)			
Isle of Man - 0.00% (31 Dec 10: 1.06%)			
Electricity - 0.00% (31 Dec 10: 1.06%)			
Jersey - 6.76% (31 Dec 10: 2.66%)			
Real Estate - 2.66% (31 Dec 10: 1.42%)			
LXB Retail Properties	333,026	341,352	2.66
Software & Computer Services - 3.04% (31 Dec 10: 1.24%)			
CSF Group	650,000	390,000	3.04
Support Services - 1.06% (31 Dec 10: 0.00%)			
Waterlogic	81,003	136,085	1.06
Israel - 0.00% (31 Dec 10: 0.92%)			
Technology Hardware & Equipment - 0.00% (31 Dec 10: 0.92%)			
Luxembourg - 4.10% (31 Dec 10: 3.96%)			
Financial Services - 4.10% (31 Dec 10: 3.96%)			

	Holding	Market value £	Percentage of total net assets %
GlobeOp Financial Services	184,783	526,632	4.10
United Kingdom - 85.24% (31 Dec 10: 83.21%)			
Aerospace & Defence - 3.36% (31 Dec 10: 0.00%)			
Senior	252,112	431,112	3.36
Chemicals - 6.23% (31 Dec 10: 0.00%)			
Elementis	135,910	186,333	1.45
Yule Catto & Co	373,889	613,926	4.78
Construction & Materials - 1.61% (31 Dec 10: 3.61%)			
Galliford Try	42,481	201,785	1.57
Superglass	21,000	4,514	0.04
Electronic & Electrical Equipment - 1.25% (31 Dec 10: 0.00%)			
Domino Printing Sciences	31,650	160,149	1.25
Financial Services - 9.31% (31 Dec 10: 4.71%)			
Ashcourt Rowan	418,153	459,968	3.58
Brooks Macdonald Group	17,727	188,970	1.47
Hargreaves Lansdown	85,622	368,175	2.87
International Personal Finance	104,846	178,238	1.39
Fixed Line Telecommunications - 2.94% (31 Dec 10: 0.00%)			
Telecom Plus	49,134	377,103	2.94
Food & Drug Retailers - 4.43% (31 Dec 10: 0.00%)			
Booker Group	705,700	522,218	4.06
Ocado Group	88,236	48,000	0.37
Food Producers & Processors - 5.37% (31 Dec 10: 6.11%)			
Cranswick	30,289	222,776	1.73
Devro	182,078	467,940	3.64

	Holding	Market value £	Percentage of total net assets %
General Financial - 2.81% (31 Dec 10: 1.57%)			
Aberdeen Asset Management Warrant	3	3,390	0.03
H&T Group	112,561	356,818	2.78
General Retailers - 4.58% (31 Dec 10: 8.10%)			
Expansys	2,894,161	34,730	0.27
Mulberry Group	29,382	433,091	3.37
Ted Baker	18,947	120,408	0.94
Health Care Equipment & Services - 2.25% (31 Dec 10: 1.60%)			
Consort Medical	7,873	41,727	0.32
Optos	114,221	247,860	1.93
Household Goods & Home Construction - 1.56% (31 Dec 10: 0.00%)			
Berkeley Group 'B'	15,818	200,730	1.56
Industrial Engineering - 10.46% (31 Dec 10: 5.48%)			
Fenner	197,470	788,103	6.13
Rotork	28,857	556,074	4.33
Industrial Metals - 0.93% (31 Dec 10: 0.00%)			
London Mining	40,400	119,584	0.93
Media - 0.00% (31 Dec 10: 3.40%)			
Mining - 1.48% (31 Dec 10: 5.70%)			
Kenmare Resources	412,474	189,697	1.48
Mobile Telecommunications - 1.12% (31 Dec 10: 0.00%)			
Avanti Communications Group	49,987	144,462	1.12
Oil & Gas Producers - 1.61% (31 Dec 10: 2.34%)			
Encore Oil	279,968	207,176	1.61
Oil Equipment, Services & Distribution - 9.60% (31 Dec 10: 0.00%)			
Cape	161,206	525,532	4.09
Hunting	94,536	707,602	5.51

	Holding	Market value £	Percentage of total net assets %
Personal Goods - 1.87% (31 Dec 10: 4.27%)			
Theo Fennell	1,601,316	240,197	1.87
Pharmaceuticals & Biotechnology - 1.72% (31 Dec 10: 0.78%)			
Abcam	60,700	221,555	1.72
Real Estate - 0.15% (31 Dec 10: 8.22%)			
Colliers Cre	1,736,616	19,450	0.15
Newriver Retail Warrants	16,660	-	-
Software & Computer Services - 2.75% (31 Dec 10: 5.60%)			
Advanced Computer Software	751,874	353,381	2.75
Support Services - 4.23% (31 Dec 10: 10.17%)			
Hargreaves Services	15,598	167,679	1.31
Howden Joinery Group	342,684	343,369	2.67
Styles & Wood Group	391,977	32,338	0.25
Technology Hardware & Equipment - 1.04% (31 Dec 10: 2.91%)			
Nanoco Group	268,401	134,201	1.04
Torex Retail [#]	145,358	-	-
Travel & Leisure - 2.58% (31 Dec 10: 8.64%)			
Domino's Pizza	82,461	331,906	2.58
<hr/>			
Investment assets		12,739,131	99.16
Net other assets		107,947	0.84
<hr/>			
Net assets		£12,847,078	100.00

All holdings are ordinary shares or stock units and admitted to official stock exchange listings or trade on a regulated market unless otherwise stated.

[#]Suspended security

Portfolio movements**For the year ended 31 December 2011**

	Cost £
Major purchases	
Yule Catto & Co	791,254
Hunting	767,555
International Personal Finance	757,329
Ultra Electronics Holdings	642,914
Bellway	513,724
Senior	469,993
Elementis	446,145
Booker Group	433,990
LXB Retail Properties	381,506
Encore Oil	323,345
Telecom Plus	313,258
Henderson Group	288,688
SThree	287,133
New Britain Palm Oil	259,988
Kenmare Resources	221,258
Brooks Macdonald Group	220,455
Ocado Group	198,936
Hargreaves Lansdown	198,698
Berkeley Group	197,596
Optos	196,688
Total for the year (Note 14)	£9,006,913

	Proceeds £
Major sales	
Toluna	1,040,103
Newriver Retail	879,534
Zetar	817,190
Lupus Capital	796,392
LSL Property Services	644,153
Ultra Electronics Holdings	625,402
Flybe Group	612,522
Topps Tiles	596,109
SThree	586,423
Bellway	560,981
AVEVA Group	500,493
Afferro Mining	492,239
Travis Perkins	461,068
Central Asia Metals	434,369
LXB Retail Properties	399,031
GlobeOp Financial Services	377,727
Mulberry Group	371,599
Sportingbet	357,146
Petroceltic International	354,704
Nanoco Group	346,864
Total for the year (Note 14)	£16,739,075

Statement of total return
For the year ended 31 December 2011

		31 Dec 11		31 Dec 10	
	Notes	£	£	£	£
Income					
Net capital (losses)/gains	2	(3,572,521)		2,854,152	
Revenue	3	301,649	410,645		
Expenses	4	(225,598)	(382,419)		
Finance costs: Interest	6	-	(2)		
Net revenue before taxation		76,051	28,224		
Taxation	5	(2,674)	(3,363)		
Net revenue after taxation		73,377		24,861	
Total return before distributions		(3,499,144)		2,879,013	
Finance costs: Distributions	6	(80,274)		(63,659)	
Change in net assets attributable to shareholders from investment activities		£(3,579,418)		£2,815,354	

Statement of change in net assets attributable to shareholders
For the year ended 31 December 2011

	31 Dec 11		31 Dec 10	
	£	£	£	£
Opening net assets attributable to shareholders		24,754,651		36,057,490
Amounts receivable on issue of shares	2,242,771		5,607,305	
Amounts payable on cancellation of shares	(10,634,627)		(19,764,380)	
		(8,391,856)		(14,157,075)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		(3,579,418)		2,815,354
Retained distribution on accumulation shares		75,450		55,025
Stamp duty reserve tax		(11,749)		(16,143)
Closing net assets attributable to shareholders		£12,847,078		£24,754,651

Balance sheet**As at 31 December 2011**

	Notes	As at 31 Dec 11 £	As at 31 Dec 10 £
ASSETS			
Investment assets		12,739,131	24,041,331
Debtors	7	8,262	32,758
Cash and bank balances	8	125,495	741,097
Total other assets		133,757	773,855
Total assets		12,872,888	24,815,186
LIABILITIES			
Creditors	9	25,810	60,535
Total liabilities		25,810	60,535
Net assets attributable to shareholders		£12,847,078	£24,754,651

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 11 to 13.

2. Net capital (losses)/gains

	31 Dec 11 £	31 Dec 10 £
Currency gains	-	14
Non-derivative securities	(3,570,039)	2,858,601
Transaction charges	(2,482)	(4,463)
Net capital (losses)/gains	£(3,572,521)	£2,854,152

3. Revenue

	31 Dec 11 £	31 Dec 10 £
Bank interest	9	1,507
Interest on debt securities	-	5,122
Overseas dividends	60,798	55,562
Property revenue distributions	3,598	-
UK franked dividends	237,244	348,454
	£301,649	£410,645

4. Expenses

	31 Dec 11 £	31 Dec 10 £
<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	206,406	356,143
Registration fees	8,306	14,837
	214,712	370,980
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	2,183	3,488
	2,183	3,488
<i>Payable to other related parties and third parties:</i>		
Audit fees	6,475	6,358
Professional fees	923	-
Safe custody fees	308	593
Taxation fees	997	1,000
	8,703	7,951
	£225,598	£382,419

5. Taxation

(a) Analysis of tax charge

	31 Dec 11 £	31 Dec 10 £
Overseas tax suffered	2,674	3,363
Total current tax (5.b)	2,674	3,363
Total tax charge	£2,674	£3,363

(b) Factors affecting current tax charge

The tax charged for the year is lower than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 10: 20%).

The differences are explained below:

	31 Dec 11 £	31 Dec 10 £
Net revenue before taxation	76,051	28,224
Corporation tax at 20%	15,210	5,645
<i>Effects of:</i>		
Dividends not subject to corporation tax	(58,008)	(78,238)
Overseas tax suffered	2,674	3,363
Movement in excess expenses	42,798	72,593
	(12,536)	(2,282)
Total tax charge (5.a)	£2,674	£3,363

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 2011 the Fund had excess management expenses of £3,579,567 (31 Dec 10: £3,365,576). The deferred tax in respect of this would be £715,913 (31 Dec 10: £673,115). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

6. Finance costs

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

	31 Dec 11 £	31 Dec 10 £
Interim	59,849	52,917
Final	15,601	2,108
	75,450	55,025
Add: Amounts deducted on cancellation of shares	5,361	8,946
Deduct: Amounts added on issue of shares	(537)	(312)
Net distributions	80,274	63,659
Interest	-	2
Total finance costs	£80,274	£63,661
Net revenue after taxation	73,377	24,861
Add: Revenue brought forward	32	2,349
Add: Shortfall transfer to capital	7,435	36,481
Deduct: Revenue carried forward	(570)	(32)
Net distributions as above	£80,274	£63,659

Details of the distribution per share are set out in the table on pages 289.

7. Debtors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Accrued revenue	2,726	21,138
Amounts receivable on issue of shares	4,009	6,391
Income tax recoverable on property interest distributions	1,527	1,337
Sales awaiting settlement	-	3,892
	£8,262	£32,758

8. Cash & bank balances

	As at 31 Dec 11 £	As at 31 Dec 10 £
Cash and bank balances	125,495	741,097
	£125,495	£741,097

9. Creditors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts payable on cancellation of shares	5,750	2,181
Expense accruals	20,060	58,354
	£25,810	£60,535

10. Equalisation

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

11. Contingent liabilities

At 31 Dec 2011 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 2011 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £11,830 and £470 respectively (31 Dec 2010: £47,162 and £1,924).

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

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the 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 18 to 20.

(a) Interest rate risk

At the year end date 0.97% (31 Dec 10: 1.19%) of the fund's net assets were interest bearing.

(b) Currency exposure

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

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

(c) Fair value of financial assets and financial liabilities

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

14. Portfolio transaction costs

		31 Dec 11	31 Dec 10
Analysis of total purchase costs	£	£	£
Purchases in year before transaction costs		8,955,393	14,372,443
Commissions & taxes	51,520		51,482
Total purchase costs		51,520	51,482
Gross purchase total		£9,006,913	£14,423,925
Analysis of total sale costs	£	£	£
Gross sales in year before transaction costs		16,760,356	28,541,201
Commissions & taxes	(21,281)		(40,307)
Total sale costs		(21,281)	(40,307)
Total sales net of transaction costs		£16,739,075	£28,500,894

Distribution table**For the year ended 31 December 2011 (in pence per share)****Final dividend distribution**

Group 1: Shares purchased prior to 1 July 2011

Group 2: Shares purchased between 1 July 2011 and 31 December 2011

	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 29/02/12 (p)	<i>Distribution paid 28/02/11 (p)</i>
Class A - Accumulation				
Group 1	0.00	-	0.00	<i>0.00</i>
Group 2	0.00	0.00	0.00	<i>0.00</i>
Class B - Accumulation				
Group 1	0.20	-	0.20	<i>0.02</i>
Group 2	0.07	0.13	0.20	<i>0.02</i>

Interim dividend distribution

Group 1: Shares purchased prior to 1 January 2011

Group 2: Shares purchased between 1 January 2011 and 30 June 2011

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/11 (p)	<i>Distribution paid 31/08/10 (p)</i>
Class A - Accumulation				
Group 1	0.13	-	0.13	<i>0.02</i>
Group 2	0.13	0.00	0.13	<i>0.02</i>
Class B - Accumulation				
Group 1	0.59	-	0.59	<i>0.41</i>
Group 2	0.46	0.13	0.59	<i>0.41</i>

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

2011 was a year in which the correlations among stocks hit all-time highs and stayed high through the end of the year. The US stockmarket became highly correlated to macro news from the European Union as concerns of a financial contagion, comparable to 2008, became the primary driver behind stock prices. However, despite these problems, the S&P 500 posted positive performance of 2.9% in Sterling terms, during the period under review.

The economy also continued to outperform, relative to the Eurozone and the UK, despite a slight downward revision of third quarter GDP to 1.8% (annualised).

The headline rate of inflation fell to 3.4% but core inflation continues to push upwards, although the Federal Reserve provided no policy change in December.

Fund performance

The UBS US Equity Fund recorded performance of -3.1%* during the period under review in Sterling terms. Over the same period the Fund's benchmark, the Russell 1000 Index, posted performance of 2.3%, also in Sterling terms.

The largest contributor to relative performance during the reporting period came from the manager's decision not to hold a position in Bank of America throughout the period. The stock's share price fell over 57% in Sterling terms over the calendar year 2011.

An overweight position in Alexion Pharmaceuticals, a biotech company, was also a large stock contributor over the course of the year, primarily owing to strong sales growth for its haematology treatment Soliris. During the period under review the company's share price rose over 78% in Sterling terms and we believe it will continue to surprise the market with better than expected earnings growth.

Other stock contributors to performance resulted from overweights to Visa and United Healthcare, whose share prices both rose significantly during the reporting period.

The Fund's overweight positions in Citigroup and Morgan Stanley were the largest stock detractors from performance during the period under review, as both stocks respective share prices fell by more than 43%, in Sterling terms. Citigroup and Morgan Stanley both moved downward over the course of the year, as the Eurozone crisis intensified and there were uncertainties over the macro economic outlook.

At the sector level an overweight position in Healthcare resulted in it being the largest contributor to performance. An overweight to financials, which fell significantly during the reporting period, proved to be the largest detractor to the Fund's relative performance.

Outlook

The US equity market is currently trading at an earnings yield around four times that of US ten year government bonds. Essentially, this means that investors are not pricing in any growth in earnings. In our view, this type of environment is suitable for investors in those stocks with long-term fundamental values, who are willing to weather the current uncertainty.

Although the market is providing us with excellent price to value opportunities, we realise that, as we enter 2012, the market still tests and challenges investors' patience. We remain disciplined in our approach and also cognisant that we must practice this in order to capture those attractive opportunities we are presented with today.

* Source: Lipper-Hindsight. Performance is based on NAV prices with income reinvested net of basic rate tax and in sterling terms to 31 December 2011, based on A shares.

Percentage growth

	31/12/10 to 31/12/11 %	31/12/09 to 31/12/10 %	31/12/08 to 31/12/09 %	31/12/07 to 31/12/08 %	31/12/06 to 31/12/07 %
Class A - Accumulation Shares	-3.07	15.78	21.14	-20.75	-1.98
Class B - Accumulation Shares	-2.44	16.54	21.92	-20.23	-1.38

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

26 March 2012

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 (£)
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
2010	Class A - Accumulation	251,469,158	81.5	204,975,749
	Class B - Accumulation	282,519,971	86.0	242,978,409
				£447,954,158
2011	Class A - Accumulation	136,357,394	78.9	107,647,815
	Class B - Accumulation	155,381,697	83.8	130,258,563
				£237,906,378

* 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 11 (%)	31 Dec 10 (%)
Class A - Accumulation	1.59	1.59
Class B - Accumulation	0.95	0.95

3. Share dealing price range and distribution record

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

Calendar year	Highest price (p)	Lowest price (p)	Distribution per share (net) (p)
Class A - Accumulation			
2007	80.97	69.29	0.04
2008	74.67	47.09	0.26
2009	72.47	46.23	0.03
2010	83.01	68.08	0.00
2011	85.36	66.44	0.00
Class B - Accumulation			
2007	83.50	71.66	0.53
2008	77.45	49.01	0.71
2009	75.96	48.20	0.39
2010	87.57	71.64	0.42
2011	90.37	70.39	0.50

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 2011

	Holding	Market value £	Percentage of total net assets %
Bermuda - 1.13% (31 Dec 10: 0.76%)			
General Financial - 1.13% (31 Dec 10: 0.00%)			
Invesco	207,900	2,683,530	1.13
Technology Hardware & Equipment - 0.00% (31 Dec 10: 0.76%)			
Canada - 1.00% (31 Dec 10: 1.61%)			
Oil & Gas Producers - 1.00% (31 Dec 10: 1.61%)			
Ultra Petroleum	124,400	2,370,172	1.00
Ireland - 0.00% (31 Dec 10: 2.52%)			
Health Care Equipment & Services - 0.00% (31 Dec 10: 1.61%)			
Technology Hardware & Equipment - 0.00% (31 Dec 10: 0.91%)			
Israel - 0.95% (31 Dec 10: 0.00%)			
Pharmaceuticals & Biotechnology - 0.95% (31 Dec 10: 0.00%)			
Teva Pharmaceutical Industries ADR	87,200	2,264,585	0.95
Panama - 1.24% (31 Dec 10: 0.00%)			
Oil Equipment, Services & Distribution - 1.24% (31 Dec 10: 0.00%)			
McDermott International	398,700	2,952,858	1.24
Switzerland - 1.24% (31 Dec 10: 1.47%)			
Oil Equipment, Services & Distribution - 1.24% (31 Dec 10: 1.47%)			
Noble	151,500	2,944,019	1.24
United States of America - 89.93% (31 Dec 10: 92.79%)			
Aerospace & Defence - 5.36% (31 Dec 10: 2.75%)			
Boeing	97,900	4,620,658	1.94
General Dynamics	119,600	5,110,763	2.15
Textron	255,000	3,028,956	1.27

	Holding	Market value £	Percentage of total net assets %
Automobiles & Parts - 1.19% (31 Dec 10: 2.60%)			
General Motors	217,400	2,835,531	1.19
Banks - 8.31% (31 Dec 10: 7.29%)			
Citigroup	278,695	4,714,556	1.98
JPMorgan Chase & Co	227,900	4,874,459	2.05
US Bancorp Delaware	207,000	3,602,954	1.52
Wells Fargo	370,764	6,575,031	2.76
Beverages - 0.00% (31 Dec 10: 1.89%)			
Chemicals - 3.12% (31 Dec 10: 1.38%)			
Celanese 'A'	137,900	3,927,324	1.65
Dow Chemical	189,300	3,501,946	1.47
Construction & Materials - 0.69% (31 Dec 10: 1.77%)			
Martin Marietta Materials	37,000	1,648,697	0.69
Electricity - 2.61% (31 Dec 10: 2.61%)			
Edison International	111,900	2,980,928	1.25
Nextera Energy	82,400	3,226,330	1.36
Fixed Line Telecommunications - 0.00% (31 Dec 10: 2.09%)			
Food & Drug Retailers - 1.55% (31 Dec 10: 1.43%)			
Kroger	235,800	3,674,845	1.55
Food Producers - 2.45% (31 Dec 10: 1.86%)			
Kraft Foods 'A'	242,100	5,818,438	2.45
General Financial - 3.88% (31 Dec 10: 4.95%)			
CME Group 'A'	15,600	2,445,750	1.03
Morgan Stanley	312,700	3,044,303	1.28

	Holding	Market value £	Percentage of total net assets %
Visa 'A'	57,300	3,743,802	1.57
General Retailers - 4.70% (31 Dec 10: 2.91%)			
Amazon	29,900	3,331,308	1.40
Apollo Group 'A'	62,700	2,172,169	0.91
GameStop 'A'	148,200	2,301,053	0.97
Kohls	106,000	3,366,000	1.42
Health Care Equipment & Services - 5.75% (31 Dec 10: 4.40%)			
Baxter International	95,900	3,051,448	1.28
Bio-Rad Laboratories	19,100	1,178,126	0.50
HCA Holdings	148,200	2,100,795	0.88
Medtronic	165,963	4,083,666	1.72
United Health Group	99,900	3,257,790	1.37
Household Goods & Home Construction - 0.00% (31 Dec 10: 1.79%)			
Industrial Engineering - 1.89% (31 Dec 10: 4.87%)			
Illinois Tool Works	149,854	4,501,116	1.89
Industrial Transportation - 1.76% (31 Dec 10: 2.37%)			
Fedex	77,833	4,180,375	1.76
Insurance - 2.38% (31 Dec 10: 3.34%)			
AFLAC	98,400	2,739,067	1.15
Metlife	145,800	2,925,194	1.23
Media - 5.53% (31 Dec 10: 4.99%)			
Comcast 'A'	335,700	5,121,580	2.15
Time Warner	216,500	5,033,231	2.12
Viacom 'B'	102,700	3,000,841	1.26
Mining - 0.83% (31 Dec 10: 0.00%)			
Peabody Energy	93,100	1,983,489	0.83

	Holding	Market value £	Percentage of total net assets %
Oil & Gas Producers - 5.14% (31 Dec 10: 6.77%)			
EOG Resources	56,400	3,575,036	1.50
ExxonMobil	90,600	4,936,624	2.08
Hess	101,800	3,720,636	1.56
Oil Equipment, Services & Distribution - 2.33% (31 Dec 10: 1.33%)			
Baker Hughes	80,600	2,522,607	1.06
EnSCO International ADR	99,800	3,013,073	1.27
Personal Goods - 3.65% (31 Dec 10: 1.35%)			
Coach	101,100	3,971,530	1.67
Colgate-Palmolive	79,100	4,700,396	1.98
Pharmaceuticals & Biotechnology - 7.57% (31 Dec 10: 7.32%)			
Acorda Therapeutics	100,300	1,558,551	0.66
Alexion Pharmaceutical	67,500	3,104,626	1.31
Allergan	39,136	2,209,254	0.93
Amylin Pharmaceuticals	178,500	1,307,078	0.55
Gilead Sciences	97,900	2,578,371	1.08
Hospira	135,400	2,644,225	1.10
Merck & Co	190,355	4,616,485	1.94
Real Estate - 0.87% (31 Dec 10: 0.00%)			
Annaly Capital Management	201,900	2,074,733	0.87
Software & Computer Services - 3.71% (31 Dec 10: 5.63%)			
Adobe Systems	264,800	4,815,165	2.02
Symantec	397,800	4,005,901	1.69
Support Services - 0.54% (31 Dec 10: 0.00%)			
Servicesource International	127,700	1,288,422	0.54

	Holding	Market value £	Percentage of total net assets %
Technology Hardware & Equipment - 10.20% (31 Dec 10: 11.38%)			
Apple	36,600	9,537,761	4.01
Atmel	195,200	1,166,051	0.49
Broadcom 'A'	112,700	2,128,399	0.90
Cisco Systems	362,800	4,220,722	1.77
Hewlett Packard	159,900	2,650,424	1.11
Intersil 'A'	306,100	2,052,353	0.86
Qualcomm	16,700	436,206	0.18
Skyworks Solutions	186,600	2,081,437	0.88
Travel & Leisure - 3.92% (31 Dec 10: 3.72%)			
Carnival (Paired Stock)	157,587	3,308,708	1.39
Hertz Global Holdings	454,600	3,422,444	1.44
International Game Technology	234,900	2,599,757	1.09
Futures - 0.07% (31 Dec 10: 0.00%)			
S&P 500 EMINI Futures Mar 2012	90	171,921	0.07
Investment assets		227,336,579	95.56
Net other assets		10,569,799	4.44
Net assets		£237,906,378	100.00

All holdings are ordinary shares or stock units and admitted to official stock exchange listings or trade on a regulated market unless otherwise stated.

Portfolio movements
For the year ended 31 December 2011

	Cost £
Major purchases	
Amazon	7,459,549
Kraft Foods 'A'	7,403,935
Boeing	7,377,272
Colgate-Palmolive	7,050,366
Citigroup	7,032,759
Microsoft	6,700,380
Hertz Global Holdings	6,088,734
EOG Resources	5,984,156
Morgan Stanley	5,690,783
Ensco International ADR	5,504,976
Norfolk Southern	5,204,627
Nextera Energy	4,919,483
General Dynamics	4,608,540
Broadcom 'A'	4,534,679
Coach	4,312,405
Dow Chemical	4,044,675
McDermott International	4,025,424
HCA Holdings	3,929,109
Kohls	3,860,279
Visa 'A'	3,686,504
Total for the year (Note 14)	£207,218,507

	Proceeds £
Major sales	
ExxonMobil	14,708,460
Microsoft	12,151,221
Johnson & Johnson	10,766,751
Procter & Gamble	10,502,839
PepsiCo	9,384,582
AT&T	8,739,799
Fortune Brands	8,005,728
General Dynamics	7,775,137
Covidien	7,677,728
American Electric Power	7,618,587
Qualcomm	7,406,608
Apple	7,312,560
Dover	7,264,619
Baker Hughes	7,240,570
Pharmasset	6,832,040
Johnson Controls	6,553,337
United Health Group	6,399,415
Broadcom 'A'	6,306,064
Goldman Sachs Group	6,181,143
Marathon Oil	5,840,845
Total for the year (Note 14)	£410,809,397

Statement of total return
For the year ended 31 December 2011

		31 Dec 11		31 Dec 10	
	Notes	£	£	£	£
Income					
Net capital (losses)/gains	2	(13,613,955)		69,066,470	
Revenue	3	5,838,647	8,727,889		
Expenses	4	(4,029,398)	(6,144,824)		
Finance costs: Interest	6	(393)	(149)		
Net revenue before taxation		1,808,856	2,582,916		
Taxation	5	(841,447)	(1,260,049)		
Net revenue after taxation		967,409	1,322,867		
Total return before distributions		(12,646,546)	70,389,337		
Finance costs: Distributions	6	(1,051,254)	(1,568,805)		
Change in net assets attributable to shareholders from investment activities		£(13,697,800)	£68,820,532		

Statement of change in net assets attributable to shareholders
For the year ended 31 December 2011

	31 Dec 11		31 Dec 10	
	£	£	£	£
Opening net assets attributable to shareholders		447,954,158		518,658,271
Amounts receivable on issue of shares	47,023,753		160,727,113	
Amounts payable on cancellation of shares	(244,279,168)		(301,616,868)	
		(197,255,415)		(140,889,755)
Change in net assets attributable to shareholders from investment activities (see Statement of total return)		(13,697,800)		68,820,532
Retained distribution on accumulation shares		905,435		1,365,110
Closing net assets attributable to shareholders		£237,906,378		£447,954,158

Balance sheet**As at 31 December 2011**

	Notes	As at 31 Dec 11 £	As at 31 Dec 10 £
ASSETS			
Investment assets		227,336,579	444,148,849
Debtors	7	2,530,079	487,634
Cash and bank balances	8	10,501,139	5,334,879
Total other assets		13,031,218	5,822,513
Total assets		240,367,797	449,971,362
LIABILITIES			
Creditors	9	2,461,419	2,017,204
Total liabilities		2,461,419	2,017,204
Net assets attributable to shareholders		£237,906,378	£447,954,158

Notes to the financial statements

1. Accounting policies

Accounting policies of the Fund are as set out on pages 11 to 13.

2. Net capital (losses)/gains

	31 Dec 11 £	31 Dec 10 £
Currency gains	91,868	461,421
Derivative contracts	(303,483)	806,702
Non-derivative securities	(13,390,228)	67,805,816
Transaction charges	(12,112)	(7,469)
Net capital (losses)/gains	£(13,613,955)	£69,066,470

3. Revenue

	31 Dec 11 £	31 Dec 10 £
Bank interest	2,749	19,701
Overseas dividends	5,724,370	8,708,188
UK franked dividends	111,528	-
	£5,838,647	£8,727,889

4. Expenses

	31 Dec 11 £	31 Dec 10 £
<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	3,822,969	5,838,108
Registration fees	156,291	236,680
	3,979,260	6,074,788
<i>Payable to the Depositary, associates of the Depositary and agents of either of them:</i>		
Depositary's fees	31,072	46,285
	31,072	46,285
<i>Payable to other related parties and third parties:</i>		
Audit fees	7,945	7,797
Professional fees	923	-
Safe custody fees	9,201	14,954
Taxation fees	997	1,000
	19,066	23,751
	£4,029,398	£6,144,824

5. Taxation

(a) Analysis of tax charge

	31 Dec 11 £	31 Dec 10 £
Overseas tax suffered	841,447	1,260,049
Total current tax (5.b)	841,447	1,260,049
Total tax charge	£841,447	£1,260,049

(b) Factors affecting current tax charge

The tax charged for the year is higher than the standard 20% rate of corporation tax applicable to the revenue received by open-ended investment companies (31 Dec 10: 20%).

The differences are explained below:

	31 Dec 11 £	31 Dec 10 £
Net revenue before taxation	1,808,856	2,582,916
Corporation tax at 20%	361,771	516,583
<i>Effects of:</i>		
Dividends not subject to corporation tax	(1,107,820)	(1,741,638)
Revenue taxable in different years	(14,892)	-
Overseas tax suffered	841,447	1,260,049
Movement in excess expenses	760,941	1,225,055
	479,676	743,466
Total tax charge (5.a)	£841,447	£1,260,049

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 2011 the Fund had excess management expenses of £10,683,191 (31 Dec 10: £6,878,484). The deferred tax in respect of this would be £2,136,638 (31 Dec 10: £1,375,697). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and therefore no deferred tax asset has been recognised.

6. Finance costs

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

	31 Dec 11 £	31 Dec 10 £
Interim	501,442	743,566
Final	403,993	621,544
	905,435	1,365,110
Add: Amounts deducted on cancellation of shares	190,419	417,571
Deduct: Amounts added on issue of shares	(44,600)	(213,876)
Net distributions	1,051,254	1,568,805
Interest	393	149
Total finance costs	£1,051,647	£1,568,954
Net revenue after taxation	967,409	1,322,867
Add: Revenue brought forward	3,407	15,990
Add: Shortfall transfer to capital	86,686	233,355
Deduct: Revenue carried forward	(6,248)	(3,407)
Net distributions as above	£1,051,254	£1,568,805

Details of the distribution per share are set out in the table on page 306.

7. Debtors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Accrued revenue	330,530	267,672
Amounts receivable on issue of shares	1,256,751	30,782
Overseas tax recoverable	10,730	10,002
Sales awaiting settlement	932,068	179,178
	£2,530,079	£487,634

8. Cash & bank balances

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts held at futures clearing houses and brokers	98,565	-
Cash and bank balances	10,402,574	5,334,879
	£10,501,139	£5,334,879

9. Creditors

	As at 31 Dec 11 £	As at 31 Dec 10 £
Amounts payable on cancellation of shares	584,758	430,303
Expense accruals	254,476	949,394
Purchases awaiting settlement	1,622,185	637,507
	£2,461,419	£2,017,204

10. Equalisation

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

11. Contingent liabilities

At 31 December 2011 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 2011 the amounts included in creditors in respect of management fees and registration fees due to the ACD are £230,342 and £9,461 respectively (31 Dec 2010: £888,837 and £36,630).

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

The ACD has appointed UBS Global Asset Management (UK) Ltd to provide investment management services to the ACD in respect of the Fund. During the 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 18 to 20.

(a) Interest rate risk

At the year end date 4.41% (31 Dec 10: 1.19%) of the fund's net assets were interest bearing.

(b) Currency exposure

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

Numerical disclosures are as follows:

Currency	Monetary exposures £	Non- monetary exposures £	Total £
31 Dec 11			
US Dollar	10,031,722	227,336,579	237,368,301
	10,031,722	227,336,579	237,368,301
Sterling	538,077	-	538,077
	£10,569,799	£227,336,579	£237,906,378
31 Dec 10			
US Dollar	4,543,391	444,148,849	448,692,240
	4,543,391	444,148,849	448,692,240
Sterling	(738,082)	-	(738,082)
	£3,805,309	£444,148,849	£447,954,158

(c) Fair value of financial assets and financial liabilities

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

14. Portfolio transaction costs

	31 Dec 11 £	31 Dec 10 £
Analysis of total purchase costs		
Purchases in year before transaction costs	206,995,003	306,091,185
Commissions & taxes	223,504	321,837
Total purchase costs	223,504	321,837
Gross purchase total	£207,218,507	£306,413,022

	31 Dec 11 £	31 Dec 10 £
Analysis of total sale costs		
Gross sales in year before transaction costs	411,128,121	437,064,820
Commissions & taxes	(318,724)	(387,156)
Total sale costs	(318,724)	(387,156)
Total sales net of transaction costs	£410,809,397	£436,677,664

Distribution table**For the year ended 31 December 2011 (in pence per share)****Final dividend distribution**

Group 1: Shares purchased prior to 1 July 2011

Group 2: Shares purchased between 1 July 2011 and 31 December 2011

	Net revenue (p)	Equalisation (note 10) (p)	Distribution payable 29/02/12 (p)	<i>Distribution paid 28/02/11 (p)</i>
Class A - Accumulation				
Group 1	0.00	-	0.00	<i>0.00</i>
Group 2	0.00	0.00	0.00	<i>0.00</i>
Class B - Accumulation				
Group 1	0.26	-	0.26	<i>0.22</i>
Group 2	0.17	0.09	0.26	<i>0.22</i>

Interim dividend distribution

Group 1: Shares purchased prior to 1 January 2011

Group 2: Shares purchased between 1 January 2011 and 30 June 2011

	Net revenue (p)	Equalisation (note 10) (p)	Distribution paid 31/08/11 (p)	<i>Distribution paid 31/08/10 (p)</i>
Class A - Accumulation				
Group 1	0.00	-	0.00	<i>0.00</i>
Group 2	0.00	0.00	0.00	<i>0.00</i>
Class B - Accumulation				
Group 1	0.24	-	0.24	<i>0.20</i>
Group 2	0.15	0.09	0.24	<i>0.20</i>

Details of the Company and other information

Authorised status

UBS Investment Funds ICVC is an open-ended investment company with variable capital incorporated in England and Wales under registered number IC96 and is authorised by the Financial 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 to update the Prospectus in line with UCITS IV requirements.
- Name change of the Depositary from Royal Bank of Scotland plc to National Westminster Bank plc. See page 2 for more details.
- UBS UK Select Fund changed its name to UBS Opportunities Fund on 10 August 2011.
- Change of Transfer Agent to J.P. Morgan Europe Limited for institutional shareclasses.

Buying and selling shares

Dealing is on a forward basis and share prices are calculated daily at 12 p.m. with the exception of the UBS Global Emerging Markets Equity Fund which is calculated at 2 p.m.

K and J shares in all Funds, where they are available, can be bought either by sending a completed application form to the transfer agent, J.P. Morgan Europe Limited, or by telephoning J.P. Morgan Europe Limited on 020 7742 1018.

Shares in all other funds can be bought by sending an application form to the administrator, International Financial Data Services (UK) Ltd (IFDS) or by telephoning IFDS on 0800 587 2112.

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 UK Equity Income Fund	Class A shares*	£1,000	1.50
	Class B shares	£100,000	0.90
UBS UK Opportunities 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
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 UK Equity Income Fund) the annual management fee is taken from income.

The net asset value of each share class in issue, the net asset value per share and the number of shares in each share class in issue are shown in the Performance table of each of the respective funds.

Dealing charges**Initial charge**

The ACD may impose a charge on the purchase of shares in each Class. The current initial charge as a percentage of the amount subscribed and the permitted maximum initial charge allowable as a percentage of the amount subscribed are shown in the table below:

		Current charge	Maximum permitted charge
UBS 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%
UBS Fixed Interest UK Plus Fund	Class K shares	0.00%	6.00%
	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 UK Equity Income Fund	Class A shares	4.00%	6.00%
	Class B shares	0.00%	6.00%
UBS UK Opportunities Fund	Class A shares	4.00%	6.00%
	Class B shares	0.00%	6.00%
UBS UK Smaller Companies Fund	Class A shares	4.00%	6.00%

		Current charge	Maximum permitted charge
UBS US Equity Fund	Class B shares	0.00%	6.00%
	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

D S Carter A J Davies
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 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

J.P. Morgan Europe Limited
PO Box 70719
1 Angel Court
London EC2P 2LJ

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

National Westminster Bank plc
The Broadstone
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Edinburgh EH12 9UZ

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Investment Manager

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All telephone calls are recorded

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EC27 5AH

State Street Bank and Trust Company
One Canada Square
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