

Annual Report 2009/2010.

Investment Fund under Swiss Law

Audited annual report as of 30 June 2010

UBS-ETF SLI Swiss Leader Index®



Fund Management

UBS Fund Management (Switzerland) AG,
Brunngässlein 12, 4002 Basel

Board of Directors

Thomas Rose, Chairman (since 31 May 2010)
Managing Director, UBS AG, Basel and Zurich

Reto Ketterer, Vice Chairman (since 31 May 2010)
Managing Director, UBS AG, Basel and Zurich

Markus Steiner, Delegate

Jean-Paul Gennari
Managing Director, UBS Fund Services
(Luxembourg) S.A., Luxembourg

Christian Eibel (since 6 May 2010)
Executive Director, UBS AG, Basel and Zurich

Markus Lesmann (since 6 May 2010)
Director, UBS AG, Basel and Zurich

Executive Board

Markus Steiner
Managing Director and
Delegate of the Board of Directors

André Valente
Deputy Managing Director

Riccardo Boscardin
Head of Real Estate Funds

Franz Cadalbert
Head of Finance, Controlling and Accounting

André Debrunner
Head of Fund Reporting & Information Services

Karsten Illy
Head of Operations Securities Funds

Beat Schmidlin
Head of Legal and Tax

Thomas Zimmerli
Head of Compliance and Risk Control

Custodian Bank

UBS AG, Basel and Zurich

Auditors

Ernst & Young Ltd, Basel

Delegation of investment decisions

UBS Global Asset Management, a business group of
UBS AG, Basel and Zurich

Delegation of other duties

UBS Fund Management (Switzerland) AG jointly operates and utilises a fund administration platform with UBS Fund Services (Luxembourg) S.A. UBS Fund Services (Luxembourg) S.A. is responsible for the processing of master data under this arrangement. The precise terms of the work carried out are set out in an agreement between the parties dated 28 March 2007. In addition, various IT services connected with the maintenance and upkeep of the hardware and software components of the fund administration platform (e.g. technical installations, configurations, system tests, archiving of data) are furnished by UBS Fund Services (Luxembourg) S.A. The specific scope of these services is governed by an agreement between the parties dated 8 May 2009. All other fund management duties and the monitoring of other delegated duties are carried out in Switzerland.

Paying agents

UBS AG, Basel and Zurich,
and its branches in Switzerland

Contact addresses in Liechtenstein

Representative and Paying agent
Liechtensteinische Landesbank Aktiengesellschaft,
Städtle 44, FL-9490 Vaduz

Report of the collective investment scheme regulatory audit company

Annual Report as of 30 June 2010

As statutory auditors, we have audited the annual report of the investment fund

UBS-ETF SLI Swiss Leader Index®
UBS-ETF SMI®

Investment fund under Swiss law
(Category Other Funds for Traditional Investments)

comprising the annual financial statements and other details on the individual sub-funds for the financial year ending 30 June 2010 in accordance with Art. 89 para. 1 a) – h) of the Swiss Federal Act on Collective Investment Schemes.

Responsibilities of the Board of Directors

The fund management company's Board of Directors is responsible for preparing the annual report in accordance with the provisions of the Swiss Federal Act on Collective Investment Schemes. It is also responsible for selecting and applying correct accounting methods and making appropriate estimates.

Responsibilities of the auditors

Our responsibility is to express an opinion on the annual financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss accounting standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual report is free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the valuations contained in the annual financial statements and other details. The task of selecting checks lies at the sole discretion of the auditors. This involves assessing the risks of material misstatements appearing in the annual report as a result of violations or errors. An audit also includes assessing the accounting principles used and the plausibility of the estimates made, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Auditor's opinion

In our opinion, the annual report for the financial year ending 30 June 2010 has been prepared in accordance with the Swiss Federal Act on Collective Investment Schemes, its related ordinances, the fund contract and the prospectus.

Reporting based on other legal provisions

We hereby confirm that we meet the legal requirements for approval in accordance with the Federal Law on the Recognition and Supervision of Auditors (ASA) and independence (Art. 127 CISA and Art. 11 ASA) and that no circumstances exist which are inconsistent with our independent status.

Basel, 5 October 2010

Ernst & Young Ltd

Jürg Müller
Licensed expert auditor
(Principal auditor)

Sandor Frei
Licensed expert auditor

UBS-ETF SLI Swiss Leader Index®

Category Other Funds for Traditional Investments

Three-year comparison

	ISIN	30.6.2010	30.6.2009	30.6.2008
Net fund assets in CHF		131 975 682.71	73 858 621.68	59 345 306.55
	CH0032912732			
Net asset value per unit in CHF		94.27	82.07	107.90
Number of units outstanding		1 400 000.0000	900 000.0000	550 000.0000

Performance

	Currency	2009/2010	2008/2009	2007/2008
UBS-ETF SLI Swiss Leader Index®	CHF	17.7%	-21.2%	-
Benchmark:				
SLI Swiss Leader Index®	CHF	18.0%	-21.0%	-

Historical performance is no indicator of current or future performance.
The performance data does not take account of any commissions and costs charged when subscribing and redeeming units.

Report of the portfolio manager

The Swiss market increased in value during the reporting year (1 July 2009 to 30 June 2010), with the positive trend apparent during the first nine months in particular. From mid-April, fears about the stability of the countries in the south of the Eurozone were rife, leading to a significant market correction. Clariant, Swatch and Richemont fared better than the market overall, while Lonza, Actelion and Nobel lagged behind.

The fund underperformed slightly compared with the reference index, SLI Swiss Leader Index®. The biggest adjustment to the index was the inclusion of Transocean, which specializes in deep sea drilling, while GAM Holding was removed from the index. These and other smaller adjustments were implemented accordingly in the portfolio. Dividends and capital repayments were fully reinvested in shares.

Structure of the securities portfolio

The 10 largest issuers in % of total assets	
NESTLE SA	9.09
ROCHE Holding AG	9.03
NOVARTIS AG	8.91
Credit Suisse Group AG	8.55
Zurich Financial Services AG	4.65
UBS AG	4.55
Syngenta AG	4.53
Holcim Ltd	4.52
Transocean Ltd	4.52
ABB Ltd	4.41
Others	36.98
Total	99.74

There may be differences in the way the percentages mentioned above are rounded off.

Breakdown by sectors in % of total assets	
Pharmaceuticals, cosmetics & medical products	22.64
Banks & credit institutions	14.93
Insurance	10.93
Food & soft drinks	9.09
Finance & holding companies	8.78
Chemicals	8.72
Building industry & materials	6.50
Miscellaneous services	4.87
Electrical devices & components	4.41
Watches & jewellery	2.71
Others	6.16
Total	99.74

There may be differences in the way the percentages mentioned above are rounded off.

Statement of assets

	30.6.2010	30.6.2009
	CHF	CHF
Market values		
Bank deposits		
– at sight	0.00	0.00
Securities		
– Shares and other equity instruments	131 945 487.19	73 851 433.20
Other assets	339 988.63	154 725.73
Total fund assets	132 285 475.82	74 006 158.93
Loans	–284 816.12	–131 434.73
Other liabilities	–24 976.99	–16 102.52
Net fund assets	131 975 682.71	73 858 621.68

Statement of income

	1.7.2009–30.6.2010	1.7.2008–30.6.2009
	CHF	CHF
Income		
Income from bank assets	124.17	1 696.01
Income from securities		
– from shares and other equity instruments ¹	3 310 785.67	1 382 862.34
– from bonus shares	843.10	3 288.35
Offset payments from securities lending	73 801.90	119 624.12
Commission income from securities lending	28 123.36	18 098.12
Purchase of current net income on issue of units	–11 313.72	71 699.15
Total income	3 402 364.48	1 597 268.09
Expenses		
Interest payable	–433.61	–1 110.42
Commission remuneration of the Fund Management in accordance with the fund contract	–427 605.57	–202 060.47
Total expenses	–428 039.18	–203 170.89
Net income	2 974 325.30	1 394 097.20
Realized capital gains and losses ²	216 657.67	–4 151 000.38
Realized result	3 190 982.97	–2 756 903.18
Unrealized capital gains and losses	10 743 264.34	–6 708 082.54
Total result	13 934 247.31	–9 464 985.72

Allocation of result

	1.7.2009–30.6.2010	1.7.2008–30.6.2009
	CHF	CHF
Net income of the financial year	2 974 325.30	1 394 097.20
Balance carried forward from previous year	702.47	981.01
Purchase and payment in the balance carried forward for the issue and redemption of units	– ³	624.26
Interim distribution to investors	–2 613 000.00 ⁴	–1 008 000.00 ⁵
Available for distribution	362 027.77	387 702.47
Result earmarked for distribution to the investor	–350 000.00	–387 000.00
Balance carried forward	12 027.77	702.47

¹ This income may include offset payments which were received in place of the actual dividend payment as part of securities lending (manufactured dividends).

² Realized capital gains and losses may include income and expenses which were received from Swinging Single Pricing (Art. 83 para. 3 of the Collective Investment Schemes Act).

³ According to tax law, this position will not be disclosed separately anymore. Instead of that, it is now included in the above statement of income in the positions "Purchase of current net income on issue of units" and "Payment of current net income on redemption of units".

⁴ Contains the interim distribution:

Interim distribution (coupon No. 5 / gross CHF 0.47 / ex - date 4.3.2010 / value date 9.3.2010)
Interim distribution (coupon No. 6 / gross CHF 0.80 / ex - date 19.4.2010 / value date 22.4.2010)
Interim distribution (coupon No. 7 / gross CHF 0.74 / ex - date 4.5.2010 / value date 7.5.2010)

⁵ Contains the interim distribution:

Interim distribution (coupon No. 2 / ex - date 24.3.2009 / value date 29.4.2009)
Interim distribution (coupon No. 3 / ex - date 29.4.2009 / value date 5.5.2009)

Changes in net fund assets

	1.7.2009–30.6.2010	1.7.2008–30.6.2009
	CHF	CHF
Net fund assets at the beginning of the financial year	73 858 621.68	59 345 306.55
Ord. annual distribution	–430 000.00	–1 254 000.00
Interim distribution	–2 613 000.00 ¹	–1 008 000.00 ²
Balance of unit movements	47 225 813.72	26 240 300.85
Total result	13 934 247.31	–9 464 985.72
Net fund assets at the end of the reporting period	131 975 682.71	73 858 621.68

Development of the outstanding units

	1.7.2009–30.6.2010	1.7.2008–30.6.2009
	Number	Number
Situation at the beginning of the financial year	900 000.0000	550 000.0000
Units issued	500 000.0000	350 000.0000
Units redeemed	0.0000	0.0000
Situation at the end of the period	1 400 000.0000	900 000.0000
Difference between units issued and units redeemed	500 000.0000	350 000.0000

Distribution for 2009/2010

(Against coupon no. 8 - ex-date 2.8.2010)

Accrued income per unit	CHF	0.2586
Gross	CHF	0.2500
Less federal withholding tax ³	CHF	–0.0875
Net per unit (payable from 5.8.2010)	CHF	0.1625

¹ Contains the interim distribution:

Interim distribution (coupon No. 5 / gross CHF 0.47 / ex - date 4.3.2010 / value date 9.3.2010)
Interim distribution (coupon No. 6 / gross CHF 0.80 / ex - date 19.4.2010 / value date 22.4.2010)
Interim distribution (coupon No. 7 / gross CHF 0.74 / ex - date 4.5.2010 / value date 7.5.2010)

² Contains the interim distribution:

Interim distribution (coupon No. 2 / ex - date 24.3.2009 / value date 29.4.2009)
Interim distribution (coupon No. 3 / ex - date 29.4.2009 / value date 5.5.2009)

³ In case, the reporting procedure in accordance with circular 24, No. 2.1.7.2 of the Federal Tax Administration in relation with Art. 26a of the Ordinance on the Swiss Federal Withholding Tax is applied, the distribution will be paid gross of withholding tax.

Inventory of Fund assets

Security	30.6.2009 Quantity/ Nominal	Purchases ¹	Sales ²	30.6.2010 Quantity/ Nominal	Market value ³ in CHF	in % ³
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Securities traded on an exchange

Bearer shares

Switzerland						
NOBEL BIOCARE AG CHF0.40(REGD)	CHF	34 608	23 362	10 880	47 090	880 583 0.67
RICHEMONT(CIE FIN) CHF1	CHF	145 175	77 272	74 035	148 412	5 632 235 4.26
SWATCH GROUP CHF2.25(BR)	CHF	8 586	5 341	2 217	11 710	3 589 115 2.71
Total Switzerland						10 101 933 7.64
United States						
SYNTHES INC CHF0.001	CHF	16 829	11 376	4 248	23 957 ⁴	2 982 647 2.25
Total United States						2 982 647 2.25
Total Bearer shares						13 084 580 9.89

Other shares

Switzerland						
ROCHE HLDGS AG GENUSSSCHEINE NPV	CHF	46 829	36 006	2 715	80 120	11 945 892 9.03
Total Switzerland						11 945 892 9.03
Total Other shares						11 945 892 9.03

Registered shares

Switzerland						
ABB LTD CHF1.03(REGD)	CHF	193 169	165 969	51 757	307 381	5 831 018 4.41
ACTELION CHF0.50(REGD)	CHF	31 081	22 636	7 855	45 862 ⁴	1 857 411 1.40
ADECCO SA CHF1(REGD)	CHF	33 789	21 149	8 292	46 646 ⁴	2 413 931 1.82
BALOISE-HLDGS CHF0.1(REGD)	CHF	13 920	8 468	3 409	18 979 ⁴	1 433 863 1.08
CLARIANT CHF4.00(REGD)	CHF	64 073	38 951	15 449	87 575	1 205 032 0.91
CREDIT SUISSE GRP CHF0.04(REGD)	CHF	68 718	212 913	5 128	276 503	11 314 503 8.55
GAM HOLDING AG CHF0.05 (REGD)	CHF		91 034	91 034		
GEBERIT CHF0.10(REGD)	CHF	11 055	7 276	2 774	15 557 ⁴	2 621 355 1.98
GIVAUDAN AG CHF10	CHF	2 087	1 595	548	3 134	2 887 981 2.18
HOLCIM CHF2(REGD)	CHF	55 653	57 937	31 462	82 128	5 983 025 4.52
JULIUS BAER GRUPPE CHF0.02 (REGD)	CHF		91 399	12 948	78 451 ⁴	2 428 843 1.84
KUEHNE&NAGEL INTL CHF1(REGD)(POST-SUBD)	CHF	14 782	9 023	3 647	20 158 ⁴	2 253 664 1.70
LOGITECH INTL CHF0.25(REGD) (POST-SUBD)	CHF	46 614	28 836	12 799	62 651 ⁴	924 729 0.70
LONZA GROUP AG CHF1(REGD)	CHF	14 045	9 548	3 469	20 124 ⁴	1 453 959 1.10
NESTLE SA CHF0.10(REGD)	CHF	175 859	108 797	54 238	230 418	12 027 820 9.09
NOVARTIS AG CHF0.50(REGD)	CHF	153 308	104 313	33 431	224 190	11 792 394 8.91
OC OERLIKON CORP (REGD)	CHF	1 499	562	2 061		
PETROPLUS HOLDINGS CHF7.48(REGD)	CHF	19 226	26 366	9 342	36 250 ⁴	580 363 0.44
SGS LTD CHF1(REGD)	CHF	1 471	1 299	408	2 362 ⁴	3 453 244 2.61
SONOVA HOLDING AG	CHF	12 789	7 919	3 178	17 530	2 333 243 1.76
SWISS LIFE HLDG CHF9.6(REGD)	CHF	8 244	4 689	2 592	10 341 ⁴	1 075 464 0.81
SWISS REINSURANCE CHF0.1(REGD)	CHF	86 698	53 611	10 426	129 883	5 807 069 4.39
SWISSCOM AG CHF1(REGD)	CHF	6 667	4 000	2 200	8 467 ⁴	3 106 542 2.35
SYNGENTA CHF0.1(REGD)	CHF	12 585	14 720	3 394	23 911	5 992 097 4.53
UBS AG CHF0.1	CHF	429 146	332 129	345 429	415 846	6 013 133 4.55
ZURICH FIN SVS GRP CHF0.10	CHF	17 093	12 760	4 186	25 667	6 147 247 4.65
Total Switzerland						100 937 927 76.30
United States						
TRANSOCEAN LTD COM USD0.01 'REGISTERED'	CHF		116 740		116 740	5 977 088 4.52
Total United States						5 977 088 4.52
Total Registered shares						106 915 015 80.82

Rights

Switzerland						
HOLCIM CHF2(REGD) RIGHTS 17.07.09	CHF		61 135	61 135		
PETROPLUS HOLDINGS AG RIGHTS 21.09.09	CHF		25 192	25 192		
Total Switzerland						0.00
Total Rights						0.00
Total Securities traded on an exchange						131 945 487 99.74

Securities traded neither on an exchange nor on a regulated market

Registered shares

Switzerland						
GAM HOLDING LTD CHF0.05 (REGD)	CHF	58 748	88 609	147 357		
Total Switzerland						0.00

Annual Report as of 30 June 2010
UBS-ETF SLI Swiss Leader Index®

Security	30.6.2009 Quantity/ Nominal	Purchases ¹	Sales ²	30.6.2010 Quantity/ Nominal	Market value ³ in CHF	in % ³
Total Registered shares						0.00
Total Securities traded neither on an exchange nor on a regulated market						0.00
Total securities and similar instruments (thereof in lending)					131 945 487 21 341 442	99.74 16.13)
Other assets					339 989	0.26
Total fund assets					132 285 476	100.00
Short-term bank liabilities					-284 816	
Other liabilities					-24 977	
Net fund assets					131 975 683	

¹ Purchases include the following transactions: allotment from subscription / allotment from option rights / option rights / allotment of subscription rights from underlying stocks / bonus securities / change of corporate names / conversions / purchases / share exchange between companies / stock splits / stock dividends / optional dividends / transfers / transfer due to redenomination in euro

² Sales include the following transactions: cancellation as a result of expiry / draws by lot / exercise of rights / options / repayments / reverse-splits / sales / share exchange between companies / transfers / transfer due to redenomination in euro

³ Divergences in the totals may be attributed to rounding differences

⁴ Securities entirely or partly lent out (securities lending)

Supplementary information

Derivative financial instruments

(Risk assessment process: Commitment approach I [Art. 37 CISO-FINMA])

There were no contracts in derivative financial instruments open at balance sheet date.

Repurchase agreements

No securities were used in repurchase agreements at balance sheet date.

Remuneration of the Fund Management

Flat fee

- Actual flat fee: 0.0291% per month (0.35% p.a.);
- Maximum flat fee as specified in the Regulations: 0.05% per month (0.6% p.a.); based on the average net fund assets

Soft Commission Arrangements

The fund management company has not concluded any arrangements on retrocessions in the form of "soft commission arrangements".

Portfolio Turnover Rate (PTR)

This ratio was calculated in accordance with the Swiss Funds Association's (SFA) "Guidelines on the calculation and disclosure of the TER and PTR" in the current version. The PTR is considered an indicator of the relevance of the additional costs incurred when buying and selling investments. It shows how many security transactions occurred as a result of voluntary investment shifts in relation to the average net assets. Transactions that resulted from uncontrollable subscriptions and redemptions are not included in this rate.

PTR: 55.25%

Total Expense Ratio (TER)

This ratio was calculated in accordance with the Swiss Funds Association's (SFA) "Guidelines on the calculation and disclosure of the TER and PTR" in the current version and expresses the sum of all costs and commissions charged on an ongoing basis to the net assets (operating expenses) taken retrospectively as a percentage of the net assets.

TER for the last 12 months: 0.35%

Use of the brand name SLI Swiss Leader Index®

UBS-ETF SLI Swiss Leader Index® is not supported, pledged, sold or advertised by SIX Swiss Exchange and SIX Swiss Exchange does not assume any warranty of any kind (either explicit or implied), for the results that may be achieved through use of the SLI® Index (the "Index") and/or for the level of the Index at a particular moment or on a particular date. SIX Swiss Exchange is not liable (whether by reason of negligence or any other conduct) for any errors which may appear in the Index and SIX Swiss Exchange is in no way responsible for alerting clients to such errors.

Valuation of the sub-fund's assets and calculation of the Net Asset Value

Valuation of the sub-fund's assets

1. The fund's net asset value shall be calculated in Swiss francs (CHF) at market value as of the close of the financial year and for each day on which units are issued or redeemed. The fund's assets will not be valued on days when the stock exchanges of the main investment countries of the fund are closed (e.g. bank or stock market holidays).
2. Investments listed on a stock exchange or traded on another regulated market open to the public shall be valued at the current prices paid on the main market. Other investments or investments for which no current market price is available shall be valued at the price likely to be obtained if a sale were conducted with proper care at the time of the valuation. In such cases the fund management company shall use appropriate and recognised valuation models and principles to determine the market value.
3. Open-end collective investments are valued using their redemption price or net asset value. If they are listed on a stock exchange or traded on another regulated market open to the public, the fund management company may value them.
4. Bank deposits shall be valued using their exposure amount plus accrued interest. In the event of significant changes in market conditions or the credit rating, the valuation basis for bank deposits on demand shall be adjusted in line with the new conditions.

5. Derivative financial instruments listed on a stock exchange or traded on another regulated market open to the public shall be valued at the current prices paid on the main market. Derivative financial instruments that are not listed on a stock exchange or traded on another regulated market open to the public (OTC-Derivatives) shall be valued at the price that would probably be obtained in a diligent sale at the time of the valuation. In such cases the fund management company shall use appropriate and recognised valuation models and principles to determine the market value.

Calculation of the Net Asset Value

The net asset value of a unit shall be based on the market value of the fund's assets, less any liabilities of the fund and divided by the number of units in circulation. It will be rounded to CHF 0.01.