

# Annual Report 2006/2007.

**Investment Fund under Swiss Law**

**Audited annual report as of 30 June 2007**

UBS-ETF SMI®



# UBS-ETF SMI®

## Category other funds

### Three-year comparison

Date	ISIN	30.6.2007	30.6.2006	30.6.2005
Net fund assets in CHF		568 084 267.08	241 068 909.61	149 430 967.23
	<b>CH0017142719</b>			
Net asset value per unit in CHF		93.89	77.75	63.57
Number of units outstanding		6 050 700.0000	3 100 700.0000	2 350 700.0000

### Report of the portfolio manager

Following a solid performance in the second half of 2006 and at the beginning of 2007, the Swiss Market Index Cum Dividend (SMIC®) declined in February of the period under review (1 July 2006 to 30 June 2007), but then recovered during the last few months, except for June. The index's overall performance was 20.97%. ABB, Swatch and Julius Baer clearly outperformed the overall market, while Synthes, Novartis and Swisscom disappointed with a below-average performance.

During the annual index adjustment in September, Kudelski was deleted from the index, while various companies changed the free float or number of shares. Following the takeover by Merck KgaA, Serono was delisted from SWX in February. All index adjustments were replicated in the portfolio at the same time. Dividends and capital repayments were fully reinvested in the portfolio.

### Structure of the securities portfolio

The 10 largest positions in % of total assets	
NESTLE SA	16.52
NOVARTIS AG	16.00
ROCHE Holding AG	13.51
UBS AG	12.97
Credit Suisse USA Inc	8.39
ABB Ltd	5.38
Zurich Financial Services AG	4.86
Swiss Reinsurance	3.71
Compagnie Financiere Richemont AG	3.39
Holcim Ltd	2.41
Others	12.63
<b>Total</b>	<b>99.77</b>

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	31.20
Banks & credit institutions	22.74
Food & soft drinks	16.52
Insurance	10.13
Electrical devices & components	5.38
Chemicals	4.10
Finance & holding companies	3.39
Building industry & materials	2.41
Miscellaneous services	1.81
Watches & jewellery	1.32
Others	0.77
<b>Total</b>	<b>99.77</b>

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

## Statement of assets

	30.6.2007 CHF	30.6.2006 CHF
<b>Market values</b>		
Securities		
– Shares and other equity instruments	568 075 187.85	241 067 212.60
Other assets	1 316 724.12	1 159 196.21
<b>Total fund assets</b>	<b>569 391 911.97</b>	<b>242 226 408.81</b>
Short-term bank liabilities	–1 202 518.35	–1 116 599.90
Other liabilities	–105 126.54	–40 899.30
<b>Net fund assets</b>	<b>568 084 267.08</b>	<b>241 068 909.61</b>

## Statement of income

	1.7.2006–30.6.2007 CHF	1.7.2005–30.6.2006 CHF
<b>Income</b>		
Income from bank assets	3 709.79	723.60
Income from securities		
– from shares and other equity instruments <sup>1</sup>	14 987 239.60	4 257 141.19
Commission income from securities lending	22 281.32	5 619.99
Purchase of current income on issue of units	1 870 632.99	70 632.72
<b>Total income</b>	<b>16 883 863.70</b>	<b>4 334 117.50</b>
<b>Expenses</b>		
Interest payable	–20 336.99	–2 787.42
Commission remuneration of the Fund Management in accordance with the Fund Regulations	–1 715 451.82	–688 499.11
Payment of current income on redemption of units	–5 056 684.52	2 513.90
<b>Total expenses</b>	<b>–6 792 473.33</b>	<b>–688 772.63</b>
<b>Net income</b>	<b>10 091 390.37</b>	<b>3 645 344.87</b>
Realized capital gains and losses	52 585 356.82	2 231 323.52
<b>Realized result</b>	<b>62 676 747.19</b>	<b>5 876 668.39</b>
Unrealized capital gains and losses	–2 679 122.25	29 371 620.60
<b>Total result</b>	<b>59 997 624.94</b>	<b>35 248 288.99</b>

## Allocation of result

	1.7.2006–30.6.2007 CHF	1.7.2005–30.6.2006 CHF
Net income of the financial year	10 091 390.37	3 645 344.87
Capital gains of the financial year designated for distribution	3 811 941.00	0.00
Balance carried forward from previous year	17 525.87	0.00
Purchase and payment in the balance carried forward for the issue and redemption of units	16 674.08	0.00
<b>Available for distribution</b>	<b>13 937 531.32</b>	<b>3 645 344.87</b>
Result earmarked for distribution to the investor	–13 916 610.00	–3 627 819.00
<b>Balance carried forward</b>	<b>20 921.32</b>	<b>17 525.87</b>

## Changes in net fund assets

	1.7.2006–30.6.2007	1.7.2005–30.6.2006
	CHF	CHF
Net fund assets at the beginning of the financial year	241 068 909.61	149 430 967.23
Ord. annual distribution	–3 627 819.00	–2 350 700.00
Balance of unit movements	270 645 551.53	58 740 353.39
Total result	59 997 624.94	35 248 288.99
<b>Net fund assets at the end of the reporting period</b>	<b>568 084 267.08</b>	<b>241 068 909.61</b>

## Development of the outstanding units

	1.7.2006–30.6.2007	1.7.2005–30.6.2006
	Number	Number
Situation at the beginning of the financial year	3 100 700.0000	2 350 700.0000
Units issued	9 300 000.0000	800 000.0000
Units redeemed	–6 350 000.0000	–50 000.0000
<b>Situation at the end of the period</b>	<b>6 050 700.0000</b>	<b>3 100 700.0000</b>
Difference between units issued and units redeemed	2 950 000.0000	750 000.0000

## Distribution of income for 2006/2007

(against coupon no. 4 - ex-date 2.8.2007)

<b>Gross</b>	<b>CHF</b>	<b>1.6700</b>
less federal withholding tax	CHF	–0.5845
<b>net per unit (payable from 7.8.2007)</b>	<b>CHF</b>	<b>1.0855</b>

## Distribution of capital gains for 2006/2007

(against coupon no. 5 – ex-date 2.8.2007)

<b>net per unit (payable from 7.8.2007)</b>	<b>CHF</b>	<b>0.6300</b>
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<sup>1</sup> This income may include offset payments which were received in place of the actual dividend payment as part of securities lending (manufactured dividends).

## Inventory of Fund assets

Security	30.6.2006 Quantity/ Nominal	Purchases <sup>1</sup>	Sales <sup>2</sup>	30.6.2007 Quantity/ Nominal	Market value in CHF	in % <sup>3</sup>
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### Securities traded on an exchange

#### Bearer shares

<b>Switzerland</b>						
KUDELSKI SA CHF10(BR)	10 425	2 756	13 181			
MERCK SERONO SA 'B'CHF25 BR	1 339	1 624	2 963			
MERCK SERONO SA 'B'CHF25 BR (2ND BUYBACK)		1 500	1 500			
NOBEL BIO CARE AG CHF2.00(BR)	6 698	20 678	14 104	13 272	5 315 436	0.93
RICHEMONT(CIE FIN) A CHF1(BR)EQUITY UNIT	134 395	410 791	282 259	262 927	19 325 135	3.39
SWATCH GROUP CHF2.25(BR)	8 512	25 473	17 683	16 302	5 689 398	1.00
SYNTHES INC COM NEW ACC IV	13 981	46 623	31 330	29 274	4 300 351	0.76
<b>Total Switzerland</b>					<b>34 630 319</b>	<b>6.08</b>
<b>Total Bearer shares</b>					<b>34 630 319</b>	<b>6.08</b>

#### Bonus shares

<b>Switzerland</b>						
ROCHE HLDGS AG GENUSSSCHEINE NPV	180 869	553 108	380 105	353 872	76 931 773	13.51
<b>Total Switzerland</b>					<b>76 931 773</b>	<b>13.51</b>
<b>Total Bonus shares</b>					<b>76 931 773</b>	<b>13.51</b>

#### Registered shares

<b>Switzerland</b>						
ABB LTD CHF2.50(REGD)	561 775	1 718 338	1 178 169	1 101 944	30 634 043	5.38
ADECCO SA CHF1(REGD)	31 730	97 245	66 605	62 370 <sup>4</sup>	5 922 032	1.04
BALOISE-HLDGS CHF0.1(REGD)	14 240	43 485	29 851	27 874	3 375 541	0.59
CIBA SPEZIALITATEN CHF1(REGD)	17 782	54 218	37 215	34 785 <sup>4</sup>	2 774 104	0.49
CLARIANT CHF4.25(REGD)	59 260	181 022	124 292	115 990 <sup>4</sup>	2 308 201	0.41
CREDIT SUISSE GRP CHF0.50(REGD)	290 470	856 450	599 876	547 044	47 784 293	8.39
GIVAUDAN AG CHF10	1 684	5 011	3 486	3 209 <sup>4</sup>	3 882 890	0.68
HOLCIM CHF2(REGD)	50 400	161 215	108 458	103 157	13 699 250	2.41
JULIUS BAER HLDG CHF0.05 (REGD)		118 676	29 480	89 196	7 840 328	1.38
JULIUS BAER HLDG CHF0.10(REGD)	22 792	58 387	81 179			
LONZA GROUP AG CHF1(REGD)	9 660	40 156	25 729	24 087 <sup>4</sup>	2 712 196	0.48
NESTLE SA CHF1(REGD)	103 883	315 486	217 522	201 847	94 060 702	16.52
NOVARTIS AG CHF0.50(REGD)	638 580	2 049 295	1 367 247	1 320 628	91 123 332	16.00
SGS SA CHF1(REGD)	1 538	4 690	3 220	3 008 <sup>4</sup>	4 367 616	0.77
SWATCH GROUP CHF0.45(REGD)	16 510	42 263	32 106	26 667 <sup>4</sup>	1 853 357	0.33
SWISS LIFE HLDG CHF41(REGD)	8 696	26 572	18 252	17 016 <sup>4</sup>	5 513 184	0.97
SWISS REINSURANCE CHF0.1(REGD)	96 385	295 076	202 857	188 604	21 104 788	3.71
SWISSCOM AG CHF1(REGD)	5 148	16 251	10 964	10 435	4 369 656	0.77
SYNGENTA CHF2.30(REGD)	25 538	76 378	53 061	48 855	11 686 116	2.05
UBS AG CHF0.1 (POST SUBDIVISION)	253 718	250	253 968			
UBS AG CHF0.1 (POST SUBDIVISION)		2 079 636	1 076 487	1 003 149	73 831 766	12.97
ZURICH FIN SVS GRP CHF0.10	37 077	114 024	78 142	72 959	27 669 701	4.86
<b>Total Switzerland</b>					<b>456 513 096</b>	<b>80.18</b>
<b>Total Registered shares</b>					<b>456 513 096</b>	<b>80.18</b>

<b>Total Securities traded on an exchange</b>					<b>568 075 188</b>	<b>99.77</b>
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<b>Total securities and similar instruments</b>					<b>568 075 188</b>	<b>99.77</b>
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Other assets					1 316 724	0.23
<b>Total fund assets</b>					<b>569 391 912</b>	<b>100.00</b>
Short-term bank liabilities					-1 202 518	
Other liabilities					-105 127	
<b>Net fund assets</b>					<b>568 084 267</b>	

<sup>1</sup> 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

<sup>2</sup> 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

<sup>3</sup> Divergences in the totals may be attributed to rounding differences

<sup>4</sup> Securities entirely or partly lent out (securities lending)

## List of sight and time deposit accounts

Handled by	Account	Interest rate (%)	Maturity	30.6.2007
UBS AG, Basel and Zurich	Current account CHF	3.0360	daily	-1 202 518.35

The deposits are not hedged.

## Transactions in exposure-reducing derivatives during the period under review

Instrument	Currency	Purchase/ Contracts	Sale/ Contracts
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### Options/warrants on equities/equity baskets

SWISSCOM LTD/SWISSCOM LTD PUT WARRANT 450.000 13.09.06	CHF	5 190	5 190
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## Supplementary information

### Credits raised

In the overall balance, the following credits had been taken up at balance sheet date: CHF 1 202 518.35.

### Derivative financial instruments

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

### Securities lending

Market value of securities on loan at balance sheet date: CHF 23 125 670.10.

### Repurchase agreements

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

### Remuneration of the Fund Management

Period: 1.7.2006–30.6.2007

Monthly lump-sum administration fee

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

The fund management has paid sales fees for the fund to distributors and asset managers out of the management commission.

### Portfolio Turnover Rate (PTR)

This key ratio was calculated in accordance with the Swiss Funds Association's (SFA) "Guidelines on the calculation and disclosure of the TER and PTR" dated 25 January 2006. The PTR is considered an indicator of the relevance of the additional costs incurred by

the fund 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 fund assets. Transactions that resulted from uncontrollable issues and redemptions are not included in this rate.

PTR for the last 12 months: 10.03%

### Total Expense Ratio (TER)

This ratio was calculated in accordance with the "Guidelines on the calculation and publication of the TER and PTR" issued by the Swiss Funds Association SFA on 25 January 2006 and expresses the sum of all costs and commissions charged on an ongoing basis to the fund's assets (operating expenses) taken retrospectively as a percentage of the fund's assets.

TER for the last 12 months: 0.35%

A TER may deviate from the administration fee actually charged as the TER according to the existing definition takes account of a different time-weighted average of the net fund assets than the fund management company uses in the daily calculation of the net asset value and the proportional charge for the administration fee.

### Depositories

SIS SegalInterSettle AG, Olten  
SIS SegalInterSettle AG/  
Brown Brothers Harriman & Co., New York

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