

UBS (Lux) SICAV 2 – Medium Term Bonds USD

Investment company under Luxembourg law ("Société d'Investissement à Capital Variable")
Established in accordance with Part II of the Fund Act of 20 December 2002

February 2008

Simplified Prospectus of the Subfund

UBS (Lux) Sicav 2 – Medium Term Bonds USD

This simplified prospectus contains key information on the UBS (Lux) SICAV 2 – Medium Term Bonds USD (the "Subfund"), a subfund of the UBS (Lux) SICAV 2 (the "Company"), which offers the investor various subfunds (in an "umbrella construction"). If you require further information before investing, please consult the full sales prospectus and annual reports of UBS (Lux) SICAV 2 which are available free of charge from the Company, the Administrative Agent (see "Contacts") and all sales agencies. It also provides information on the rights and obligations of investors. Detailed information on Subfund investments can be found in the latest annual or semi-annual report.

Investment objective	The main objective of the Company is to achieve high growth and/or a high regular income, giving due consideration to capital security and to the liquidity of the Company's assets.
Investment policy	<p>In pursuing the investment policy described in the full sales prospectus, the Subfund invests at least two-thirds of its net fund assets in fixed- or floating-rate interest-bearing debt securities and debt claims issued by public authorities, semi-public enterprises or private borrowers, which are denominated in USD or are equipped with an option on USD.</p> <p>In addition, the Subfund may invest up to one-third of its assets in debt securities and claims denominated in currencies other than that of the Subfund and in equity stock and rights, money-market instruments and warrants on securities. In this connection, the investment in convertible and warrant issues may not exceed 25% of the Subfund's net assets. In addition, investments in equities and equity rights, together with investments in warrants on all investments permissible for the Subfund, must not exceed 10% of the net assets of the Subfund.</p> <p>In line with the investment guidelines set out in the full sales prospectus, the Subfund may buy and sell futures, options and swaps (swaps, total return swaps, credit default swaps and inflation swaps) on financial instruments and conduct transactions involving options on securities other than for hedging purposes. As part of efficient asset management, the Subfund may invest in all derivative financial instruments listed in the section of the full sales prospectus entitled "Special techniques and instruments underlying securities and money-market instruments" subject to the guidelines set forth therein. The permitted underlying instruments comprise in particular those listed in point 1.1.</p> <p>The options, futures and swap markets are volatile and both the chance of earning returns and the risk of suffering losses are higher than with investments in securities.</p> <p>These techniques and instruments will only be employed if they are in conformity with the investment policy of the Subfund and do not adversely affect its quality. The same applies to warrants on securities.</p> <p>The currency of account of the Subfund is the USD. The consolidation currency of the Fund is the EUR.</p>
Risk profile	<p>Subfund investments may be subject to substantial fluctuations and no guarantee can be given that the value of a share in the Subfund will not fall below its value at the time of acquisition.</p> <p>Factors that can trigger such fluctuations or can influence their scale include but are not limited to:</p> <ul style="list-style-type: none">• company-specific changes• changes in interest rates• changes in exchange rates• changes affecting economic factors such as employment, public expenditure and indebtedness, inflation• changes in the legal environment• changes in the confidence of investors in certain classes of investment (e.g. equities), markets, countries, industries and sectors

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	By diversifying investments, the Portfolio Manager endeavours to partially reduce the negative impact of such risks on the value of the Subfund.																																			
Portfolio turnover	Portfolio turnover amounted to 48.97% as at 31 October 2007.																																			
Performance	<div><p>Performance (Basis USD)</p><table><tr><th>in %</th><th>2003</th><th>2004</th><th>2005</th><th>2006</th><th>seit 30.8.05</th><th>Ø p.a. 2 Jahre</th></tr><tr><td>USD</td><td>–</td><td>–</td><td>–</td><td>3,6</td><td>8,4</td><td>4,3</td></tr><tr><td>CHF</td><td>–</td><td>–</td><td>–</td><td>–4,1</td><td>–1,3</td><td>–1,2</td></tr><tr><td>EUR</td><td>–</td><td>–</td><td>–</td><td>–7,4</td><td>–8,7</td><td>–5,1</td></tr><tr><td>BM¹</td><td>–</td><td>–</td><td>–</td><td>4,4</td><td>–</td><td>5,3</td></tr></table></div> <p>As at: end of October 2007</p>	in %	2003	2004	2005	2006	seit 30.8.05	Ø p.a. 2 Jahre	USD	–	–	–	3,6	8,4	4,3	CHF	–	–	–	–4,1	–1,3	–1,2	EUR	–	–	–	–7,4	–8,7	–5,1	BM ¹	–	–	–	4,4	–	5,3
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Note	The graph shows past performance in USD. Past performance is no guarantee of future trends. The value of an investment can go up or down, and it is possible that investors may subsequently not recoup the sums they have invested.																																			
Profile of the typical investor	The Subfunds are suitable for investors wanting to invest in a broadly diversified portfolio of bonds, but who want to restrict interest-rate risk to the short- and medium-term segment.																																			
Distribution policy	Class “B” units do not entitle the holder to dividends. The income from these units is automatically reinvested. The general meeting of shareholders may however decide, at the proposal of the Board of Directors and after the closing of the annual accounts, whether and to what extent distributions are to be paid out.																																			
Expenses paid by the Subfund	<p>Annual expenses paid by the Subfund:</p> <p>Flat fee (*), share class “B” : 0.90% p.a.</p> <p>“Taxe d’abonnement” in Luxembourg: 0.05% p.a.</p> <p>Total expense ratio (TER): 0.95% p.a.</p> <p>The transaction costs and the costs of currency hedging are not included in the TER.</p> <p>(*) The Subfund will be charged a monthly flat fee of no more than 0.075% based on the average net asset value of the Subfund. This flat fee is used for paying the Custodian Bank, the Administrative Agent, the Company, the Portfolio Management and the Distributors. It also covers all the costs incurred by the Fund and the Subfunds with the exception of those specified in the full sales prospectus. Should costs be incurred for extraordinary measures taken in the interest of shareholders, those will be reflected in the TER.</p>																																			
Tax	The Company is subject to Luxembourg legislation. In accordance with current legislation in the Grand Duchy of Luxembourg, the Company is not subject to any Luxembourg withholding, income, capital gains or wealth taxes. However, the Subfund is subject to the Grand Duchy of Luxembourg’s “taxe d’abonnement” on total net assets, which is payable at the end of every quarter.																																			

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	<p>This tax is calculated on the total net assets of each Subfund at the end of every quarter. For the UBS (Lux) SICAV 2 – Medium Term Bonds USD Subfund, the tax d'abonnement is 0.05% p.a.</p> <p>Shareholders should be aware that the Luxembourg Law of 21 June 2005 has transposed EU Council Directive 2003/48/EC dated 3 June 2003 concerning the taxation of interest. Since 1 July 2005, this Law has provided for the imposition of a withholding tax on cross-border interest payments to individuals domiciled in the EU or alternatively an automatic exchange of information. Where necessary, the sales agency or Distributor may, upon subscription, ask investors to give their tax identification number provided to the investor by the state in which he/she is domiciled for tax purposes. It includes distributions and dividends payable by investment funds which invest more than 15%, and earnings from the assignment or repayment of shares in investment funds which invest more than 40% (from 1 January 2011: 25%) in debt instruments and claims as defined by the EU taxation of interest.</p> <p>The tax values provided are based on the most up-to-date information available at the time of their calculation. Provided the Subfund in question is not subject to EU taxation of interest or the investor is not affected by it, under current tax law shareholders are not required to pay any income, gift, inheritance or other tax in Luxembourg unless they are domiciled there, have a permanent residence or business establishment there, or were previously domiciled there and hold more than 10% of the Company's share capital.</p> <p>The aforementioned represents a summary of the fiscal effects and makes no claim to be exhaustive. It is incumbent upon the purchasers of shares to seek information on the laws and regulations governing the purchase, possession and possible sale of shares at their place of residence and for people of their nationality.</p>
Daily price publication	<p>Publications appear in the most important international business media as well as Reuters and at www.ubs.com (⇒ Fund Gate).</p>
Procedures for the acquisition and redemption of shares	<p>Applications to subscribe for and redeem units of the Subfund are accepted by the Administrative Agent, the Custodian Bank or the Management Company as well as by any other Distributor. Subscription or redemption applications entered with the Administrative Agent or the central settling agent of UBS Investment Bank in Switzerland – a unit of UBS AG – no later than by 16.00 CET (cut-off time) on a business day (order date) will be processed on the following business day on the basis of the net asset value calculated for that day (valuation date).</p> <p>In the case of subscription or redemption applications registered with the Administrative Agent or the central settling agent of UBS Investment Bank in Switzerland – a unit of UBS AG – after 16.00 (Central European Time) on a business day, the order date is considered to be the following business day. To secure punctual forwarding to the Administrative Agent or central settling agent of UBS Investment Bank in Switzerland, earlier cut-off times may apply for submission of applications placed with sales agencies in Luxembourg or abroad. Information may be obtained from the sales agency concerned.</p> <p>This means that the net asset value for settlement purposes is not known when the order is placed (forward pricing). It will be calculated on the valuation date on the basis of the last known prices (i.e. closing prices or if these do not reflect reasonable market value in the opinion of the Management Company, at the last prices available at the time of valuation).</p> <p>The foregoing also applies to the conversion of shares of one Subfund into shares of a different Subfund of UBS (Lux) SICAV 2 performed on the basis of the net asset values of the Subfunds concerned.</p> <p>Costs incurred by investors in connection with the purchase, sale and conversion of shares of the Subfund:</p> <ul style="list-style-type: none"> - Sales charge: max. 6% - Redemption fee: max. 2% - Commission on conversion within the same umbrella: max. 3%

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Additional key information	Legal form:	UBS (Lux) SICAV 2 – Medium Term Bonds USD is a subfund of UBS (Lux) SICAV 2, a “ Société d’Investissement à Capital Variable” established in accordance with Part II of the Luxembourg Law dated 20 December 2002.
	Company:	UBS (Lux) SICAV 2
	Promoter:	UBS AG, Basel and Zürich
	Portfolio Manager:	UBS AG, UBS Global Asset Management, Basel and Zürich
	Supervisory authority:	Commission de Surveillance du Secteur Financier
	Custodian Bank:	UBS (Luxembourg) S.A., Luxembourg
	Auditor:	PricewaterhouseCoopers S.à.r.l., B.P. 1443, L-1014 Luxembourg
	Issue price Share class “ B”	USD 100
	Launch date of UBS (Lux) Sicav 2 – Medium Term Bonds USD:	30 August 2005
	Foundation of UBS (Lux) Sicav 2:	15 July 2005
	Net assets of the Subfund:	USD 155.70 million as at 31 October 2007
	Securities number:	Share class “ B” 2212342
	ISIN number:	Share class “ B” LU0224520535
Contacts	Luxembourg:	UBS Fund Services (Luxembourg) S.A., Luxembourg
	Representatives in Switzerland:	UBS Fund Management (Switzerland) AG, Basel
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