

# Annual Report 2005/2006.

**Investment Company under Luxembourg Law (SICAV)**

**Audited annual report as of 30 September 2006**

UBS (Lux) Key Selection Sicav – US Equities



# UBS (Lux) Key Selection Sicav – US Equities

Annual Report as of 30 September 2006

## Three-year comparison

Date	ISIN	30.9.2006	30.9.2005	30.9.2004
Net assets in USD		2 763 895 880.69	1 921 267 638.50	1 545 931 836.38
<b>Class (EUR) B</b>	<b>LU0155373292</b>			
Shares outstanding		18 476 494.6400	15 125 944.9580	5 513 599.9110
Net asset value per share in EUR		12.91	12.42	10.57
<b>Class (EUR) BG</b>	<b>LU0176552304</b>			
Shares outstanding		N/A	557.2280	1 000.0000
Net asset value per share in EUR		N/A	11.40	9.72
<b>Class (USD) B</b>	<b>LU0153925929</b>			
Shares outstanding		152 437 703.9120	114 582 649.4000	113 598 291.8850
Net asset value per share in USD		16.15	14.79	12.97

## Structure of the Securities Portfolio

Geographical Breakdown as a % of net assets		Economic Breakdown as a % of net assets	
United States	94.30	Banks & credit institutions	14.84
Cayman Islands	0.97	Pharmaceuticals, cosmetics & medical products	11.61
Bermudas	0.81	Internet, software & IT services	6.51
<b>Total</b>	<b>96.08</b>	Finance & holding companies	6.50
		Telecommunications	6.24
		Energy & water supply	5.53
		Petroleum	4.89
		Insurance	4.52
		Electronics & semiconductors	4.38
		Miscellaneous services	4.15
		Vehicles	3.61
		Traffic & transportation	3.48
		Healthcare & social services	3.25
		Retail trade, department stores	3.18
		Biotechnology	2.46
		Mechanical engineering & industrial equipment	2.26
		Building industry & materials	2.00
		Lodging, catering & leisure	1.95
		Computer hardware & network equipment providers	1.00
		Miscellaneous trading companies	0.99
		Aerospace industry	0.89
		Graphic design, publishing & media	0.78
		Tobacco & alcohol	0.75
		Real estate	0.31
		<b>Total</b>	<b>96.08</b>

## Statement of Net Assets

	<b>USD</b>
	<b>30.9.2006</b>
<b>Assets</b>	
Investments in securities, cost	2 331 475 031.14
Investments in securities, unrealized appreciation (depreciation)	324 383 744.78
<b>Total investments in securities (Note 1)</b>	<b>2 655 858 775.92</b>
Cash at banks, deposits on demand and deposit accounts	97 873 630.43
Other liquid assets (Margins)	3 436 650.00
Receivable on securities sales (Note 1)	21 029 200.32
Receivable on subscriptions	18 444 724.46
Interest receivable on liquid assets	315 413.66
Receivable on dividends	1 498 641.15
Unrealized gain (loss) on financial futures (Note 1)	570 987.50
<b>Total Assets</b>	<b>2 799 028 023.44</b>
<b>Liabilities</b>	
Other short-term liabilities (Margins)	-669 177.50
Payable on securities purchases (Note 1)	-21 672 033.75
Payable on redemptions	-10 153 011.82
Provisions for all-in fee (Note 2)	-2 292 432.23
Provisions for taxe d'abonnement (Note 3)	-345 487.45
<b>Total provisions</b>	<b>-2 637 919.68</b>
<b>Total Liabilities</b>	<b>-35 132 142.75</b>
<b>Net assets at the end of the financial year</b>	<b>2 763 895 880.69</b>

## Statement of Operations

	<b>USD</b>
	<b>1.10.2005–30.9.2006</b>
<b>Income</b>	
Interest on liquid assets and bank overdraft	3 031 249.50
Dividends	32 440 206.99
Income on securities lending (Note 4)	1 777 404.33
<b>Total income</b>	<b>37 248 860.82</b>
<b>Expenses</b>	
All-in fee (Note 2)	-55 953 151.95
Taxe d'abonnement (Note 3)	-1 446 644.84
<b>Total expenses</b>	<b>-57 399 796.79</b>
<b>Net income on investments</b>	<b>-20 150 935.97</b>
<b>Realized gain (loss) (Note 1)</b>	
Realized gain (loss) on market-priced securities without options	150 890 849.01
Realized gain (loss) on financial futures	1 441 381.50
Realized gain (loss) on forward foreign exchange contracts	90 630.01
<b>Total realized gain (loss) on investments</b>	<b>152 422 860.52</b>
Realized gain (loss) on foreign exchange	43 980.78
<b>Total realized gain (loss)</b>	<b>152 466 841.30</b>
<b>Net realized gain (loss) of the financial year</b>	<b>132 315 905.33</b>
<b>Changes in unrealized appreciation (depreciation) (Note 1)</b>	
Unrealized appreciation (depreciation) on market-priced securities without options	103 014 762.84
Unrealized appreciation (depreciation) on financial futures	570 987.50
<b>Total changes in unrealized appreciation (depreciation)</b>	<b>103 585 750.34</b>
<b>Net increase (decrease) in net assets as a result of operations</b>	<b>235 901 655.67</b>

## Statement of Changes in Net Assets

	<b>USD</b>
	<b>1.10.2005–30.9.2006</b>
Net assets at the beginning of the financial year	1 921 267 638.50
Subscriptions	1 807 182 931.40
Redemptions	-1 200 456 344.88
Total net subscriptions (redemptions)	606 726 586.52
Net income on investments	-20 150 935.97
Total realized gain (loss)	152 466 841.30
Total changes in unrealized appreciation (depreciation)	103 585 750.34
Net increase (decrease) in net assets as a result of operations	235 901 655.67
<b>Net assets at the end of the financial year</b>	<b>2 763 895 880.69</b>

## Changes in the Number of Shares outstanding

	<b>1.10.2005–30.9.2006</b>
<b>Class</b>	<b>(EUR) B</b>
Number of shares outstanding at the beginning of the financial year	15 125 944.9580
Number of shares issued	13 549 611.5410
Number of shares redeemed	-10 199 061.8590
<b>Number of shares outstanding at the end of the financial year</b>	<b>18 476 494.6400</b>
<b>Class</b>	<b>(EUR) BG</b>
Number of shares outstanding at the beginning of the financial year	557.2280
Number of shares issued	0.0000
Number of shares redeemed	-557.2280
<b>Number of shares outstanding at the end of the financial year</b>	<b>0.0000</b>
<b>Class</b>	<b>(USD) B</b>
Number of shares outstanding at the beginning of the financial year	114 582 649.4000
Number of shares issued	105 419 119.9130
Number of shares redeemed	-67 564 065.4010
<b>Number of shares outstanding at the end of the financial year</b>	<b>152 437 703.9120</b>

## Statement of Investments in Securities and other Net Assets as of 30 September 2006

Description	Quantity/ Nominal	Valuation in USD Unrealized gain (loss) on Futures/ Options/Forward Exchange Contracts (Note 1)	as a % of net assets
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### Transferable securities and money market instruments listed on an official stock exchange

#### Bearer shares

##### Bermudas

USD	ACCENTURE LTD-A	710 300.00	22 523 613.00	0.81
<b>Total Bermudas</b>			<b>22 523 613.00</b>	<b>0.81</b>

##### Cayman Islands

USD	GLOBALSAntAFE CORP	535 100.00	26 749 649.00	0.97
<b>Total Cayman Islands</b>			<b>26 749 649.00</b>	<b>0.97</b>

##### United States

USD	ALLERGAN INC	580 700.00	65 392 627.00	2.37
USD	ALLSTATE CORP	486 800.00	30 536 964.00	1.10
USD	AMERICAN ELECTRIC POWER CO INC	621 100.00	22 589 407.00	0.82
USD	AMERICAN INTERNATIONAL GROUP INC	983 000.00	65 133 580.00	2.36
USD	ANALOG DEVICES INC	872 000.00	25 628 080.00	0.93
USD	ANHEUSER-BUSCH COS INC	435 600.00	20 695 356.00	0.75
USD	AT&T INC	1 236 000.00	40 244 160.00	1.46
USD	BORG WARNER INC	364 600.00	20 844 182.00	0.75
USD	BRISTOL MYERS SQUIBB CO	1 386 300.00	34 546 596.00	1.25
USD	BURLINGTON NORTHERN SANTA FE CORP	730 600.00	53 655 264.00	1.94
USD	CAREMARK RX INC	476 900.00	27 025 923.00	0.98
USD	CARNIVAL CORP	1 016 100.00	47 787 183.00	1.73
USD	CEPHALON INC	251 100.00	15 505 425.00	0.56
USD	CITIGROUP INC	2 444 400.00	121 413 348.00	4.38
USD	CITY NATIONAL CORP	196 700.00	13 190 702.00	0.48
USD	COSTCO WHOLESALE CORP	770 600.00	38 283 408.00	1.39
USD	DELL INC	1 209 900.00	27 634 116.00	1.00
USD	DIRECTV GROUP INC	2 009 400.00	39 544 992.00	1.43
USD	EMBARQ CORP	159 108.00	7 696 053.96	0.28
USD	ENSCO INTERNATIONAL INC	549 500.00	24 084 585.00	0.87
USD	EOG RESOURCES INC	373 800.00	24 315 690.00	0.88
USD	EXELON CORP	1 260 100.00	76 286 454.00	2.76
USD	EXXON MOBIL CORP	409 100.00	27 450 610.00	0.99
USD	FEDEX CORP	390 900.00	42 483 012.00	1.54
USD	FIFTH THIRD BANCORP	1 240 400.00	47 234 432.00	1.71
USD	FREDDIE MAC	644 000.00	42 716 520.00	1.55
USD	GENZYME CORP-GENERAL DIVISION	656 400.00	44 287 308.00	1.60
USD	H. & R. BLOCK INC	589 700.00	12 820 078.00	0.46
USD	HALLIBURTON CO	589 800.00	16 779 810.00	0.61
USD	HARLEY-DAVIDSON INC	448 800.00	28 162 200.00	1.02
USD	ILLINOIS TOOL WORKS INC	1 163 600.00	52 245 640.00	1.89
USD	INTEL CORP	2 552 300.00	52 500 811.00	1.90
USD	JOHNSON & JOHNSON	964 800.00	62 654 112.00	2.27
USD	JOHNSON CONTROLS INC	706 100.00	50 655 614.00	1.83
USD	JPMORGAN CHASE & CO	1 188 950.00	55 833 092.00	2.02
USD	KOHL'S CORP	332 000.00	21 553 440.00	0.78
USD	KROGER CO	1 212 300.00	28 052 622.00	1.01
USD	MARATHON OIL CORP	204 800.00	15 749 120.00	0.57
USD	MASCO CORP	2 012 250.00	55 175 895.00	2.00
USD	MEDCO HEALTH SOLUTIONS INC	598 500.00	35 975 835.00	1.30
USD	MEDTRONIC INC	628 300.00	29 178 252.00	1.06
USD	MELLON FINANCIAL CORP	1 557 650.00	60 904 115.00	2.20
USD	MICROSOFT CORP	3 941 300.00	107 715 729.00	3.90
USD	MILLENNIUM PHARMACEUTICALS INC	811 000.00	8 069 450.00	0.29
USD	MORGAN STANLEY	1 468 400.00	107 061 044.00	3.87
USD	NEWS CORP-A W.I.	1 071 100.00	21 047 115.00	0.76
USD	NISOURCE INC	760 300.00	16 528 922.00	0.60
USD	NORTHEAST UTILITIES INC	333 100.00	7 751 237.00	0.28
USD	NORTHROP GRUMMAN CORP	361 900.00	24 634 533.00	0.89
USD	OMNICOM GROUP INC	654 800.00	61 289 280.00	2.22
USD	ORACLE CORP	1 645 000.00	29 182 300.00	1.06
USD	PACCAR INC	179 200.00	10 217 984.00	0.37
USD	PEPCO HOLDINGS INC	485 300.00	11 729 701.00	0.42
USD	PNC FINANCIAL SERVICES GROUP	540 900.00	39 182 796.00	1.42
USD	R. H. DONNELLEY CORP	408 163.00	21 591 822.70	0.78
USD	REALOGY CORP	383 750.00	8 703 450.00	0.31
USD	SALESFORCE.COM INC	500 400.00	17 954 352.00	0.65
USD	SEMPRA ENERGY	589 350.00	29 614 837.50	1.07
USD	SPRINT NEXTEL CORP-S1	3 189 276.00	54 696 083.40	1.98
USD	SYMANTEC CORP	2 027 142.00	43 137 581.76	1.56
USD	SYSCO CORP	814 500.00	27 245 025.00	0.99
USD	THE HARTFORD FINANCIAL SERVICES GROUP INC	335 800.00	29 130 650.00	1.05
USD	UNITEDHEALTH GROUP INC	1 277 400.00	62 848 080.00	2.27
USD	UNIVISION COMMUNICATIONS INC-A	267 800.00	9 196 252.00	0.33
USD	WATERS CORPORATION	554 200.00	25 094 176.00	0.91
USD	WELLS FARGO & CO	2 531 200.00	91 578 816.00	3.31
USD	WYETH	1 829 700.00	93 021 948.00	3.37

Description	Quantity/ Nominal	Valuation in USD Unrealized gain (loss) on Futures/ Options/Forward Exchange Contracts (Note 1)	as a % of net assets
USD WYNDHAM WORLDWIDE CORP	218 680.00	6 116 479.60	0.22
USD XILINX INC	810 900.00	17 799 255.00	0.64
<b>Total United States</b>		<b>2 606 585 513.92</b>	<b>94.30</b>
<b>Total Bearer shares</b>		<b>2 655 858 775.92</b>	<b>96.08</b>
<b>Total Transferable securities and money market instruments listed on an official stock exchange</b>		<b>2 655 858 775.92</b>	<b>96.08</b>
<b>Total investments in securities</b>		<b>2 655 858 775.92</b>	<b>96.08</b>

## Derivative instruments

### Derivative instruments listed on an official stock exchange

#### Financial Futures on Indices

USD S&P500 EMINI FUTURE 15.12.06	1 091.00	570 987.50	0.02
<b>Total Financial Futures on Indices</b>		<b>570 987.50</b>	<b>0.02</b>
<b>Total Derivative instruments listed on an official stock exchange</b>		<b>570 987.50</b>	<b>0.02</b>
<b>Total Derivative instruments</b>		<b>570 987.50</b>	<b>0.02</b>
<b>Cash at banks, deposits on demand and deposit accounts and other liquid assets</b>		<b>101 310 280.43</b>	<b>3.67</b>
<b>Bank overdraft and other short-term liabilities</b>		<b>-669 177.50</b>	<b>-0.02</b>
<b>Other assets and liabilities</b>		<b>6 825 014.34</b>	<b>0.25</b>
<b>Total net assets</b>		<b>2 763 895 880.69</b>	<b>100.00</b>