

Update on UBS US Money Market Funds

U.S. Treasury's Temporary Guarantee Program set to expire September 18, 2009

Key points

- In response to credit market dislocations, the U.S. Treasury Department established the Temporary Guarantee Program for Money Market Funds (the "Program"). Through the Program, the share price of any publicly offered eligible money market mutual fund—both retail and institutional—that applied for and was accepted into the Program was guaranteed, subject to specific guidelines.
- Following several extensions, the Program will expire on September 18, 2009. As a result, all participating money market funds—including the **UBS US Money Market Funds¹ (the "UBS Funds")**—will no longer be covered by the guarantee.
- In response to events in the money markets, the Securities and Exchange Commission ("SEC") has proposed regulatory changes designed to improve the functioning of the money market funds arena. Overall, these recommendations are consistent with many of those proposed by a panel of industry leaders assembled by the Investment Company Institute ("ICI"), the national association of US investment companies, including mutual funds.
- The final version of these new (or amended) money market fund regulations would be released by the SEC after it has evaluated the numerous comments received on the proposed changes. To learn more, please refer to the SEC's Web site.

- We are pleased that the UBS Funds were able to participate in the Program in order to provide an added level of protection for our shareholders.
- With the end of the Program approaching, we want to remind our investors that all of the UBS Funds are conservatively managed, and that we believe that many of the concepts proposed represent "best practices" consistent with our overall approach in several key areas. For example, the UBS Funds do not purchase "Second Tier" securities, regularly maintain significant liquidity buffers and maintain average weighted maturities shorter than the current Rule 2a-7 allows.

Of course, it is important to note that the final details of the regulatory changes will not be known until the SEC puts the final rule into effect, and that the details may be in flux.

¹ The Funds covered by the program are: **US Taxable Funds**—UBS Cashfund; UBS Money Market Fund; UBS Liquid Assets Fund; UBS Retirement Money Fund; UBS RMA U.S. Government Portfolio; UBS PACE Money Market Investments; UBS RMA Money Market Portfolio; UBS Cash Reserves Fund; UBS Select Prime Institutional Fund; UBS Select Treasury Preferred Fund; UBS Select Prime Investor Fund; UBS Select Treasury Institutional Fund; UBS Select Prime Preferred Fund; UBS Select Treasury Investor Fund. **US Tax-Free Funds**—UBS RMA New Jersey Municipal Money Fund; UBS Select Tax-Free Preferred Fund; UBS RMA Tax-Free Fund; UBS Select Tax-Free Investor Fund; UBS RMA California Municipal Money Fund; UBS Select Tax-Free Institutional Fund; UBS RMA New York Municipal Money Fund. For some of these funds, UBS Financial Services Inc. serves as the investment advisor and UBS Global Asset Management is the subadvisor responsible for day-to-day portfolio management.

The Funds' conservative stances have served them well during the extended period of turbulence in the money markets. Prior to the coverage period and throughout it, the Funds have:

- Operated normally,
- Maintained a stable net asset value of \$1.00 per share, and
- Continued to meet their stated investment goals, including capital preservation, liquidity and income.

(It's important to remember that while money market instruments generally have a low risk of loss, they are not risk-free. While we will seek to maintain the value of our shareholders' investments at \$1.00 per share, it is possible to lose money by investing in a money market fund.)

- Our experienced portfolio management and credit teams have been through numerous market events and multiple credit and interest rate cycles. We believe successful cash management depends on a disciplined investment process backed by extensive, in-depth research and risk management.
- We (and our predecessors) have been managing money market funds for over 30 years, with the goal of providing investment solutions designed to preserve capital, maintain liquidity and achieve competitive yields. Regardless of the market backdrop, we remain steadfastly dedicated in our pursuit of these goals.
- Dedicated credit analysts monitor the quality of, and conduct rigorous analysis on, all investments in order to determine creditworthiness and level of appropriateness for our portfolios. A security is placed on our approved lists only after it has met our stringent research requirements.

For more information, call the **UBS Global Asset Management National Sales Desk** at 888-793 8637, or the **Banking Products Sales Desk** at 866-231 3586.

Important information regarding the U.S. Treasury Temporary Guarantee Program

- The U.S. Treasury Temporary Guarantee Program provides a guarantee to participating money market mutual fund shareholders based on the number of shares invested in the fund at the close of business on September 19, 2008.
- Any increase in the number of shares an investor holds after the close of business on September 19, 2008, will not be guaranteed.
- If a customer closes his/her account with a fund or broker-dealer, any future investment in the fund will not be guaranteed.
- If the number of shares an investor holds fluctuates over the period, the investor will be covered for either the number of shares as of the close of business on September 19, 2008, or the current amount, whichever is less.
- The Program expires on September 18, 2009.

The information above and provided herein offers some key information about the U.S. Treasury's Temporary Guarantee Program. Please refer to the U.S. Treasury Department's Web site at www.ustreas.gov for further important information on the Program.

For all of the UBS Global Asset Management US Money Market Funds, investors should read and carefully consider the investment objectives, risks, charges and expenses before investing. The Money Market Funds' prospectuses contain this and other information about the Funds. Contact the UBS Global Asset Management National Sales Desk at 888-793 8637 for a current Fund prospectus. An investment in the UBS US Money Market Funds is only one component of a balanced investment plan.

No part of this update, the Funds' prospectuses or the Funds themselves are in any manner approved, endorsed, sponsored or authorized by the U.S. Treasury.

An investment in the UBS US Money Market Funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency, except to the extent otherwise provided by the U.S. Treasury's Temporary Guarantee Program for Money Market Funds. Although the Funds seek to preserve the value of an investment at \$1.00 per share, it is possible to lose money by investing in the Funds.

UBS Global Asset Management (US) Inc. is each Fund's principal underwriter. UBS Global Asset Management (Americas) Inc. is each Fund's advisor or subadvisor.

Investors should note that current and future money market fund portfolio holdings are subject to risk.

Not FDIC insured. May lose value. No bank guarantee.