STANDARD & POOR'S

STANDARD & POOR'S A FUND MANAGEMENT RATING

Report date November 2010

UBS UK EQUITY INCOME FUND

Sub-fund of UK-authorised Oeic
Fund owner: UBS Global Asset Management (UK) Limited
Fund manager/adviser: UBS Global Asset Management

Named portfolio manager/adviser(s): Brian Gallagher (since launch)
Peer group: UK Equity Income

Location: London
Launch date: March 2007
Fund size (September 2010): £31m
Contact group: +44 800 587 2111 or www.ubs.com/ifa

Further information on S&P's fund coverage can be found at www.FundsInsights.com

Investment style

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

Performance statistics

	Three years
Fund	-18.5%
Standard & Poor's peer median	-10.6%
Index**	-7.2%
Fund rank	165/208
Volatility adjusted ranking	173/208

Note: returns are cumulative

Three-year risk characteristics

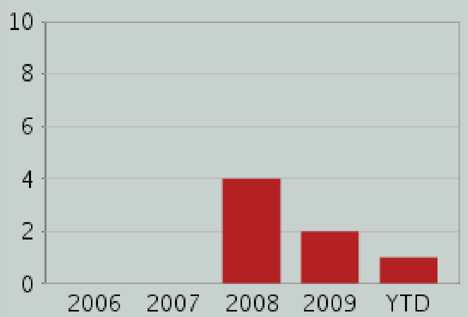
Maximum monthly drawdown (%)	-15.9
Volatility	20.0
Correlation**	0.9
Beta**	1.0

** Relative to index.

Income record

Year	Pence/Unit	% change
2007 (from launch)	1.48	-
2008	2.60	75.68
2009	2.29	-11.92
2010 (YTD)	1.11	-

Calendar year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine, with tenth decile as rank one.

 All statistical data on this report has been run to 31 August 2010 on NAV to NAV basis, with gross income reinvested, in GBP.

Please see page three for required research analyst certification disclosure.

Standard & Poor's opinion (October 2010)

Brian Gallagher has struggled to generate attractive peer relative returns since the launch of this fund, although his disciplined approach to covered call writing, has allowed the fund to meet its 120% yield target.

He was not helped by the departure of deputy portfolio manager Matt Cox in January. This left him covering a number of mid-cap UK stocks and also having to manage the UK Select fund. UBS has recruited Edward Peter-Hoblyn as a replacement. He is an experienced UK investor but will need time to settle and for his ideas to filter through to this fund.

Gallagher has been a cautious adopter of recommendations from the pan-European analyst team, although its stock selection has been good. This team, which has also seen some turnover, has provided some input on key UK stocks but Gallagher intends to make greater use of it for the mega-caps as its recommendations are now more in line with his time horizon, while communication has also improved.

Although things are improving on the resource and research fronts, Gallagher is still looking for a pull-back in the market to reposition the portfolio. He has an original approach to diversification, aiming to construct a balanced portfolio split into several segments. However, the fund has remained too defensively positioned.

We do not feel Gallagher has made the best use of the resources at his disposal, and, given his experience and approach, it is disappointing to see how poor performance has been. This, together with the changes to the team and process, results in the fund falling a band to an S&P A rating.

Fund manager & team

Brian Gallagher primarily draws on UBS's London-based equity analyst team, comprising 16 pan-European analysts with over nine years' average investment experience. He can also call on the broader global resources, in particular the Sydney-based analyst team, used for its expertise on natural resources companies.

Brian Gallagher - business administration (Birmingham University), started his investment career at CIN Management in 1993 as an UK equity analyst. He was responsible for managing investment trusts at Prolific and Murray Johnstone, before joining Gartmore in 2000, where he spent six years managing UK equity income mandates. He joined UBS in January 2007.

Management style

The fund aims to outperform the FTSE All-Share index by 4% a year while providing 120% of its yield. It also aims to achieve year-on-year dividend growth.

Gallagher has formulated an unusual but pragmatic approach throughout his career, which can be market-driven at times, but always works within a well-defined and disciplined framework. This breaks down the portfolio into seven segments of typical allocation: mega-caps (30-40%), high-yielding stocks (0-20%), mid-/small-caps (0-5%), growth stocks (0-10%), tactical opportunities (0-5%), recovery (added in March 2009, 0-10%), European stocks (0-10%).

Quantitative screens act as a start, with the manager then making good use of the UK-based analyst resources and broker contacts he has developed over time. A portfolio of 50-70 high-conviction holdings is constructed with little heed to the benchmark, but active stock positions are limited to 3-5%.

The focus is on total returns rather than pure yields, but the portfolio's overall yield is monitored and positions are adjusted accordingly. Covered calls (limited to 20% nominal value) will typically provide any additional yield where necessary.

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Portfolio & performance analysis (September 2010)

Positioning has not changed substantially over the last 12 months. The portfolio remains defensively positioned, as Gallagher expects a pull-back in the market. Equity income stocks represented 30% of the fund and mega-caps 50%. This shows in the sector distribution with utilities 6.6% overweight (Northumbrian Water is a large active position), healthcare 2.5% overweight (AstraZeneca and Glaxo) and telcoms 2.2% overweight (Vodafone has been added to).

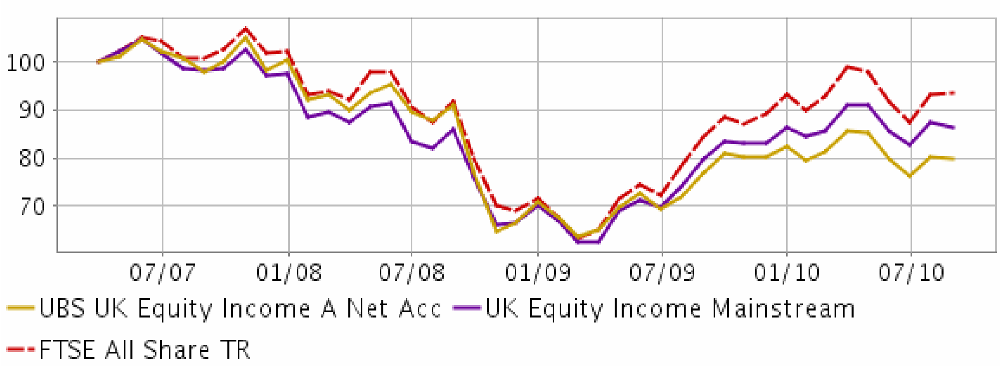
Gallagher would look to increase exposure to miners and UK domestic recovery names (retailers and housebuilders) should a correction occur. The fund has seen some outflows this year, following strong inflows in 2009.

The portfolio had close to a benchmark weighting in financials leading into the market correction in H2 2008. Although underweight banks, positions in Barclays, HSBC, RBS and HBOS hurt. Exposure to growth stocks was also high, including 5% in resources companies (eg, Aquarius Platinum, Xstrata), which proved costly. He increased the defensiveness of the portfolio in Q4, holding above-average levels of cash, leading to a period of outperformance from November to March 2009.

Going into 2009, Gallagher remained convinced that there was more downside to come, and used inflows to keep cash levels high (averaging between 7% and 10% in H1). The new "recovery" segment of the portfolio, comprising cyclical companies with solid balance sheets (GKN, Invensys) generally performed well. However, with the rest of the portfolio positioned defensively (mega-caps and equity income segments were near full weights) and cash levels so high, the fund lagged the strong market recovery from March.

Disappointing relative returns have continued into 2010. An overweight BP position was called in April but Gallagher went back into the stock too early. Connaught has been the biggest detractor followed by Cookson. Despite poor total returns, the fund has met its 120% yield objective (helped by successful covered call writing).

Cumulative performance



Discrete performance (calendar years)

					2008		2009		YTD 31/08/2010	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund		/		/	-29.6	127/210	16.5	182/223	-3.3	243/251
Index**	16.8		5.3		-29.9		30.0		0.4	
Median	18.6		0.2		-28.0		22.5		0.6	

** FTSE All-Share GBP! (The Industry Classification Benchmark is a joint product of FTSE International Limited and Dow Jones & Company, Inc. and has been licensed for use.)
Fund benchmark: FTSE All-Share
Share class screened: GB0031615841 (A Acc)
Distribution dates: Feb, May, Aug, Nov

Portfolio characteristics (1 September 2010)

No. of holdings	50
Turnover ratio (%)	N/A
% in top 10	46
Estimated gross yield (%)	6.90

Sector allocation

	%
Basic materials	1.5
Consumer goods	12.3
Consumer services	12.1
Financials	18.1
Healthcare	10.5
Industrials	5.7
Oil & gas	13.7
Technology	1.4
Telecommunications	8.5
Utilities	10.6
Cash	5.6

Top 10 holdings

	%
Vodafone *	6.9
HSBC *	5.6
BP *	5.5
Royal Dutch Shell 'B' *	5.3
British American Tobacco	5.0
AstraZeneca *	4.9
GlaxoSmithKline *	4.6
Tesco *	3.4
Northumbrian Water Group	2.7
Imperical Tobacco	2.6

* In top 10 holdings a year ago

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Symbols and definitions

Long-only fund ratings

AAA The fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
AA The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.
A The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

Fund-of-hedge-funds ratings
Absolute return fund ratings
Specialist fund ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.
A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

Ucits III flexible beta fund ratings

AAA The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
AA The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.
A The fund demonstrates high standards of quality based on its investment process, risk awareness and consistency relative to its own objectives and relative to comparable flexible beta funds.

All fund ratings

Not Rated (NR) Funds designated as Not Rated currently do not meet the requisite performance standards and/or the minimum qualitative criteria to achieve a fund rating.
Under Review (UR) Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.
(New) Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.
Tenure Review (TR) The fund manager/team involved in the management of the fund does not currently have the minimum 12 months relevant investment management experience required to be eligible to be considered for a rating.
Long-term fund management rating The fund has been rated in the A/AA/AAA fund rating band for five consecutive years or more, and continues to hold a rating.

Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.
V1 Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising the highest quality fixed income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.
V2 Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.
V3 Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.
V4 Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.
V5 Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or less liquid securities.
V6 Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.