

# Annual Report 2016

**Investment Company under Luxembourg Law (SICAV) – Specialised Investment Fund (SIF)**

**R.C.S. Luxembourg N° B 129 749**

**Audited annual report as of 31 December 2016**

UBS Manager Solutions

UBS Manager Solutions – Managed Opportunity Fund





# Audited annual report as of 31 December 2016

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## **Sales restrictions**

Shares of this Company may not be offered, sold or distributed within the United States of America.

# Management and Administration

## Management Company and AIFM

UBS Third Party Management Company S.A.  
33A avenue J.F. Kennedy  
L-1855 Luxembourg

## Registered Office

33A avenue J.F. Kennedy,  
L-1855 Luxembourg  
R.C.S. Luxembourg N° B 129 749

## Board of Directors

*André Müller-Wegner*, Chairman  
Managing Director, UBS AG, Switzerland

*Christian Schön*, Member  
Executive Director,  
UBS Europe SE, Luxembourg Branch, Luxembourg

*Andreas Aebersold*, Member  
Executive Director  
UBS AG, Switzerland

*Jeremy Stenham*, Member  
Chartered Accountant, Independent Director, London

*Madhu Ramachandran*, Member  
Executive Director,  
UBS Europe SE, Luxembourg Branch, Luxembourg

## Portfolio Manager

UBS Switzerland AG

## Depository and main paying agent

UBS Europe SE, Luxembourg Branch,  
33A, avenue J.F. Kennedy,  
L-1855 Luxembourg

## Central Administrative agent

UBS Fund Services (Luxembourg) S.A.,  
33A, avenue J.F. Kennedy,  
L-1855 Luxembourg

## Auditor of the Company

PricewaterhouseCoopers, Société coopérative  
2, rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg

The sales prospectus, the articles of association of the Company, the annual reports as well as the portfolio movements of the Company mentioned in this publication are available free of charge at the sales agencies and at the registered office of the Company.

# Features of the Company

UBS Manager Solutions (hereinafter called the "Company") offers investors a range of different subfund ("umbrella construction") which invest in accordance with the investment policies described in the sales prospectus. The sales prospectus, which contains specific details on each subfund, will be updated on the inception of each new subfund.

The Company was incorporated on 10 July 2007, as an open-end Investment Company in the legal form of a "Société d'Investissement à Capital Variable – Specialised Investment Fund" (SICAV-SIF) in accordance with Luxembourg Law dated 13 February 2007 relating to Specialised Investments Funds, as amended.

The Company is an alternative investment fund ("AIF") within the meaning of Directive 2011/61/EU of the European Parliament and the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and regulations (EC) No 1060/2009 and (EU) No 1095/2010 (the "AIFM Directive").

With effect from 1 July 2014, the Company has appointed UBS Third Party Management Company S.A. (the "Management Company") as its management company. The Management Company was established as a public-limited company in Luxembourg for an unlimited duration on 23 December 1993. Its registered office is located at 33A avenue J.F. Kennedy, L-1855 Luxembourg Grand Duchy of Luxembourg.

The Articles of Incorporation were published in the "Mémorial, Recueil des Sociétés et Associations" (hereinafter called "Mémorial"), on 29 August 2007. Each amendment of the Articles of Incorporation shall be published in the "Mémorial", in a Luxembourg daily newspaper and, if necessary, in the official publications specified for the respective countries in which shares of the Company are sold. Such amendments become legally binding in respect of all shareholders subsequent to their approval by the general meeting of shareholders.

The sum of the subfund net assets forms the total net assets of the Company, which at any time correspond to the share capital of the Company and consist of fully paid in and non-par-value shares (the "shares").

At general meetings, the shareholder has the right to one vote per share held, irrespective of the difference in value of shares in the respective subfund. Shares of a

particular subfund or share class carry the right of one vote per share held when voting at meetings affecting this subfund or share class.

The Company is a single legal entity. For the purpose of the relations as between the shareholders, each subfund is deemed to be a separate entity, separate from the others. The assets of a subfund are exclusively available to satisfy the requests of that subfund and the right of creditors whose claims have arisen in connection with that subfund.

The Board of Directors of the Company is empowered to establish new subfund and/or to liquidate existing ones at any time or to establish various share classes with specific characteristics within these subfund. The sales prospectus will be updated each time a new subfund or an additional share class is issued. The Company is unlimited with regard to duration and total assets.

As at 31 December 2016, the following subfund is available:

UBS Manager Solutions	Currency of account of the subfund
– Managed Opportunity Fund	EUR

The Company can issue several share classes for each of the subfund. All share classes presently in issue are reserved for subscription by well-informed investors.

Various classes may be offered for the subfund. Information on which share classes are available for which subfund can be obtained from the Administrative Agent.

## Share Class Characteristics

- Class F shares are reserved for (i) persons that have entered into a written discretionary management agreement with UBS; and (ii) UBS managed funds. No distributor is appointed for F classes. Class F shares no longer held by either (i) persons bound by the terms of a written discretionary management agreement with UBS or (ii) by UBS managed funds may be compulsorily redeemed at their then applicable net asset value, unless the relevant holder requests their conversion into Class P shares, such request to be satisfied in the Company's and/or the Management Company's sole discretion.
- Class Q shares are reserved for persons that have entered into a written advisory agreement with UBS. Class Q shares held by persons no longer bound by the terms of a written advisory agreement with UBS may be compulsorily redeemed at their then applicable

net asset value, unless the relevant holder requests their conversion into Class P shares, such request to be satisfied in the Company's and/or the Management Company's sole discretion.

- Class P shares are available to all investors.

The financial year of the Company ends on 31 December.

The ordinary general meeting takes place annually on 20 May at 10 a.m. at the registered office of the Company. If such a day does not fall on a business day in Luxembourg, the ordinary general meeting must take place on the next following working day.

The shares of the subfund of the Company are not listed on the Luxembourg Stock Exchange.

Only the information contained in the sales prospectus and in one of the documents referred to therein shall be deemed to be valid.

The audited annual report is available free of charge to shareholders at the registered office of the Company and the Depositary.

No subscription may be accepted on the basis of the financial reports. Subscriptions are accepted only on the basis of the current prospectus accompanied by the latest annual report and the latest semi-annual report if available.

The figures stated in this report are historical and not necessarily indicative of future performance.

# Alternative Investment Fund Manager (“AIFM”) Report

In relation to the disclosure requirements of art 108 (2) Level II of the AIFMD, the AIFM is not aware of any special arrangements in place as at 31 December 2016 (such as side pockets, gates or other similar arrangements).

In relation to the disclosure requirements of art 108 (3) Level II of the AIFMD, the AIFM did not make changes to the liquidity management systems and procedures referred to in Article 16(1) of the AIFMD which should be considered as material in accordance with Article 108(3) of the Level II of the AIFMD.

The AIFM employs a risk-management process which enables it to monitor and measure at any time the risk of the positions of the Company and their contribution to the overall risk profile of the subfund of the Company and it employs a process allowing for accurate and independent assessment of the value of OTC derivative instruments. The AIFM must furthermore communicate to the supervisory authority regularly and in accordance with the rules the supervisory authority on the risk management process. The AIFM has defined quantitative and/or qualitative limits to monitor the key risks the subfund is exposed to.

In relation to the disclosure requirements of art 23 of the AIFMD, the AIFM is not aware of any material changes that would require a specific disclosure in the annual accounts as per article 23 of the AIFMD, other than those disclosed in this report.

# Audit report



To the Shareholders of

## **UBS Manager Solutions**

We have audited the accompanying financial statements of UBS Manager Solutions and its subfund, which comprise the statement of net assets and the statement of investments in securities and other net assets as at 31 December 2016 and the statement of operations and the statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

### *Responsibility of the Board of Directors of the SICAV-SIF for the financial statements*

The Board of Directors of the SICAV-SIF is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements and for such internal control as the Board of Directors of the SICAV-SIF determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Responsibility of the "Réviseur d'entreprises agréé"*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the "Réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the SICAV-SIF, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of UBS Manager Solutions as of 31 December 2016, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

PricewaterhouseCoopers, Société coopérative, 2 rue Gerhard Mercator, B.P. 1443, L-1014 Luxembourg  
T: +352 494848 1, F: +352 494848 2900, [www.pwc.lu](http://www.pwc.lu)

Cabinet de révision agréé. Expert-comptable (autorisation gouvernementale n° 10028256)  
R.C.S. Luxembourg B 65 477 - TVA LU25482518





#### *Other information*

The Board of Directors of the SICAV - SIF is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Luxembourg, 27 April 2017

PricewaterhouseCoopers, Société coopérative  
Represented by

Valérie Piastrelli

# UBS Manager Solutions – Managed Opportunity Fund

## Three-year comparison

Date	ISIN	31.12.2016	31.12.2015	31.12.2014
Net assets in EUR		193 132 674.95	196 483 164.70	188 148 723.96
<b>Class EUR F-acc*</b>	<b>LU0322667899</b>			
Shares outstanding		145 857.9920	242 993.6560	361 127.6640
Net asset value per share in EUR		194.67	161.76	155.00
<b>Class (CHF hedged) F-acc*</b>	<b>LU0322668194</b>			
Shares outstanding		326 213.2920	342 784.6360	323 665.2640
Net asset value per share in CHF		389.92	325.59	313.91
<b>Class (USD hedged) F-acc*</b>	<b>LU0322668350</b>			
Shares outstanding		116 105.5610	172 623.4370	174 144.3810
Net asset value per share in USD		418.64	343.21	331.25

\* See note 6.

## Report of the Portfolio Manager

The well diversified allocation between equities and bonds was beneficial this year again. High grade bonds (US Treasuries and Gilt) benefited from overall falling yield and by carry return. The allocation to equities – taken with a regional focus on North America stocks- contributed also positively to the overall fund performance. Various options strategies (hedging and yield enhancement) were also supportive this year. The performance of the management of foreign currency exposures was mixed, especially being long the US Dollar and the Norwegian Krone against EUR and AUD was beneficial. On the negative side, the long position EUR against USD implemented in November.

## Statement of Net Assets

	EUR
<b>Assets</b>	<b>31.12.2016</b>
Investments in securities, cost	56 161 463.33
Investments in securities, unrealized appreciation (depreciation)	-2 972 081.05
Total investments in securities (Note 1)	53 189 382.28
Cash at banks, deposits on demand and deposit accounts	120 023 126.86
Other liquid assets (Margins)	18 884 942.07
Receivable on subscriptions	13 643.62
Interest receivable on liquid assets	1 248.54
Unrealized gain (loss) on financial futures (Note 1)	941 093.17
Unrealized gain (loss) on forward foreign exchange contracts (Note 1)	495 584.37
<b>Total Assets</b>	<b>193 549 020.91</b>
<b>Liabilities</b>	
Interest payable on bank overdraft	-43 325.40
Payable on redemptions	-4 246.10
Provisions for flat fee (Note 2)	-323 153.30
Provisions for taxe d'abonnement (Note 3)	-3 782.33
Provisions for other commissions and fees (Note 2)	-41 838.83
Total provisions	-368 774.46
<b>Total Liabilities</b>	<b>-416 345.96</b>
<b>Net assets at the end of the financial year</b>	<b>193 132 674.95</b>

## Statement of Operations

	EUR
<b>Income</b>	<b>1.1.2016-31.12.2016</b>
Interest on liquid assets	75 310.86
<b>Total income</b>	<b>75 310.86</b>
<b>Expenses</b>	
Flat fee (Note 2)	-1 282 450.86
Taxe d'abonnement (Note 3)	-14 980.26
Other commissions and fees (Note 2)	-114 096.66
Interest on cash and bank overdraft	-500 506.69
<b>Total expenses</b>	<b>-1 912 034.47</b>
<b>Net income (loss) on investments</b>	<b>-1 836 723.61</b>
<b>Realized gain (Note 1)</b>	
Realized gain on market-priced securities without options	1 846.09
Realized gain on options	3 748 453.76
Realized gain on financial futures	67 823 589.38
Realized gain on forward foreign exchange contracts	14 683 109.25
Realized gain on foreign exchange	23 405 138.86
<b>Total realized gain</b>	<b>109 662 137.34</b>
<b>Realized loss (Note 1)</b>	
Realized loss on market-priced securities without options	-1 050 591.49
Realized loss on options	-16 822.07
Realized loss on financial futures	-32 355 147.19
Realized loss on forward foreign exchange contracts	-12 790 854.83
Realized loss on foreign exchange	-23 834 602.77
<b>Total realized loss</b>	<b>-70 048 018.35</b>
<b>Net realized gain (loss) of the financial year</b>	<b>37 777 395.38</b>
<b>Changes in unrealized appreciation (Note 1)</b>	
Unrealized appreciation on market-priced securities without options	4 616 782.65
Unrealized appreciation on options	11 249.95
Unrealized appreciation on financial futures	1 397 463.60
Unrealized appreciation on forward foreign exchange contracts	1 444 805.62
<b>Total changes in unrealized appreciation</b>	<b>7 470 301.82</b>
<b>Changes in unrealized depreciation (Note 1)</b>	
Unrealized depreciation on market-priced securities without options	-2 954 590.07
Unrealized depreciation on options	-28 740.93
Unrealized depreciation on financial futures	-4 998 851.45
<b>Total changes in unrealized depreciation</b>	<b>-7 982 182.45</b>
<b>Net increase (decrease) in net assets as a result of operations</b>	<b>37 265 514.75</b>

## Statement of Changes in Net Assets

	EUR
	<b>1.1.2016-31.12.2016</b>
Net assets at the beginning of the financial year	196 483 164.70
Subscriptions	38 659 726.29
Redemptions	-79 275 730.79
Total net subscriptions (redemptions)	-40 616 004.50
Net income (loss) on investments	-1 836 723.61
Total realized gain	109 662 137.34
Total realized loss	-70 048 018.35
Total changes in unrealized appreciation	7 470 301.82
Total changes in unrealized depreciation	-7 982 182.45
Net increase (decrease) in net assets as a result of operations	37 265 514.75
<b>Net assets at the end of the financial year</b>	<b>193 132 674.95</b>

## Changes in the Number of Shares outstanding

	<b>1.1.2016-31.12.2016</b>
<b>Class</b>	<b>EUR F-acc*</b>
Number of shares outstanding at the beginning of the financial year	242 993.6560
Number of shares issued	19 640.7030
Number of shares redeemed	-116 776.3670
<b>Number of shares outstanding at the end of the financial year</b>	<b>145 857.9920</b>
<b>Class</b>	<b>(CHF hedged) F-acc*</b>
Number of shares outstanding at the beginning of the financial year	342 784.6360
Number of shares issued	83 265.9340
Number of shares redeemed	-99 837.2780
<b>Number of shares outstanding at the end of the financial year</b>	<b>326 213.2920</b>
<b>Class</b>	<b>(USD hedged) F-acc*</b>
Number of shares outstanding at the beginning of the financial year	172 623.4370
Number of shares issued	29 796.6420
Number of shares redeemed	-86 314.5180
<b>Number of shares outstanding at the end of the financial year</b>	<b>116 105.5610</b>

\* See note 6.

## Statement of Investments in Securities and other Net Assets as of 31 December 2016

Description	Quantity/ Nominal	Valuation in EUR Unrealized gain (loss) on Futures/ Forward Exchange Contracts/ Swaps (Note 1)	as a % of net assets
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### UCITS/Other UCIs

#### Investment funds, open end

Ireland				
EUR	VANGUARD US TR IP-PROTECTED SEC INX FD-SELECT-HEDGED EUR-ACC	126 190.00	12 353 975.76	6.40
Total Ireland			12 353 975.76	6.40
Luxembourg				
EUR	DB X-TRACKERS EURO STOXX 50 ETF-IC/CAPITALISATION	910 460.00	40 176 778.88	20.80
Total Luxembourg			40 176 778.88	20.80
Total Investment funds, open end			52 530 754.64	27.20
Total UCITS/Other UCIs			52 530 754.64	27.20

### Derivative instruments listed on an official stock exchange

#### Options on bond futures, classic-styled

USD				
USD	US 10YR TREASURY NOTE FUTURE PUT 124.00000 MAR17 24.02.17	780.00	658 627.64	0.34
Total USD			658 627.64	0.34
Total Options on bond futures, classic-styled			658 627.64	0.34
Total Derivative instruments listed on an official stock exchange			658 627.64	0.34
Total investments in securities			53 189 382.28	27.54

## Derivative instruments

### Derivative instruments listed on an official stock exchange

#### Financial Futures on bonds

USD	US 10YR TREASURY NOTE FUTURE 22.03.17	2 820.00	-620 394.98	-0.32
GBP	LONG GILT FUTURE 29.03.17	290.00	1 029 405.69	0.53
<b>Total Financial Futures on bonds</b>			<b>409 010.71</b>	<b>0.21</b>

#### Financial Futures on Indices

CHF	SWISS MARKET INDEX FUTURE 17.03.17	-81.00	-147 342.08	-0.08
EUR	EURO STOXX 50 INDEX FUTURE 17.03.17	202.00	193 920.00	0.10
GBP	FTSE 100 INDEX FUTURE 17.03.17	698.00	1 418 733.56	0.74
JPY	TOPIX INDEX FUTURE 09.03.17	250.00	1 075 021.75	0.56
USD	MINI MSCI EMERGING MARKETS INDEX FUTURE 17.03.17	155.00	-146 219.48	-0.08
USD	S&P500 EMINI FUTURE 17.03.17	2 117.00	-1 862 031.29	-0.96
<b>Total Financial Futures on Indices</b>			<b>532 082.46</b>	<b>0.28</b>

<b>Total Derivative instruments listed on an official stock exchange</b>			<b>941 093.17</b>	<b>0.49</b>
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<b>Total Derivative instruments</b>			<b>941 093.17</b>	<b>0.49</b>
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### Forward Foreign Exchange contracts

#### Forward Foreign Exchange contracts (Purchase/Sale)

USD	46 010 827.31	EUR	42 446 000.00	17.2.2017	1 067 603.76	0.55
EUR	2 916 537.55	JPY	340 700 000.00	17.2.2017	146 902.75	0.08
EUR	30 075 298.95	USD	32 600 000.00	17.2.2017	-755 346.04	-0.39
EUR	4 945 251.47	GBP	4 300 000.00	17.2.2017	-86 034.44	-0.04
CHF	112 111 140.69	EUR	104 561 000.00	17.2.2017	96 939.13	0.05
USD	2 786 704.40	EUR	2 613 000.00	17.2.2017	22 456.87	0.01
CHF	6 458 729.48	EUR	5 990 000.00	17.2.2017	39 350.09	0.02
EUR	6 656 216.72	USD	7 100 000.00	17.2.2017	-58 432.96	-0.03
USD	2 600 000.00	GBP	2 102 648.04	17.2.2017	-1 351.70	0.00
EUR	2 694 000.00	USD	2 823 761.90	17.2.2017	23 496.91	0.01
<b>Total Forward Foreign Exchange contracts (Purchase/Sale)</b>					<b>495 584.37</b>	<b>0.26</b>

<b>Cash at banks, deposits on demand and deposit accounts and other liquid assets</b>			<b>138 908 068.93</b>	<b>71.92</b>
<b>Other assets and liabilities</b>			<b>-401 453.80</b>	<b>-0.21</b>
<b>Total net assets</b>			<b>193 132 674.95</b>	<b>100.00</b>

# Notes to the Financial Statements

## Note 1 – Summary of significant accounting policies

The financial statements have been prepared in accordance with the generally accepted accounting principles for Specialised Investment Funds in Luxembourg. The significant accounting policies are summarised as follows:

### *a) Calculation of the net asset value*

The net asset value per share of any share class is expressed in the reference currency of the share class concerned and are calculated on every Dealing Day (the "Valuation Day"). The net asset value per share is calculated by dividing the overall net assets of the subfund attributable to each share class by the number of shares in circulation in the particular share class of the subfund.

In this context, "business day" refers to the normal bank business days (i.e. each day on which banks are open during normal business hours) in Luxembourg and the USA, with the exception of individual, non-statutory rest days as well as days on which exchanges in the main countries in which a subfund invests are closed or 50% or more subfund investments cannot be adequately valued.

The percentage of the net asset value which is attributable to each respective share class of a subfund is determined by the ratio of the shares issued in each share class to the total number of shares issued in the subfund, and will change each time shares are issued or redeemed.

### *b) Valuation principles*

The net asset value per share of any share class is expressed in the reference currency of the share class concerned and is calculated on every Dealing Day (the "Valuation Day"). The net asset value per share is calculated by dividing the overall net assets of the subfund attributable to each share class by the number of shares issued in the particular share class of the subfund. The percentage of the net asset value which is attributable to each respective share class of a subfund is determined by the ratio of the shares issued in each share class to the total number of shares issued in the subfund, and will change each time shares are issued or redeemed.

If the total subscriptions or redemptions affecting all the share classes of a subfund on a single Dealing Day result in a net capital inflow or outflow, the net asset value of the share classes of the subfund on the relevant Dealing Day may be adjusted (Single Swing Pricing, "SSP"). The maximum adjustment amounts to 1% of the net asset

value (before adjustment). Estimated transaction costs and tax charges that may be incurred by the subfund as well as the estimated bid/offer spread of the assets in which the subfund invests may be taken into account to determine the amount of the adjustment. The adjustment leads to an increase in net asset value in case of net capital inflow in the affected subfund. It results in a reduction of net asset value in case of net capital outflow in the affected subfund. The Board of Directors can set a threshold amount for each subfund. This may consist of the net movement on a Dealing Day in relation to the net assets of the relevant subfund or to an absolute amount in the currency of the subfund concerned. The net asset value would be adjusted only if this threshold was to be exceeded on a Dealing Day.

The value of the assets held by each subfund is calculated as follows:

- a) Liquid assets - whether in the form of cash, bank deposits, bills of exchange and demand notes and receivables, prepaid expenses, cash dividends and declared or accrued interest that has not yet been received - are valued at their full value unless it is unlikely that this value will be fully paid or received, in which case their value is determined by taking into consideration a deduction that seems appropriate in order to represent their true value.
- b) Securities, derivatives and other investments listed on a stock exchange are valued at the last known market price. If the same security, derivative or other investment is quoted on several stock exchanges, the last available quotation on the stock exchange that represents the major market for this investment will apply.

In the case of securities, derivatives and other investments little traded on a stock exchange and for which a secondary market among securities traders exists with pricing in line with the market, the company may value these securities, derivatives and other investments based on these prices. Securities, derivatives and other investments that are not listed on a stock exchange, but which are traded on another regulated market which is recognized, open to the public and operates in a due and orderly fashion, are valued at the last available price on this market.

- c) Securities, derivatives and other investments that are not listed on a stock exchange or traded on another regulated market, and for which no appropriate price can be obtained, will be valued by the Company according to other principles chosen by it in good faith on the basis of the likely sales prices.

- d) The valuation of derivatives, which are not listed on a stock exchange ("OTC derivatives") takes place by reference to independent pricing sources. In case only one independent pricing source of a derivative is available, the plausibility of the valuation price obtained will be verified by means of methods of calculation recognized by the company and the auditors, based on the market value of the underlying instrument from which the derivative is derived.
- e) Shares of other undertakings for collective investment in transferable securities authorized under Directive 2009/65/EC (the "UCITS Directive") ("UCITS") and/or other undertakings for collective investment ("UCI") will be valued at their last available net asset value. Certain units or shares of other UCITS or Other UCIs may be valued based on an estimate of their value provided by reliable service providers that are independent from the portfolio manager or the investment advisor of the target funds (price estimate).
- f) If the subfund is a money market fund:
  - a. Money market instruments not traded on a stock exchange or on another regulated market open to the public will be valued on the basis of the relevant interest curves. The valuation based on the curve is with reference to the two components of interest rate and credit spread. The following principles are applied in this process: for each money market instrument, the interest rates nearest the residual maturity are interpolated. The interest rate calculated in this way is converted into a market price by adding a credit spread that reflects the underlying borrower. This credit spread is adjusted if there is a significant change in the credit rating of the borrower.
  - b. Interest income earned by subfund between the relevant order date and the relevant Valuation Date is included in the valuation of the assets of the relevant subfund. The asset value per share on a given Valuation Date therefore includes projected interest earnings.
- g) For the other subfund that do not fall under the rules in subsection f) (a), money market instruments will be valued based on the net acquisition price and retaining the ensuing yield, provided that the valuation price will be gradually adjusted to the redemption price, based on the net acquisition price and retaining the ensuing yield. In the event of a significant change in market conditions, the basis for the valuation of different investments will be brought into line with the new market yields.
- h) Securities and other investments that are denominated in a currency other than the currency of account of the relevant subfund and which are not hedged by means of currency transactions are valued at the middle currency rate (midway between the bid and offer rate) obtained from external price providers.
- i) Time deposits and fiduciary investments are valued at their nominal value plus accumulated interest.
- j) The value of swap is calculated by an external service provider and a second independent valuation is provided by another external service provider. The calculation is based on the net present value of all cash flows, both inflows and outflows. In some specific cases, internal calculations (based on models and market data made available from Bloomberg), and/or broker statement valuations may be used. The valuation methods depend on the respective security and are determined pursuant to the UBS Valuation Policy.

In circumstances where the interests of the Company or its shareholders so justify (avoidance of market timing practices, for example), the Directors may take any appropriate measures, such as applying a fair value pricing methodology to adjust the value of the Company's assets.

The Company is authorized to apply other generally recognized and auditable valuation criteria chosen in good faith in order to achieve an appropriate valuation of the net asset value if, due to extraordinary circumstances, a valuation in accordance with the above-mentioned regulations proves to be unfeasible or inaccurate.

In the case of extraordinary circumstances, additional valuations, which will affect the prices of the shares to be subsequently issued or redeemed, may be carried out within one Valuation Day.

*c) Valuation of forward foreign exchange contracts*

The unrealized gain (loss) of outstanding forward foreign exchange contracts is valued on the basis of the forward exchange rates prevailing at valuation date.

*d) Valuation of financial futures contracts*

Financial futures contracts are valued based on the latest available published price applicable on the valuation date. Realized gains and losses and the changes in unrealized gains and losses are recorded in the statement of operations. The realized gains and losses are calculated in accordance with the FIFO method, i.e. the first contracts acquired are regarded as the first to be sold.

*e) Valuation of options*

Outstanding options traded on a regulated market are valued on the settlement price or the last available market price of the instruments. OTC options are marked to market based upon daily prices obtained from Bloomberg option pricer functionality and checked against third party pricing agents. The realized gains or losses on options and the change in unrealized appreciation or depreciation on options are disclosed in the statement of operations and in the changes in net assets respectively under the positions realized gains (losses) on options and Unrealized appreciation (depreciation) on options.

*f) Net realized on sales of securities*

The realized gains or losses on the sales of securities are calculated on the basis of the average cost of the securities sold.

*g) Conversion of foreign currencies*

Bank accounts, other net assets and the valuation of the investments in securities held denominated in currencies other than the reference currency of the different subfund are converted at the mid closing spot rates on the valuation date. Income and expenses denominated in currencies other than the currency of the mid closing spot rates at payment date. Gain or loss on foreign exchange is included in the statement of operations.

The cost of securities denominated in currencies other than the reference currency of the different subfund is converted at the mid closing spot rate on the day of acquisition.

*h) Accounting of securities' portfolio transactions*

The securities' portfolio transactions are accounted for the bank business day following the transaction day.

*i) Receivable on securities sales,*

*Payable on securities purchases*

The account "Receivables on securities sales" can also include receivables from foreign currency transactions. The account "Payables on securities purchases" can also include payables from foreign currency transactions.

*j) Swaps*

The Company may enter into interest rate swap contracts, forward rate agreements on interest rates swaps and credit default swaps, if they are executed with first-class financial institutions that specialize in transactions of this kind.

Changes in unrealized profits and losses are reflected in the statement of operations under the changes in "Unrealized appreciation (depreciation) on Swaps".

Gains or losses on swaps incurred when closed-out or matured are recorded as "Realized gain (loss) on Swaps" in the statement of operations.

## Note 2 – Flat fee

The Company and, more specifically, its different classes of shares, will bear a monthly flat fee calculated on the average net assets attributable to this share class and payable monthly (the "Flat fee") as listed below:

UBS Manager Solutions	Flat fee (p.a.) Share class F
– Managed Opportunity Fund	0.75%

In accordance with the table above, the Flat Fee covers the following fees, costs and expenses of the Company, each subfund and class:

1. fees, costs and expenses of the Depositary;
2. fees, costs and expenses of the Administrative Agent;
3. fees, costs and expenses of the Management Company/external AIFM;
4. fees, costs and expenses of the Portfolio Manager and any delegate(s) of the Portfolio Manager;
5. fees, costs and expenses in relation to distribution activities relating to the shares of the Company (including the costs and fees incurred in maintaining registration of the Company in foreign countries with competent authorities).

## Operation and administration expenses of the Company

In addition to the fees, cost and expenses covered by the Flat Fee, the Company bears all expenses which are operational and administrative expenses, which will include but not be limited to:

- all taxes which may be due on the assets and the income of the Company (including the applicable subscription tax);
- any custody charges of banks and financial institutions to whom custody of assets of the Company is entrusted;
- usual banking fees due on transactions involving securities or other assets (including derivatives) held in the portfolio of the Company (such fees to be included in the acquisition price and to be deducted from the selling price);
- the fees, expenses and all reasonable out-of-pocket expenses properly incurred by the Company;
- legal fees and expenses incurred by the Company, the Management Company or the Portfolio Manager while acting in the interests of the shareholders (including, for the avoidance of doubt, any legal fees and expenses relating to any re-structuring of the Company or any of its subfund(s));
- the cost of accounting, bookkeeping and calculating the net asset value;
- the costs of preparing, in such languages as are necessary for the benefit of the shareholders (including the beneficial holders of the Shares), and distributing (but not printing) annual and semi-annual reports and such other reports or documents as may be required under applicable laws or regulations;
- the cost of preparing notices to the shareholders and all costs of transactions (broker's normal commission, fees, taxes, etc.) connected with administration of the Company's assets;
- charges and costs of approvals and supervision of the Company in Luxembourg and abroad;
- costs and expenses of printing of the Articles of Incorporation, sales prospectus and annual and semi-annual reports (if any) and of preparing and/or filing



and printing the Articles of Incorporation and all other documents concerning the Company (in such languages as are necessary), including registration statements, prospectuses and explanatory memoranda with all authorities (including local securities dealers' associations) having jurisdiction over the Company or the offering of shares of the Company;

- costs and expenses related to the publications of the net asset value and the publication of notices to investors;
- fees and expenses charged in connection with listing the Company's shares on any stock exchange or regulated market;
- fees and other costs for the payment of dividends to shareholders;
- audit fees, costs and expenses (including the fees and expenses of the Auditor);

The Company may accrue in its accounts of administrative and other expenses of a regular or recurring nature based on an estimated amount rateably for yearly or other periods.

All costs which can be allocated accurately to individual subfund and/or individual share classes will be charged to these subfund and classes. Costs pertain to several or all subfund or classes will be charged to the subfund or classes concerned in proportion to their relative net asset values or on such other basis reasonably determined by the Company or the Management Company.

The Company may also pay an annual performance fee. The performance fee is calculated on the basis of the daily positive difference between the performance of the subfund and that of the Benchmark and is accrued on a daily basis. The performance fee is calculated on the net asset value meaning the Net Asset Value after deducting all fees and charges but before performance fees. The financial year constitutes the reference period. For the year in which a subfund is launched the reference period begins from the launch of the subfund (i.e. the last day of the initial subscription period).

The performance fee rates and the benchmarks to which the subfund relate are:

UBS Manager Solutions	Performance fee rate	Benchmark
– Managed Opportunity Fund	5%	-

All costs which can be allocated accurately to individual subfund and/or individual share classes will be charged to these subfund. If costs pertain to several or all subfund, however, these costs will be charged to the subfund concerned in proportion to their relative net asset values.

Following the decision of the Board of Directors dated 12 May 2009, no performance fees will be charged to the Company until a new Board of Directors decision.

### Note 3 – Taxe d'abonnement

In accordance with the law and the regulations currently in force, the Company is subject in Luxembourg to the subscription tax at the annual rate of 0.01%, payable quarterly and calculated on the basis of the net assets of the Company at the end of each quarter.

The "taxe d'abonnement" is waived for that part of the net assets invested in units or shares of other undertakings for collective investment that have already paid the "taxe d'abonnement" in accordance with the statutory provisions of Luxembourg law.

### Note 4 – Income Distribution

The general meeting of shareholders of the respective subfund or classes of shares shall decide, at the proposal of the Board of Directors and after closing the annual accounts per subfund, whether and to what extent distributions are to be paid out by each subfund or share class, provided that such subfund or share class gives right to distribution payments. The payment of distributions must not result in the net assets of the Company falling below the minimum amount of assets prescribed by law. If a distribution is made, payment will be effected no later than four months after the end of the financial year.

The Board of Directors is authorized to pay interim dividends and to suspend the payment of distributions.

An income equalization amount will be calculated so that the distribution corresponds to the actual income entitlement.

There was no dividend paid during the year.

### Note 5 – Commitments on Financial Futures

Commitments on Financial Futures per subfund and respective currency as of 31 December 2016 can be summarised as follows:

#### Financial Futures

UBS Manager Solutions	Financial Futures on Indices (bought)	Financial Futures on Indices (sold)
– Managed Opportunity Fund	325 842 814.52 EUR	6 175 522.27 EUR

UBS Manager Solutions	Financial Futures on Bonds (bought)	Financial Futures on Bonds (sold)
– Managed Opportunity Fund	375 029 967.75 EUR	- EUR

## Note 6 – Name changes

As at 28 June 2016, the following changes occurred.

Old Name	New Name
UBS Manager Solutions – Managed Opportunity Fund EUR B	UBS Manager Solutions – Managed Opportunity Fund EUR F-acc
UBS Manager Solutions – Managed Opportunity Fund CHF B	UBS Manager Solutions – Managed Opportunity Fund (CHF hedged) F-acc
UBS Manager Solutions – Managed Opportunity Fund USD B	UBS Manager Solutions – Managed Opportunity Fund (USD hedged) F-acc

## Note 7 – Applicable law, place of performance and authoritative language

The Luxembourg District Court is the place of performance for all legal disputes between the shareholders, the Company and the Depositary. Luxembourg law applies. However, in matters concerning the claims of investors from other countries, the Company and/or the Depositary can elect to make themselves subject to the jurisdiction of the countries in which Company shares were bought and sold.

The English version of these financial statements is the authoritative version and only this version was audited by the auditor. However, in the case of shares sold to investors from other countries in which Company shares can be bought and sold, the Company and the Depositary may recognize approved translations into the languages concerned as binding upon themselves and the Company.

# Unaudited Information

## Leverage

The subfund may become leveraged by entering into derivative transactions.

The AIFM shall calculate the exposure of each subfund in accordance with the commitment method as set out in Article 8 and the gross method as set out in Article 7 of the AIFMD Regulation. In each case, the exposure of a subfund is the sum of the absolute values of all positions valued in accordance with Article 17 of the 2013 Law.

The maximum level of leverage which the Portfolio Manager is entitled to employ on behalf of the subfund is 1000% in accordance with the commitment method and 2000% in accordance with the gross method.

As at 31 December 2016, the level of leverage exposure for the subfund calculated by gross method is as follows:

UBS Manager Solutions	Leverage (commitment approach) as of 31.12.2016	Leverage (gross method) as of 31.12.2016
– Managed Opportunity Fund	318.1%	547.6%

## Remuneration disclosure

UBS Manager Solutions (“the AIF” or “the Fund”), qualifying as an Alternative Investment Fund (AIF) within the meaning of Article 1(39) of the Luxembourg Act of 12 July 2013 (the AIFM Act) implementing Directive 2011/61/EU on alternative investment fund managers (AIFMs) (the AIFM Directive) which is externally managed by UBS Third Party Management Company S.A. (UBS TPM), a subsidiary of UBS AG.

The Board of Directors of UBS TPM has adopted the remuneration policy (the Policy) at the recommendation of the Remuneration Committee on 9 February 2015, whose objectives are on one hand, to ensure that the remuneration framework is in line with the applicable laws and regulations, and more specifically with the AIFMD, the AIFM Act and the ESMA guidelines on sound remuneration policies under the AIFM and on the other hand, to comply with the UBS AG Remuneration policy framework. The Policy is meant to not encourage excessive risk taking, to contain measures to avoid conflicts of interest, to be consistent with an promote sound and effective risk management and to be consistent with the UBS Group business strategy, objectives and values.

Further information in relation to UBS AG Remuneration Policy is available in the UBS AG Annual Report 2015 and in UBS AG Pillar III disclosure.

## Application of the requirements

In accordance with the Article 20 of the AIFM Act, UBS TPM is required to disclose at least annually certain information concerning its remuneration policy and the practices for its identified staff.

UBS TPM complies with the AIFMD principles in a way and to the extent that is appropriate to its size, internal organisation and the nature, scope and complexity of their activities.

As UBS Manager Solutions has a low risk profile which is due to the low complexity of investments, UBS TPM adopts a number of measures to manage the risks within the portfolio. These will vary depending on the nature of the risk and are supported by the performance management system that assesses employees’ achievement.

By application of the proportionality principle at the level of UBS TPM, the following requirements on pay-out processes for Identified Staff will not be applied:

- The payment of variable remuneration in instruments related mainly to the AIF(s) in relation to which they perform their activities;
- Deferral requirements;
- Retention periods;
- Incorporation of ex-post risk factors (i.e. malus or clawback arrangements).

## Remuneration disclosure

For the AIFM fiscal year ending 31 December 2016, the aggregate total remuneration paid by UBS TPM to all AIFM staff amounted to EUR 911 866 of which EUR 68 300 represented the variable remuneration. The AIFM employed an average of 9 staff (full time equivalent) during this period.

The aggregate total remuneration paid by UBS TPM to the AIFM Identified Staff amounted to EUR 1 634.

Please further note that due to the roles of AIFM staff, this remuneration was calculated in proportion of the net assets of the Fund out of the assets of all the funds under the governance of UBS Third Party Management Company S.A. (including both AIF and UCITS funds).

# Unaudited Information

## **Transparency of securities financing transactions and their reuse**

No securities financing transactions or total return swaps within the meaning of Regulation (EU) 2015/2365 of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012 ("SFTR") were used in the investment fund's financial year. As a result, no disclosures within the meaning of Article 13 of said Regulation need to be made to investors in the annual report.



