

UBS Global Asset Management US Taxable Money Market Funds update

UBS Global Asset Management reports on the status of its US Taxable Money Market Funds in the wake of recent developments relating to Reserve Primary Fund

September 17, 2008

The following is intended to address potential concerns some investors may have following yesterday's announcement that Reserve Management Corporation's Reserve Primary Fund, a money market fund, "broke the buck" as a result of its holdings in Lehman Brothers securities.

- **US Taxable Money Market Funds¹ (the "Funds"), advised or sub-advised by UBS Global Asset Management (Americas) Inc., do not own securities issued by any of the following issuers or their affiliates:**
 - Lehman Brothers
 - AIG
 - Washington Mutual
 - Merrill Lynch
 - Goldman Sachs
 - Morgan Stanley

(These taxable money market funds continue to enter into overnight repurchase agreement transactions with Merrill Lynch, Morgan Stanley and Goldman Sachs, collateralized at 102% with US Treasury and US government agency securities. Repurchase agreements, also known as "repos," are essentially contracts in which the seller of a security—in this case, US Treasury and US government agency securities—agrees to buy the security back at a

¹ **"US Taxable Money Market Funds"** collectively refers to UBS Cashfund, UBS Liquid Assets Fund, UBS Money Market Fund, UBS PACE Money Market Investments, UBS RMA Money Market Portfolio, UBS Retirement Money Fund, UBS Cash Reserves Fund and Master Trust—Prime Master Fund. UBS Select Prime Institutional Fund, UBS Select Prime Preferred Fund and UBS Select Prime Investor Fund are "feeder funds" that invest in securities via Master Trust—Prime Master Fund. For some of these funds, UBS Financial Services Inc. serves as the investment advisor and UBS Global Asset Management is the sub-advisor responsible for day-to-day portfolio management. UBS Global Asset Management offers other taxable money market funds that invest primarily in US Treasury and/or US government securities and related instruments. As such, they are not impacted to the same degree by the current turmoil in the credit markets, and are not referenced in this discussion.

predetermined price and time, or upon demand. These securities utilized in the repurchase agreement—that is, the collateral—are held by a third party custodian on our behalf.)

- **The Funds currently have significant liquidity.** While the specific percentages vary by fund, on average, across all Funds:
 - Currently, we target approximately 15% of invested securities to mature each day and roll nightly (in other words, these portfolio holdings have a maturity of one day).
 - 46% of holdings mature within 30 days.
- **The Funds hold very high-quality assets.** While the specific percentages vary by Fund, on average, the Funds' portfolio holdings characteristics are as follows:
 - 83% of holdings are rated A1+, or deemed to be of equivalent quality (for example, repurchase agreements backed by US Treasuries).
 - 17% of holdings are rated A1, or deemed of equivalent quality.
 - While we consider the rating agencies' credit ratings, we rely first and foremost on our own proprietary research. Our dedicated team of 29 credit analysts (which leverages the work of 110 equity analysts) analyzes and assesses all securities in these taxable money market funds.
- UBS Global Asset Management has not had to step in to support its US SEC-registered money market funds in order to maintain a stable net asset value per share. Since the financial market crisis began over a year ago, it has been reported that at least 22 other fund groups needed to do so.
- UBS is one of the world's best capitalized banks, having raised significant capital over the past year.
- UBS Global Asset Management (Americas) Inc. and its predecessor firms have been managing money market funds for 30 years, and had stewardship of over \$50 billion in taxable money market fund assets as of August 31, 2008. This is a key line of business for us, and we have dedicated significant resources to the management of the funds entrusted to us.
- Money market mutual funds are independent entities—not on-balance sheet obligations of UBS AG or its affiliates. UBS Global Asset Management (Americas) Inc. serves as the investment advisor or sub-advisor to these Funds. The Funds' assets are held in segregated accounts at independent custodians, and are not recorded on the balance sheets of either UBS AG (or its affiliates) or the Funds' custodians. Neither UBS AG's creditors, nor creditors of the custodian bank would have claims to the Funds' securities in the unlikely event of a bankruptcy of either party.



- The Investment Company Institute (ICI) has issued a press release on its Web site about the Reserve fund issue, which can be accessed at:

http://ici.org/statements/nr/08_news_mmmfs.html#TopOfPage

The site also has additional information about money market funds.

The above is intended to assist shareholders in understanding the Funds. The views and opinions expressed herein were current as of September 17, 2008. Investment decisions reflect a variety of factors and we reserve the right to change our views about individual securities, sectors and markets at any time. As a result, the views expressed should not be relied upon as a forecast of the Funds' future investment intent.

For more information

Please contact the **UBS Global Asset Management Shareholder Service Center** at 800-647 1568.

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 Money Market Funds is only one component of a balanced investment plan.

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. Although the Funds seek to preserve the value of your 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 sub-advisor.

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