

Annual Report 2006.

Investment Company under Luxembourg Law (SICAV)

Audited annual report as of 31 December 2006

LUXALPHA SICAV

LUXALPHA SICAV – American Selection

Audited annual report as of 31 December 2006

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Sales restrictions

Shares of this Company have not been registered with the Securities and Exchange Commission (SEC) of the United States of America and may therefore not be offered in the United States of America or in any state, territory or possession thereof or areas subject to its jurisdiction.

Management and Administration

Annual Report as of 31 December 2006

Registered Office

291, route d'Arlon, L-1150 Luxembourg
R.C.S. Luxembourg N° B 98 874

Board of Directors

Roger Hartmann, Chairman of the Board
Managing Director
UBS (Luxembourg) S.A., Luxembourg

Pierre Delandmeter, Director
Attorney at law, Luxembourg

René Egger, Director
(since 15 December 2005)
Managing Director
UBS (Luxembourg) S.A., Luxembourg

Alain Hondequin, Director
Executive Director
UBS (Luxembourg) S.A., Luxembourg

Patrick Littaye, Director (since 26 June 2006)
Member of the Board
Access International Advisors (Luxembourg),
Luxembourg S.A.

Hermann Kranz, Director
Managing Director
UBS (Luxembourg) S.A., Luxembourg

Day to Day Manager

Isabelle Asseray
Director, UBS Fund Services (Luxembourg) S.A.,
Luxembourg

Valérie Bernard
Director, UBS Fund Services (Luxembourg) S.A.,
Luxembourg

Christophe Hilbert
Associate Director, UBS Fund Services
(Luxembourg) S.A., Luxembourg

Management Company

UBS Third Party Management Company S.A.,
291, route d'Arlon, L-1150 Luxembourg

Board Members: Andreas Jacobs, Managing Director UBS AG, Member and Chairman, Dirk Spiegel, Executive Director UBS AG, Member, Gerhard Fusenig, Managing Director UBS AG, Member, Aloyse Hemmen, Executive Director, UBS Fund Services (Luxembourg) S.A., Member, Gilbert Schintgen, Executive Director UBS Fund Services (Luxembourg) S.A., Member.

Portfolio Manager

UBS Third Party Management Company S.A.

Portfolio Advisor to the Portfolio Manager

Access International Advisors, LLC,
509 Madison Avenue, 22nd Floor,
New York, NY 10022 USA

Custodian Bank and main Paying Agent

UBS (Luxembourg) S.A.,
36–38, Grand-Rue, L-1660 Luxembourg

Administrative Agent

UBS Fund Services (Luxembourg) S.A.,
291, route d'Arlon, L-1150 Luxembourg

Legal Advisor in Luxembourg

Pierre Delandmeter,
8–10, Avenue Marie-Therese, L-2132 Luxembourg

Independent Auditors of the Company

Ernst & Young S.A.,
7, Parc d'Activité Syrdall, L-5365 Munsbach

Distributor

UBS (Luxembourg) S.A.,
36–38, Grand-Rue, L-1660 Luxembourg

The sales prospectus and the simplified prospectuses, the articles of association of the company, the annual and semi-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

Annual Report as of 31 December 2006

LUXALPHA SICAV (hereinafter called the “company”) is an investment company qualifying as a “société d’investissement à capital variable” (SICAV) with multiple subfunds under the laws of the Grand Duchy of Luxembourg, which envisages to invest in transferable securities, in accordance with the investment policy of each particular subfund.

LUXALPHA SICAV was incorporated on 5 February 2004 as an open-end investment company under Luxembourg law in the legal form of a share company (société anonyme) having the status of an investment company with variable capital (Société d’investissement à capital variable) in accordance with Part I of the Luxembourg law relating to undertakings for collective investment enacted on 20 December 2002. The company is entered under N° B 98 874 in the Luxembourg Commercial Register.

LUXALPHA SICAV is characterised by an “umbrella construction” which comprises several specific portfolios of assets known as “subfunds” for each of which various classes of shares may be issued”. Such shares belonging to a particular category shall hereinafter also be called “subfund shares”.

At the date of this report, two categories of shares are available in the subfund LUXALPHA SICAV – American Selection:

- Category A Shares: USD shares
- Category B Shares: EUR shares

The Category A shares:

USD Shares are denominated in USD and participate in the portfolio according to their entitlements.

The Category B shares:

EUR Shares are denominated in EUR, participate in the portfolio according to their entitlements and seek to benefit from a specific hedging complement under which the non-EUR portfolio assets attributable to it are intended to be hedged against the EUR on a roll-over monthly basis; the hedging costs are born by the Category B shares.

The entirety of the subfunds’ 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 subfunds. Shares of a particular subfund carry the right of one vote per

share held when voting at meetings affecting this subfund.

The company is a single legal entity and the assets of a particular subfund are only applicable to the debts, engagements and obligations of that subfund. In respect of the relationship between the shareholders, each subfund is treated as a separate entity. The company is unlimited with regard to duration and total assets.

The Articles of Association were published in the “Mémorial, Recueil des Sociétés et Associations”, hereinafter called “Mémorial”, the official gazette of the Grand Duchy of Luxembourg, of 28 February 2004, and were deposited together with the legal notice concerning the issue of the company’s shares at the Commercial and Company Register of the District Court of Luxembourg. Any amendment must be published in the “Mémorial”. Such amendments become legally binding in respect of all shareholders subsequent to their approval by the general meeting of the shareholders.

UBS Third Party Management Company S.A., incorporated under chapter 13 of the Law and having its registered office at 291, route d’Arlon, L-1150 Luxembourg, has been appointed to act as the Management Company of the company (the “Management Company”) the 22 September 2006.

The financial year of the company ends the last day of December.

The ordinary general meeting shall be held each year on the 15th day of May at 11.30 a.m. at the registered office of the company or at any address specified in the notice of meeting. If the 15th day of May happens to be a holiday, the ordinary general meeting shall be held on the next following business day.

The Board of Directors reserves the right to launch new subfunds, at any point in time. The offering memorandum and investment policy of such subfunds are to be communicated through a revised Prospectus. In compliance with the regulations laid down in “Liquidation and merging of the company and its subfunds”, the Board of Directors reserves the right to liquidate or to merge certain subfunds.

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.

Independent Auditor's Report

Annual Report as of 31 December 2006

To the Shareholders of

LUXALPHA SICAV

291, route d'Arlon,
L-1150 Luxembourg

Report on the financial statements

We have audited the accompanying financial statements of LUXALPHA SICAV, which comprise the statement of net assets and the statement of investments in securities and other net assets as at 31 December 2006 and the statement of operations and statement of changes in net assets for the year then ended, and the notes to the financial statements including a summary of significant accounting policies and other explanatory notes.

Responsibility of the Board of Directors of the SICAV for the financial statements

The Board of Directors of the SICAV 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Responsibility of the "Réviseur d'Entreprises"

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 by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgement of the "Réviseur d'Entreprises", 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" 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, 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 LUXALPHA SICAV as of 31 December 2006, and of the results of its operations and changes in its net assets for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

Luxembourg, 6 March 2007

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises

I. NICKS

LUXALPHA SICAV – American Selection

Annual Report as of 31 December 2006

Three-year comparison

Date	ISIN	31.12.2006	31.12.2005	31.12.2004
Net assets in USD		1 382 000 028.94	885 832 694.77	719 952 500.72
Class A	LU0185938668			
Shares outstanding		246 975.8030	161 457.3340	109 161.1500
Net asset value per share in USD		1 259.14	1 142.12	1 059.05
Class B	LU0185941027			
Shares outstanding		665 504.5850	524 431.8900	418 881.9270
Net asset value per share in EUR		1 220.45	1 133.91	1 061.44

Report of the Portfolio Manager

Luxalpha SICAV was originally launched on 19 March 2004 with two categories of shares, a US Dollar category (Category A) and a Euro category (Category B). The investment program of the Fund is to invest in a basket of approximately 46 US stocks which are representative of the S&P 100 Index and at the same time purchase S&P100 Index put options and sell S&P100 call options, both having the same maturity date, in such a way that the capital invested is fully protected at the maturity date of the options.

The fund is invested to produce absolute returns. From 1 January 2006 to 31 December 2006 the Fund was invested in its investment program, in line with the investment mandate, for a total of approximately 260 days out of a total of 365 days i.e. for 71% of the time. For the other 105 days when it was not invested in the program (29% of the time) the Fund's assets were invested in short dated US Government Treasury Bills. During the year 2006 the Fund's US Dollar category gained 10.25% and the Fund's Euro category gained 7.63%

Structure of the Securities Portfolio

Geographical Breakdown as a % of net assets	
United States	98.18
Total	98.18

Economic Breakdown as a % of net assets	
Countries & central governments	98.18
Total	98.18

Statement of Net Assets

	USD
	31.12.2006
Assets	
Investments in securities, cost	1 356 062 437.75
Investments in securities, unrealized appreciation (depreciation)	929 186.21
Total investments in securities (Note 1)	1 356 991 623.96
Cash at banks, deposits on demand and deposit accounts	19 437 928.40
Time deposits and fiduciary deposits	23 735 700.01
Interest receivable on liquid assets	4 747.14
Receivable on dividends	816 227.36
Formation expenses, net (Note 1)	62 121.73
Unrealized gain (loss) on forward foreign exchange contracts (Note 1)	668 667.15
Total Assets	1 401 717 015.75
Liabilities	
Payable on redemptions	-15 377 311.67
Provisions for Investment Advisory fees (Note 2)	-869 711.94
Provisions for Performance fee (Note 2)	-2 776 795.70
Provisions for custodian bank fees (Note 2)	-216 605.64
Provisions for taxe d'abonnement (Note 3)	-169 155.78
Provisions for audit fees, legal and economic advice (Note 2)	-103 414.44
Provisions for other commissions and fees (Note 2)	-54 151.41
Provisions for other taxes	-149 840.23
Total provisions	-4 339 675.14
Total Liabilities	-19 716 986.81
Net assets at the end of the financial year	1 382 000 028.94

Statement of Operations

	USD
	1.1.2006-31.12.2006
Income	
Interest on liquid assets and bank overdraft	745 233.73
Interest on securities	871.29
Dividends	12 638 185.26
Total income	13 384 290.28
Expenses	
Investment Advisory fees (Note 2)	-8 982 898.67
Performance fee (Note 2)	-11 886 992.90
Custodian bank fees (Note 2)	-2 251 282.71
Taxe d'abonnement (Note 3)	-608 532.70
Government fees (Note 2)	-7 320.00
Audit fees, legal and economic advice (Note 2)	-67 387.81
Publications, printing costs and publicity (Note 2)	-710.32
Amortization of formation expenses (Note 1)	-27 779.26
Other commissions and fees (Note 2)	-715 212.25
Total expenses	-24 548 116.62
Net income on investments	-11 163 826.34
Realized gain (loss) (Note 1)	
Realized gain (loss) on market-priced securities without options	91 023 685.65
Realized gain (loss) on options	10 271 179.00
Realized gain (loss) on yield-evaluated securities and money market instruments	16 599 298.03
Realized gain (loss) on forward foreign exchange contracts	56 847 721.73
Total realized gain (loss) on investments	174 741 884.41
Realized gain (loss) on foreign exchange	8 838 332.25
Total realized gain (loss)	183 580 216.66
Net realized gain (loss) of the financial year	172 416 390.32
Changes in unrealized appreciation (depreciation) (Note 1)	
Unrealized appreciation (depreciation) on market-priced securities without options	486 631.95
Unrealized appreciation (depreciation) on yield-evaluated securities and money market instruments	0.04
Unrealized appreciation (depreciation) on forward foreign exchange contracts	12 533 063.07
Total changes in unrealized appreciation (depreciation)	13 019 695.06
Net increase (decrease) in net assets as a result of operations	185 436 085.38

Statement of Changes in Net Assets

	USD
	1.1.2006–31.12.2006
Net assets at the beginning of the financial year	885 832 694.77
Subscriptions	552 419 586.84
Redemptions	-241 688 338.05
Total net subscriptions (redemptions)	310 731 248.79
Net income on investments	-11 163 826.34
Total realized gain (loss)	183 580 216.66
Total changes in unrealized appreciation (depreciation)	13 019 695.06
Net increase (decrease) in net assets as a result of operations	185 436 085.38
Net assets at the end of the financial year	1 382 000 028.94

Changes in the Number of Shares outstanding

	1.1.2006–31.12.2006
Class	A
Number of shares outstanding at the beginning of the financial year	161 457.3340
Number of shares issued	107 758.9530
Number of shares redeemed	-22 240.4840
Number of shares outstanding at the end of the financial year	246 975.8030
Class	B
Number of shares outstanding at the beginning of the financial year	524 431.8900
Number of shares issued	285 463.3720
Number of shares redeemed	-144 390.6770
Number of shares outstanding at the end of the financial year	665 504.5850

Statement of Investments in Securities and other Net Assets as of 31 December 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 traded on another regulated market

Treasury bills, zero coupon

USD

USD	AMERICA, UNITED STATES OF TB 0.00000% 03.08.06-01.02.07	91 425 000.00	91 079 596.35	6.59
USD	AMERICA, UNITED STATES OF TB 0.00000% 10.08.06-08.02.07	91 425 000.00	90 992 559.75	6.58
USD	AMERICA, UNITED STATES OF TB 0.00000% 17.08.06-15.02.07	91 425 000.00	90 900 311.93	6.58
USD	AMERICA, UNITED STATES OF TB 0.00000% 24.08.06-22.02.07	91 425 000.00	90 812 361.08	6.57
USD	AMERICA, UNITED STATES OF TB 0.00000% 31.08.06-01.03.07	91 425 000.00	90 723 770.25	6.56
USD	AMERICA, UNITED STATES OF TB 0.00000% 07.09.06-08.03.07	91 425 000.00	90 636 733.65	6.56
USD	AMERICA, UNITED STATES OF TB 0.00000% 14.09.06-15.03.07	91 425 000.00	90 553 171.20	6.55
USD	AMERICA, UNITED STATES OF TB 0.00000% 21.09.06-22.03.07	91 425 000.00	90 460 283.40	6.55
USD	AMERICA, UNITED STATES OF TB 0.00000% 28.09.06-29.03.07	91 450 000.00	90 395 215.70	6.54
USD	AMERICA, UNITED STATES OF TB 0.00000% 05.10.06-05.04.07	91 450 000.00	90 307 880.95	6.53
USD	AMERICA, UNITED STATES OF TB 0.00000% 12.10.06-12.04.07	91 425 000.00	90 198 807.90	6.53
USD	AMERICA, UNITED STATES OF TB 0.00000% 19.10.06-19.04.07	91 425 000.00	90 112 685.55	6.52
USD	AMERICA, UNITED STATES OF TB 0.00000% 26.10.06-26.04.07	91 425 000.00	90 024 003.30	6.51
USD	AMERICA, UNITED STATES OF TB 0.00000% 02.11.06-03.05.07	91 425 000.00	89 935 686.75	6.51
USD	AMERICA, UNITED STATES OF TB 0.00000% 09.11.06-10.05.07	91 425 000.00	89 851 027.20	6.50

Total USD 1 356 984 094.96 98.18

Total Treasury bills, zero coupon 1 356 984 094.96 98.18

Total Transferable securities and money market instruments traded on another regulated market 1 356 984 094.96 98.18

Transferable securities and money market instruments not listed on an official stock exchange and not traded on another regulated market

Investment certificates, open end

United States

USD	FIDELITY HEREFORD STREET TRUST-SPARTAN US TREASURY MMKT	7 529.00	7 529.00	0.00
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Total United States 7 529.00 0.00

Total Investment certificates, open end 7 529.00 0.00

Total Transferable securities and money market instruments not listed on an official stock exchange and not traded on another regulated market 7 529.00 0.00

Total investments in securities 1 356 991 623.96 98.18

Forward Foreign Exchange contracts

Forward Foreign Exchange contracts (Purchase/Sale)

EUR	788 968 326.49	USD	1 040 980 589.34	29.1.2007	666 119.53	0.05
EUR	1 000 000.00	USD	1 317 710.00	29.1.2007	2 547.62	0.00

Total Forward Foreign Exchange contracts (Purchase/Sale) 668 667.15 0.05

Time deposits and fiduciary deposits 23 735 700.01 1.72

Cash at banks, deposits on demand and deposit accounts and other liquid assets 19 437 928.40 1.41

Other assets and liabilities -18 833 890.58 -1.36

Total net assets 1 382 000 028.94 100.00

Notes to the Financial Statements

Annual Report as of 31 December 2006

Note 1 – Summary of significant accounting policies

a) Calculation of the net asset value

The net asset value per share of the individual subfunds is calculated on such business day (hereinafter called "Valuation Day"). In this context, "business day" shall mean the usual bank business days (i.e. each day on which banks are opened during normal business hours) in Luxembourg with the exception of some non-regulatory holidays.

The net asset value of each subfund is equal to the total assets of that subfund less its liabilities. The net asset value of each subfund will be expressed in the currency of the relevant subfund (except when there exists any state of affairs which, in the opinion of the Board of Directors, makes the determination in the currency of the relevant subfund either not reasonably practical or prejudicial to the shareholders, the net asset value may temporarily be determined in such other currency as the Board of Directors may determine) and shall be determined in respect of any Valuation Day by dividing the total net assets of the subfund by the number of its shares in circulation. The net asset value per share of the individual subfunds is calculated on the basis of closing prices on each business day in Luxembourg, unless otherwise described.

b) Valuation principles

- The value of securities which are listed on an official stock exchange or traded on any other regulated market will be valued at the last available price on the principal market on which such security is traded, as furnished by a pricing service approved by the Board of Directors.
- Based on the net acquisition price and by keeping the calculated investment return constant, the value of money market paper and of other debt securities with a residual maturity of less than one year is successively adjusted to the redemption price thereof. In the event of material changes in market conditions, the valuation basis is adjusted on the new market yields;
- Debt securities with a residual maturity of more than one year and other securities are valued at the last available price, if they are listed on an official stock exchange. If the same security is listed on several stock exchanges, the last available price on the stock exchange that represents the major market for this security will apply;
- Debt securities with a residual maturity of more than one year and other securities are valued at the last available price on this market, if they are not listed on an official stock exchange, but traded on another

regulated market, which is recognised, open to the public and operating regularly;

- If these prices are not in line with the market, the respective securities, as well as the other legally admissible assets, will be valued at their market value which the company, acting in good faith, shall estimate on the basis of the price likely to be obtained;
- Time deposits with an original maturity exceeding 30 days can be valued at their respective rate of return, provided the corresponding agreement between the credit institution holding the time deposits and the company stipulates that these time deposits may be called at any time and that, if called for repayment, their cash value corresponds to this rate of return;
- Any cash in hand or on deposit, notes payable on demand, bills and accounts receivable, prepaid expenses, cash dividends, interests declared or accrued as aforesaid and not yet received shall be valued at their full nominal value, unless in any case the same is unlikely to be paid or received in full, in which case the Board of Directors may value these assets with a discount he may consider appropriate to reflect the true value thereof. Liquid funds are valued at their nominal value plus any accrued interest.

The company is authorised to temporarily apply other adequate valuation principles for the assets of an individual subfund if the aforementioned valuation criteria appear impossible or inappropriate due to extraordinary circumstances or events.

In the case of extensive redemption applications, the company may establish the value of the shares of the relevant subfund on the basis of the prices at which the necessary sales of securities are effected. In such an event, the same basis for calculation shall be applied for subscription and redemption applications submitted at the same time.

c) Net realized gain (loss) 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.

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 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.

f) 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 subfunds are converted at the mid closing spot rates on the valuation date. Income and expenses denominated in currencies other than the currency of the different subfunds are converted at 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 subfunds is converted at the mid closing spot rate prevailing on the day of acquisition.

The following exchange rates were used as of 31 December 2006:

Exchange rates

USD 1 = EUR 0.758351

g) Accounting of securities' portfolio transactions

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

h) Formation expenses

The expenditure involved in the initial launching and marketing of the company, as well as the cost of launching new subfunds and other extraordinary expenses may be written off over a period of up to five years. The costs of launching new subfunds will be written off only by the respective subfund. The expenditure involved in establishing the company still outstanding may only be written off by the subfunds launched at the same time as the company was established.

i) Securities Repurchase Agreements

The company may, for any subfund, engage in repurchase agreements on an ancillary basis. Repurchase agreements involve the purchase and sale of securities where the seller has the right or obligation to repurchase the securities sold from the buyer at a fixed price and within a certain period stipulated by both parties upon conclusion of the agreement.

j) Techniques and Instruments for Hedging Currency Risks

In order to protect its assets against the fluctuation of currencies, each subfund may enter into transactions the purpose of which is the sale of currency futures contracts, sale of call options or the purchase of put options in respect of currencies. The transactions referred to herein may only concern contracts which are traded on a regulated market, operating regularly, recognised and open to the public.

For the same purpose each subfund may also sell currencies forward or exchange currencies on a mutual agreement basis with first class financial institutions specialising in this type of transactions.

The hedging objective of the transactions referred to above presupposes the existence of a direct relationship between these transactions and the assets which are being hedged and implies that, in principle, transactions in a given currency cannot exceed the total valuation of assets denominated in that currency nor may the duration of these transactions exceed the period for which the respective assets are held.

k) 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.

l) Income recognition

Dividends, net of withholding taxes, are recognized as income on the date upon which the relevant securities are first listed as "ex-dividend". Interest income is accrued on a daily basis.

Note 2 – Fee Structure

In consideration of the portfolio management services, the Portfolio Manager shall receive from the subfund an investment advisory fee and a performance fee, as determined below:

The investment advisory fee for the subfund LUXALPHA SICAV – American Selection is 0.80% p.a. of the Trading Assets calculated in USD, accrued on each Valuation Day and payable quarterly in arrears on the Trading Assets over the quarter.

The subfund LUXALPHA SICAV – American Selection shall pay quarterly in arrears a performance fee of 16%

of the quarterly performance of the Trading Assets over a hurdle rate of 5% per annum; performance means the positive difference between Trading Assets on the last business day of the quarter and the Trading Assets on the last business day of the previous quarter increased by a hurdle rate of one quarter of 5% per annum (the "Performance Index").

Apart from the investment advisory and performance fee subfund LUXALPHA SICAV – American Selection is subject to:

- Administrative charge and expenses due or accrued, including fees and expenses for the administrative agent, the custodian bank, legal and audit services all taxes which are levied on the net assets and the income of each subfund, particularly the "taxe d'abonnement";
- customary brokerage fees and commissions which are charged by other banks and brokers for securities transactions and similar transactions;
- costs for ordinary and extraordinary measures carried out in the interests of the shareholders, such as expert opinions and legal proceedings, etc.

Note 3 – Taxe d'abonnement

In accordance with the law and the regulations currently in force, the company is subject to a subscription tax at the annual rate of 0.05%, payable quarterly and calculated on the basis of the net assets 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 – Securities Lending

The company may also lend portions of its securities portfolio to third parties. In general, lending may only be effected via recognised clearing houses such as Clearstream International or Euroclear, or through the intermediary of prime financial institutions that specialize in such activities and in the modus specified by them. Such transactions may not be entered into for longer than 30 days, however. If the loan exceeds 50% of the market value of the securities portfolio of the corresponding subfund, it may only be effected on condition that the company has the right, at all time, to terminate the contract and obtain restitution of the securities lent.

As at 31 December 2006, no securities were lent out for LUXALPHA SICAV – American Selection.

Note 5 – Income distribution

The general meeting of shareholders of the respective subfunds 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 of investment income and realised gains in the Net Asset Value after deduction of all fees and expenses. The payment of distributions must not result in the Net Asset Value of the company falling below the minimum capital amount prescribed by law.

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

LUXALPHA SICAV – American Selection pursues an accumulation dividend policy.

Note 6 – Segregated Accounts

The Board of Directors resolved that the Portfolio Manager may open segregated accounts with registered broker dealers. As of 31 December 2006, the portfolio of the company is part of such a segregated account.

Note 7 – Hedged share class

In the subfund LUXALPHA SICAV – American Selection forward foreign exchange contracts are used in order to hedge the EUR-denominated shares of class B against the USD.

Note 8 – Authoritative language

The English version of these financial statements is the authoritative version and only this version was audited by the auditors. However, in the case of company shares sold to investors from other countries in which company shares can be bought and sold, the company and the Custodian Bank may recognize approved translations (i.e. approved by the company and the Custodian Bank) into the languages concerned as binding upon themselves.