

Annual Report 2007.

Investment Company under Luxembourg Law (SICAV)

Audited annual report as of 31 December 2007

LUXALPHA SICAV

LUXALPHA SICAV – American Selection

Audited annual report as of 31 December 2007

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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 2007
LUXALPHA SICAV

Registered Office

33A, avenue J.F. Kennedy,
P.O. Box 91, L-2010 Luxembourg*
R.C.S. Luxembourg N° B 98 874

* until 29 July 2007: 291, route d'Arlon, L-1150 Luxembourg

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

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

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

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

Day to Day Manager

Isabelle Asseray (until 1st May 2007)
Director, UBS Fund Services (Luxembourg) S.A.,
Luxembourg

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

Emmanuel Duterme (since 1st May 2007)
Associate 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.,
33A, avenue J.F. Kennedy,
P.O. Box 91, L-2010 Luxembourg*
R.C.S. Luxembourg N° B 45 991

* until 29 July 2007: 291, route d'Arlon, L-1150 Luxembourg

Board Members: Andreas Jacobs, Managing Director (until 8 October 2007), UBS AG, Member and Chairman, André Valente, Managing Director (since 9 October 2007), 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.

Investment Advisor to the Management Company

Access Partners S.A.,
49, boulevard du Prince Henri,
L-1724 Luxembourg

Custodian Bank and main Paying Agent

UBS (Luxembourg) S.A.,
33A, avenue J.F. Kennedy,
P.O. Box 2, L-2010 Luxembourg*

* until 29 July 2007: 36-38, Grand-Rue, L-1660 Luxembourg

Distributor

UBS (Luxembourg) S.A.,
33A, avenue J.F. Kennedy,
P.O. Box 2, L-2010 Luxembourg*

* until 29 July 2007: 36-38, Grand-Rue, L-1660 Luxembourg

Administrative Agent

UBS Fund Services (Luxembourg) S.A.,
33A, avenue J.F. Kennedy,
P.O. Box 91, L-2010 Luxembourg*

* until 29 July 2007: 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

Independent Auditors of the Management Company

PricewaterhouseCoopers S.à r.l.,
Réviseur d'Entreprises,
400, route d'Esch, B.P. 1443, L-1014 Luxembourg

Sale in France

Shares of this company may be sold in this country.

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

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LUXALPHA SICAV

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 33A, avenue J.F. Kennedy, P.O. Box 91, L-2010 Luxembourg, has been appointed to act as the Management Company of the company (the “Management Company”) the 1st August 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.

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

The annual and semi-annual reports are available free of charge to shareholders at the registered office of the company and the Custodian Bank.

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 2007
LUXALPHA SICAV

To the Shareholders of

LUXALPHA SICAV

33A, avenue J.F. Kennedy,
P.O. Box 91, L-2010 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 2007 and the statement of operations and 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 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 of the SICAV, 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 2007, 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 and presentation of the financial statements.

Other matter

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, 4 February 2008

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises

I. NICKS

LUXALPHA SICAV – American Selection

Annual Report as of 31 December 2007

Three-year comparison

Date	ISIN	31.12.2007	31.12.2006	31.12.2005
Net assets in USD		1 509 531 323.62	1 382 000 028.94	885 832 694.77
Class A	LU0185938668			
Shares outstanding		222 195.9890	246 975.8030	161 457.3340
Net asset value per share in USD		1 361.79	1 259.14	1 142.12
Class B	LU0185941027			
Shares outstanding		632 929.8110	665 504.5850	524 431.8900
Net asset value per share in EUR		1 304.28	1 220.45	1 133.91

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 49 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 1st January 2007 to December 31st 2007 the Fund was invested in its investment program, in line with the investment mandate, for a total of approximately 122 days out of a total of 365 days i.e. for 33% of the time. For the other 243 days when it was not invested in the program (67% of the time) the Fund's assets were invested in short dated US Government Treasury Bills. During the year 2007 the Fund's US Dollar category gained 8.15% and the Fund's Euro category gained 6.87%.

Structure of the Securities Portfolio

Geographical Breakdown as a % of net assets	
United States	98.79
Total	98.79

Economic Breakdown as a % of net assets	
Countries & central governments	98.79
Total	98.79

Statement of Net Assets

	USD
Assets	31.12.2007
Investments in securities, cost	1 491 155 630.75
Investments in securities, unrealized appreciation (depreciation)	208 355.30
Total investments in securities (Note 1)	1 491 363 986.05
Cash at banks, deposits on demand and deposit accounts	27 249 252.32
Receivable on dividends	54 666.34
Formation expenses, net (Note 1)	34 113.53
Unrealized gain (loss) on forward foreign exchange contracts (Note 1)	-4 694 547.07
Total Assets	1 514 007 471.17
Liabilities	
Provisions for Management fee (Note 2)	-1 046 015.60
Provisions for performance fee (Note 2)	-2 633 953.56
Provisions for custodian bank fees (Note 2)	-255 309.19
Provisions for taxe d'abonnement (Note 3)	-188 730.55
Provisions for audit fees, legal and economic advice (Note 2)	-60 192.12
Provisions for other commissions and fees (Note 2)	-142 106.30
Provisions for other taxes	-149 840.23
Total provisions	-4 476 147.55
Total Liabilities	-4 476 147.55
Net assets at the end of the financial year	1 509 531 323.62

Statement of Operations

	USD
Income	1.1.2007–31.12.2007
Interest on liquid assets	1 347 631.16
Interest on securities	227.35
Dividends	8 016 179.18
Total income	9 364 037.69
Expenses	
Management fee (Note 2)	-11 974 912.10
Performance fee (Note 2)	-11 426 275.73
Custodian bank fees (Note 2)	-2 968 412.05
Taxe d'abonnement (Note 3)	-766 416.19
Government fees (Note 2)	-6 611.18
Audit fees, legal and economic advice (Note 2)	-84 382.22
Publications, printing costs and publicity (Note 2)	-3 302.78
Amortization of formation expenses (Note 1)	-28 008.20
Other commissions and fees (Note 2)	-1 072 543.93
Interest on liquid assets and bank overdraft	-5 236.57
Total expenses	-28 336 100.95
Net income on investments	-18 972 063.26
Realized gain (loss) (Note 1)	
Realized gain (loss) on market-priced securities without options	76 741 947.45
Realized gain (loss) on options	17 308 713.00
Realized gain (loss) on yield-evaluated securities and money market instruments	42 630 442.00
Realized gain (loss) on forward foreign exchange contracts	103 190 099.01
Total realized gain (loss) on investments	239 871 201.46
Realized gain (loss) on foreign exchange	7 350 804.05
Total realized gain (loss)	247 222 005.51
Net realized gain (loss) of the financial year	228 249 942.25
Changes in unrealized appreciation (depreciation) (Note 1)	
Unrealized appreciation (depreciation) on market-priced securities without options	-791 337.81
Unrealized appreciation (depreciation) on yield-evaluated securities and money market instruments	70 506.90
Unrealized appreciation (depreciation) on forward foreign exchange contracts	-5 363 214.22
Total changes in unrealized appreciation (depreciation)	-6 084 045.13
Net increase (decrease) in net assets as a result of operations	222 165 897.12

Statement of Changes in Net Assets

	USD
	1.1.2007–31.12.2007
Net assets at the beginning of the financial year	1 382 000 028.94
Subscriptions	100 442 892.28
Redemptions	-195 077 494.72
Total net subscriptions (redemptions)	-94 634 602.44
Net income on investments	-18 972 063.26
Total realized gain (loss)	247 222 005.51
Total changes in unrealized appreciation (depreciation)	-6 084 045.13
Net increase (decrease) in net assets as a result of operations	222 165 897.12
Net assets at the end of the financial year	1 509 531 323.62

Changes in the Number of Shares outstanding

	1.1.2007–31.12.2007
Class	A
Number of shares outstanding at the beginning of the financial year	246 975.8030
Number of shares issued	5 895.5850
Number of shares redeemed	-30 675.3990
Number of shares outstanding at the end of the financial year	222 195.9890
Class	B
Number of shares outstanding at the beginning of the financial year	665 504.5850
Number of shares issued	57 687.1830
Number of shares redeemed	-90 261.9570
Number of shares outstanding at the end of the financial year	632 929.8110

Statement of Investments in Securities and other Net Assets as of 31 December 2007

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% 23.08.07-21.02.08	125 275 000.00	8.26
USD	AMERICA, UNITED STATES OF TB 0.00000% 30.08.07-28.02.08	125 275 000.00	8.26
USD	AMERICA, UNITED STATES OF TB 0.00000% 06.09.07-06.03.08	125 275 000.00	8.25
USD	AMERICA, UNITED STATES OF TB 0.00000% 13.09.07-13.03.08	125 275 000.00	8.25
USD	AMERICA, UNITED STATES OF TB 0.00000% 20.09.07-20.03.08	125 275 000.00	8.24
USD	AMERICA, UNITED STATES OF TB 0.00000% 27.09.07-27.03.08	125 275 000.00	8.24
USD	AMERICA, UNITED STATES OF TB 0.00000% 04.10.07-03.04.08	225 000.00	0.01
USD	AMERICA, UNITED STATES OF TB 0.00000% 11.10.07-10.04.08	125 275 000.00	8.23
USD	AMERICA, UNITED STATES OF TB 0.00000% 18.10.07-17.04.08	125 275 000.00	8.22
USD	AMERICA, UNITED STATES OF TB 0.00000% 07-24.04.08	125 275 000.00	8.22
USD	AMERICA, UNITED STATES OF TB 0.00000% 01.11.07-01.05.08	125 275 000.00	8.21
USD	AMERICA, UNITED STATES OF TB 0.00000% 08.11.07-08.05.08	125 275 000.00	8.20
USD	AMERICA, UNITED STATES OF TB 0.00000% 15.11.07-15.05.08	125 275 000.00	8.20
Total USD		1 491 361 787.05	98.79
Total Treasury bills, zero coupon		1 491 361 787.05	98.79

Total Transferable securities and money market instruments traded on another regulated market	1 491 361 787.05	98.79
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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	2 199.00	0.00
Total United States		2 199.00	0.00
Total Investment certificates, open end		2 199.00	0.00

Total Transferable securities and money market instruments not listed on an official stock exchange and not traded on another regulated market	2 199.00	0.00
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Total investments in securities	1 491 363 986.05	98.79
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Forward Foreign Exchange contracts

Forward Foreign Exchange contracts (Purchase/Sale)

EUR	829 706 364.40	USD	1 217 955 012.01	7.1.2008	-4 720 088.31	-0.31
USD	6 298 488.84	EUR	4 289 939.27	7.1.2008	25 541.24	0.00
Total Forward Foreign Exchange contracts (Purchase/Sale)					-4 694 547.07	-0.31

Cash at banks, deposits on demand and deposit accounts and other liquid assets	27 249 252.32	1.81
Other assets and liabilities	-4 387 367.68	-0.29
Total net assets	1 509 531 323.62	100.00

Notes to the Financial Statements

Annual Report as of 31 December 2007
LUXALPHA SICAV

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 as of the fifteenth day and the last business day of each month (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 2007:

Exchange rates

USD 1 = EUR 0.683971

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 or in over-the-counter (OTC) options whereby the counterpart to these transactions must be prime financial institution specialised in this kind of operations and having a prime quality rating of a recognised rating agency.

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 management services, the Management Company shall receive from the subfund a management fee and a performance fee, as determined below:

The management 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 management and performance fee the 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 2007, 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 2007, 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.