

# Semi-annual report 2004

**Investment company under Luxembourg Law (SICAV)**

**Unaudited semi-annual report as of June 30, 2004**

LUXALPHA SICAV  
LUXALPHA SICAV - American Selection



# Unaudited semi-annual report as of June 30, 2004

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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

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## Registered Office

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

## Board of Directors

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

*Bernd Stiehl*, Director  
Managing Director  
UBS (Luxembourg) S.A., Luxembourg

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

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

*Pierre Delandmeter*, Director  
Attorney at law  
Luxembourg

## Portfolio Manager

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

## 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

## 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, the articles of association of the company, the annual and semi-annual reports as well as the portfolio movements of the investment company mentioned in this publication are available free of charge at the sales agencies and at the registered office of the investment company.

# Features of the Company

Semi-annual report as of June 30, 2004

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. The Company complies with the requirements of the UCITS Directive EEC 85/611.

LUXALPHA SICAV was incorporated on February 5, 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 December 20, 2002. The Company is entered under no B 98 874 in the Luxembourg Commercial Register.

LUXALPHA SICAV is characterised by an "umbrella construction" which comprises several specific portfolio 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.

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 February 24, 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.

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

The ordinary general meeting shall be held each year on the 15<sup>th</sup> 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 15<sup>th</sup> 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, at any point in time, launch new subfunds. 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.

# LUXALPHA SICAV - American Selection

Semi-annual report as of June 30, 2004  
LUXALPHA SICAV - American Selection  
Class A: ISIN: LU0185938668  
Class B: ISIN: LU0185941027

## Most important figures

<b>Date</b>	<b>30.06.2004</b>	<b>31.12.2003</b>	<b>31.12.2002</b>
Fund's net assets in USD	478 336 670.06	N/A	N/A
<b>Class</b>	<b>A</b>	<b>A</b>	<b>A</b>
Shares outstanding	96 806.2370	N/A	N/A
Net asset value per share in USD	1 024.36	N/A	N/A
<b>Class</b>	<b>B</b>	<b>B</b>	<b>B</b>
Shares outstanding	303 618.4930	N/A	N/A
Net asset value per share in EUR	1 026.46	N/A	N/A

## Structure of the Securities Portfolio

Geographical Breakdown as a % of net assets	
United States of America	100.51
Total	100.51

Economic Breakdown as a % of net assets	
Bonds of countries and central governments	100.47
Investment trusts, mutual funds	0.04
Total	100.51

## Statement of Net Assets

	USD
<b>Assets</b>	<b>30.06.2004</b>
Investments in securities, cost	480 696 255.50
Investments in securities, unrealized appreciation (depreciation)	76 503.98
<b>Total investments in securities (Note 1)</b>	<b>480 772 759.48</b>
Cash at banks, deposits on demand and deposit accounts	5 344 947.50
Receivable on dividends	253 410.91
Formation expenses (Note 1)	112 994.89
Unrealized gain (loss) on forward foreign exchange contracts (Note 1)	-2 937 254.08
<b>Total Assets</b>	<b>483 546 858.70</b>
<b>Liabilities</b>	
Payable on redemptions	3 419 514.30
Other liabilities	79 082.23
Provisions for Investment advisory fees (Note 2)	343 004.18
Provisions for Performance fees (Note 2)	1 184 326.60
Provisions for Custodian Bank fees (Note 2)	77 485.21
Provisions for audit and legal costs	4 225.35
Provisions for taxe d'abonnement (Note 3)	83 181.84
Provisions for other commissions and fees	19 368.93
<b>Total provisions</b>	<b>1 711 592.11</b>
<b>Total Liabilities</b>	<b>5 210 188.64</b>
<b>Net assets at the end of the period</b>	<b>478 336 670.06</b>

## Statement of Operations

	USD
<b>Income</b>	<b>26.03.2004 - 30.06.2004</b>
Interest on liquid assets	48 146.28
Dividends	970 295.86
<b>Total income</b>	<b>1 018 442.14</b>
<b>Expenses</b>	
Management fee (Note 2)	909 761.16
Performance fee (Note 2)	1 184 326.60
Custodian bank fee (Note 2)	234 392.58
Taxe d'abonnement (Note 3)	83 181.84
Government fees	6 080.50
Audit and legal costs	4 225.35
Other commissions and fees	117 521.05
Amortization of formation expenses (Note 1)	6 546.63
<b>Total expenses</b>	<b>2 546 035.71</b>
<b>Net income on investments</b>	<b>-1 527 593.57</b>
<b>Realized gain (loss) (Note 1)</b>	
Realized gain (loss) on market-priced securities without options	-4 424 122.48
Realized gain (loss) on options	16 634 759.00
Realized gain (loss) on yield-evaluated securities and money market instruments	268 854.50
Realized gain (loss) on forward foreign exchange contracts	-2 158 267.12
<b>Total realized gain (loss) on investments</b>	<b>10 321 223.90</b>
Realized gain (loss) on foreign exchange	3 795 268.57
<b>Total realized gain (loss)</b>	<b>14 116 492.47</b>
<b>Net realized gain (loss) of the period</b>	<b>12 588 898.90</b>
<b>Changes in unrealized appreciation (depreciation)</b>	
Unrealized appreciation (depreciation) on yield-evaluated securities and money market instruments	76 503.98
Unrealized appreciation (depreciation) on forward foreign exchange contracts	-2 937 254.08
<b>Total changes in unrealized appreciation (depreciation)</b>	<b>-2 860 750.10</b>
<b>Net increase (decrease) in net assets</b>	<b>9 728 148.80</b>

## Statement of Changes in Net Assets

	<b>USD</b>
	<b>26.03.2004 - 30.06.2004</b>
Net assets at the beginning of the period	0.00
Subscriptions	473 528 462.48
Redemptions	-4 919 941.22
Total net subscriptions (redemptions)	<u>468 608 521.26</u>
Net income on investments	-1 527 593.57
Realized gain (loss)	14 116 492.47
Changes in unrealized appreciation (depreciation)	-2 860 750.10
Net increase (decrease) in net assets	9 728 148.80
<b>Net assets at the end of the period</b>	<b>478 336 670.06</b>

## Changes in the Number of Shares outstanding

	<b>26.03.2004 - 30.06.2004</b>
<b>Class</b>	<b>A</b>
Number of shares outstanding at the beginning of the period	0.0000
Number of shares issued	96 983.2370
Number of shares redeemed	-177.0000
<b>Number of shares outstanding at the end of the period</b>	<b>96 806.2370</b>
<b>Class</b>	<b>B</b>
Number of shares outstanding at the beginning of the period	0.0000
Number of shares issued	307 466.5430
Number of shares redeemed	-3 848.0500
<b>Number of shares outstanding at the end of the period</b>	<b>303 618.4930</b>



## Statement of Investments in Securities and other Net Assets as of June 30, 2004

Description	Interest/ Strike Price	Maturity	Quantity/ Nominal	Valuation in USD Unrealized gain (loss) on Futures/ Options/Forward Exchange Contracts (Note 1)	as a % of net assets
<b>Transferable securities and money market instruments traded on another regulated market</b>					
<b>Treasury Bills</b>					
USD UNITED STATES OF AMERICA	0.00000%	04-12.11.04	40 225 000.00	39 995 918.63	8.36
USD UNITED STATES OF AMERICA	0.00000%	04-18.11.04	40 225 000.00	39 982 845.50	8.36
USD UNITED STATES OF AMERICA	0.00000%	04-02.12.04	46 525 000.00	46 203 791.40	9.66
USD UNITED STATES OF AMERICA	0.00000%	04-04.11.04	25 750 000.00	25 614 709.50	5.35
USD UNITED STATES OF AMERICA	0.00000%	04-07.10.04	36 975 000.00	36 838 710.15	7.70
USD UNITED STATES OF AMERICA	0.00000%	04-09.12.04	46 525 000.00	46 183 762.39	9.65
USD UNITED STATES OF AMERICA	0.00000%	04-14.10.04	36 975 000.00	36 826 711.76	7.70
USD UNITED STATES OF AMERICA	0.00000%	04-16.09.04	40 225 000.00	40 118 303.19	8.39
USD UNITED STATES OF AMERICA	0.00000%	04-21.10.04	36 975 000.00	36 811 533.53	7.70
USD UNITED STATES OF AMERICA	0.00000%	04-23.09.04	40 225 000.00	40 104 767.48	8.38
USD UNITED STATES OF AMERICA	0.00000%	04-26.11.04	46 000 000.00	45 706 106.00	9.56
USD UNITED STATES OF AMERICA	0.00000%	04-28.10.04	46 425 000.00	46 199 095.95	9.66
<b>Total Treasury Bills</b>				<b>480 586 255.48</b>	<b>100.47</b>
<b>Total Transferable securities and money market instruments traded on another regulated market</b>				<b>480 586 255.48</b>	<b>100.47</b>
<b>UCITS in accordance with Article 41 (1) e)</b>					
<b>Investment certificates, open end</b>					
United States of America					
USD FIDELITY HEREFORD-SPARTAN US TREAMM			186 504.00	186 504.00	0.04
				<b>186 504.00</b>	<b>0.04</b>
<b>Total Investment certificates, open end</b>				<b>186 504.00</b>	<b>0.04</b>
<b>Total UCITS in accordance with Article 41 (1) e)</b>				<b>186 504.00</b>	<b>0.04</b>
<b>Total investments in securities</b>				<b>480 772 759.48</b>	<b>100.51</b>
<b>Forward Foreign Exchange contracts (Purchase/Sale)</b>					
EUR 3 088 000.00	against USD	3 720 113.60	06.07.04	36 781.17	0.01
EUR 303 814 000.00	against USD	372 597 489.60	06.07.04	-2 974 035.25	-0.62
<b>Total Forward Foreign Exchange contracts (Purchase/Sale)</b>				<b>-2 937 254.08</b>	<b>-0.61</b>
<b>Cash at banks, deposits on demand and deposit accounts</b>				<b>5 344 947.50</b>	<b>1.12</b>
<b>Other receivables and payables</b>				<b>-3 245 185.62</b>	<b>-0.68</b>
<b>Other assets and liabilities</b>				<b>-1 598 597.22</b>	<b>-0.34</b>
<b>Total net assets</b>				<b>478 336 670.06</b>	<b>100.00</b>

# Notes to the Financial Statements

Semi-annual report as of June 30, 2004

## Note 1 - Summary of most 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 then outstanding. 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 and unrealized profits and losses are recorded in the statement of operations.

*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 June 30, 2004:

USD 1 = 0.821929 EUR

*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.

**Note 2 - Fee Structure**

In consideration of the portfolio management services, the Portfolio Manager 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 up to 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 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 of each subfund at the end of each quarter.

The taxe d'abonnement is waived for that part of the company assets invested in units 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 June 30, 2004, 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 - Authoritative language**

The English version of these financial statements is the authoritative version. 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.