

Annual Report 2006.

Investment Company under Luxembourg Law (SICAV)

**Audited annual report for the period from
30 March 2006 to 31 December 2006**

DUAL RETURN FUND

DUAL RETURN FUND – Vision Microfinance

Audited annual report as of 31 December 2006

Table of contents

Management and Administration	2				
Features of the Company	3				
Investment Advisor Report	5				
Independent Auditor's Report	7		ISIN		
DUAL RETURN FUND – Vision Microfinance	8	CHF/ LU0236783907	EUR/ LU0236782842		
		USD/ LU0236783659			
Notes to the Financial Statements	12				

Sales restrictions

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

Management and Administration

Annual Report as of 31 December 2006

Registered Office

1B, Parc d'Activité Syrdall, L-5365 Munsbach
R.C.S. Luxembourg N° B 112 224

Board of Directors

Manfred Kastner, Chairman of the Board
Founding Partner, VPM Vermögensverwaltungs AG,
Vienna, Austria

Registered office:
Singerstrasse 27, A-1010 Vienna

Roland Dominicé, Member
Director, Symbiotics SA, Geneva, Switzerland,

Registered office:
3, place isaac-mercier, CH-1201 Geneva

Ernst-Ludwig Drayss, Member
Founding Partner, Berlin & Co, Frankfurt am Main,
Germany

Registered Office:
Braubachstrasse 36, D-60311 Frankfurt am Main

Christoffer Dahlberg, Member
(until 28 February 2006)
Director, Absolute Plus Zurich AG, Zurich,
Switzerland
Registered Office: Storchengasse 4, CH-8001 Zurich

Carl Grevelius, Member
(until 28 February 2006)
Director, Absolute Plus Zurich AG, Zurich,
Switzerland
Registered Office: Storchengasse 4, CH-8001 Zurich

Johann-Friedrich Ramm, Member
Head Finance-Enterprise-Market, Intercooperation,
Berne, Switzerland
Registered Office: Maulbeerstrasse 10, CH-3001 Bern

Roman Mertes, Member
Managing Director, Axxion S.A., Munsbach,
Luxembourg
Registered Office:
1B, Parc d'Activité Syrdall, L-5365 Munsbach

Sponsor

PEH Wertpapier AG,
Adenauerallee 2, D-61440 Oberursel

VPM VERMÖGENSVERWALTUNGS AG,
Singerstrasse 27, A-1010 Vienna

Axxion S.A.,
1B, Parc d'Activité Syrdall, L-5365 Munsbach

Custodian Bank and Paying Agent

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

Domiciliary, Legal and Corporate Agent

Axxion S.A.,
1B, Parc d'Activité Syrdall, L-5365 Munsbach

Central Administrative Agent, Registrar, Transfer and Listing Agent

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

Independent Auditors of the Company

KPMG Audit S.á r.l.,
Réviseur d'Entreprises
31, allée Scheffer, L-2520 Luxembourg

Investment Advisor

Symbiotics S.A.,
3, place isaac-mercier, CH-1201 Geneva

Distributor

VPM VERMÖGENSVERWALTUNGS AG,
Singerstrasse 27, A-1010 Vienna

Features of the Company

Annual Report as of 31 December 2006

DUAL RETURN FUND (the "Company") is an investment company organized under the laws of the Grand Duchy of Luxembourg as a "Société d'Investissement à Capital Variable" with several separate subfunds (the "Subfunds").

The Company was incorporated on 29 November 2005 and is governed by the Law of 10 August 1915 on commercial companies, as amended, and by the Law of 20 December 2002.

The Company's objective is to invest 20% or more of the net assets of each Subfund in assets other than the transferable securities and/or liquid assets provided for in Article 41 (1) of the Law of 20 December 2002 on undertakings for collective investment, as amended (the "Law of 20 December 2002"); the Company is consequently registered pursuant to the provisions of Part II of the Law of 20 December 2002.

The Articles of Incorporation of the Company (the "Articles") were published in the "Mémorial C, Recueil des Sociétés et Associations" (the "Mémorial") of 23 December 2005 and have been filed with the Chancery of the District Court of Luxembourg.

In accordance with the Articles, the board of directors of the Company (the "Board of Directors") may issue Shares in each Subfund. A separate portfolio of assets is maintained for each Subfund and is invested in accordance with the investment objective applicable to the relevant Subfund. As a result, the Company is an "Umbrella Fund" enabling investors to choose between one or more investment objectives by investing in one or more Subfunds.

The Company is offering shares (the "Shares") on the basis of the information contained in the sales prospectus (the "Prospectus"). An amendment or updated Prospectus shall be provided, if necessary, to reflect material changes to the information contained herein.

The Board of Directors may, at its discretion, issue several share classes within each Subfund, each class corresponding to a specific denomination currency.

The "Vision Microfinance" Subfund offers four classes of Shares, each having a different denomination currency (EUR/USD/CHF/SEK).

The share capital of the Company will be equal, at any time, to the total value of the net assets of all the Subfunds.

Notice of any general meeting of shareholders (including those considering amendments to the Articles or the dissolution and liquidation of the Company or of any Subfund) shall be published to the extent required by Luxembourg law in the Mémorial and in any Luxembourg and other newspaper(s) that the Board of Directors may determine. Mailings to the shareholder are not required in case of bearer Shares.

The annual general meeting of shareholders takes place in Luxembourg City at a place specified in the notice of meeting on the first Monday in the month of May at 11.00 a.m. If such day is a legal or a bank holiday in Luxembourg, the annual general meeting shall be held on the next following Luxembourg bank business day.

The shareholders of any Subfund or any class of Shares within a given Subfund may be convened to hold, at any time, general meetings to decide on any matters which relate exclusively to such Subfund or class of Shares.

The Shares of the Subfunds will be listed on the Luxembourg Stock Exchange.

Any interested person may inspect the Prospectus at the Chancery of the District Court of Luxembourg; copies are available on request from the registered office of the Company.

The Board of Directors has taken all reasonable care to ensure that the facts stated in Prospectus are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement in the Prospectus, whether of fact or opinion.

Investors should inform themselves and should take appropriate advice on the legal requirements as to possible tax consequences, foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their citizenship, residence, or domicile and which might be relevant to the subscription, purchase, holding, redemption, if applicable, or disposal of the Shares of the Company.

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

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

1. Market Overview

The year 2005 has been celebrated by the United Nations as the year of micro-credit. This has triggered a significant positive change both in the arena of micro-finance institutions in emerging economies and in the arena of microfinance investments in off-shore markets. Many new opportunities have emerged and existing ones have grown significantly.

a. Microfinance on-shore markets

Microfinance, or in its widest sense "financial services for the poor", was in 2000 commonly believed to concern 500 million micro-entrepreneurs worldwide, each potentially requiring on average 500 dollars per annum to sustain their family and activities. These figures, used by United Nations, assumed a target market of 250 billion dollars. Similarly, it was commonly believed that only 10 to 15% of such market demand was satisfied. Overall the market at the turn of the century was of about twenty to thirty billion dollars, with at least 50 million clients satisfied, very large unfulfilled demand and rapid growth.

The 2005 Micro-Credit Survey acknowledges over 3,164 microfinance institutions reporting over 92 million micro-enterprise clients worldwide, of which over 70% are among the poorest. If we assume an average micro-credit of five hundred to a thousand dollars, the market size using such data is assumed today at up to 100 billion dollars. Such assumption would conclude that 20 to 40% of the market assumed five years ago is today covered. It also projects a 40% annual growth of the industry in the past five years.

Precise and accurate figures still lack but all surveys confirm similar conclusions: the industry is growing rapidly in size and quality but is still far from its full potential, offering financial services to the vast majority of the population on earth.

b. Microfinance off-shore investments market

The World Bank, in a study on "foreign direct investments in microfinance", surveying statistics at the turn of the century, concluded that foreign investors had invested US\$ 1 billion in microfinance worldwide and that 90% of such funding came directly or indirectly from the public sector. This figure has dramatically changed in half a decade; from half a dozen in 2000, none of which were commercial, the Symbiotics directory counts today 50 private sector for profit investment vehicles. From a billion dollars a few years ago,

the current off-shore investment market is believed to have double or tripled over the past few years. Notably, the private sector has triggered the development of a securities market, with note issuances up to 100 million dollars happening periodically throughout the year.

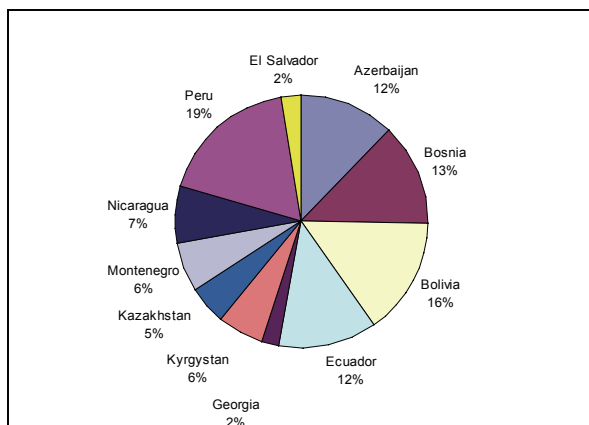
Foreign capital in microfinance has grown through a lifecycle from public grants to private investments; capital has flown from donor agencies, to pioneer semi-commercial funds to today balanced mutual funds. These new generation funds, such as the DUAL RETURN FUND, offer balanced portfolios and asset classes to their investors with additionally professional intermediation services, lower transactions costs, transparent risk assessments and competitive returns.

2. Sicav Investments Overview

The mission of the DUAL RETURN FUND – Vision Microfinance Subfund is to offer exposure to investors interested in microfinance. The company has a double bottom line strategy, on the one hand maximizing its risk return profile for the benefit of the investor, and on the other hand maximizing the social outreach in breadth and depth to micro, small and medium enterprises in emerging and least developed economies. The company fulfills such strategy by either offering direct debt to micro-credit organizations or by buying securities or investing in investment vehicles dedicated to offering direct debt to micro-credit organizations.

In order to reach such objective, the company has elaborate guidelines in terms of risk management and diversification, based on the risk assessment of each underlying asset. Typically, each standard microfinance risk investments can constitute up to five percent of the net assets of the company. Such standard operations – making direct loans to mature micro-credit programs in mature microfinance markets – constitutes the focus of the investment strategy in 2006.

Since 30 September 2006, the company has facilitated sixteen new investments for a total of EUR 11.0 million (nearly $\frac{2}{3}$ of the current loan portfolio). Target countries were Azerbaijan, Bolivia, Peru, Bosnia, El Salvador, Georgia and Montenegro. The loan portfolio is now geographically diversified across 11 countries located in Latin America, Eastern Europe and Central Asia.



The investments gross yield averages 8.65% (7.97% for the loans in EUR and 8.81% on the loans in USD) for an average outstanding maturity of 26.25 months. The weighted average portfolio risk is estimated at BBB+ (local credit risk excluding sovereign ceiling). To the exception of the two loans in Kazakhstan and El Salvador, which qualified as “low microfinance risk” and one “high microfinance risk” according to the investment guidelines, all investments qualify as “standard microfinance risk”.

The borrowers’ weighted average balance sheet is currently of about EUR 26 million. They are all commercial and profitable institutions, with non performing micro-credits of only 2.2% on average and return on equity of 19.2%. Despite for profit business models, they all are rooted in social development missions and strategies. They all focus solely on micro, small and medium enterprises, with average credits of EUR 1,264. The current investments have facilitated access to capital to 12,535 small enterprises and/or families, enhancing their growth opportunities and living standards.

The company will continue to grow its portfolio with such standard microfinance risk and return investments, diversifying fully the company’s initial capital. Similar transactions are currently under review in India for instance.

In a second phase, in the first half of 2007, while continuing this core strategy of standard investments, the company will start buying some microfinance securities or identifying adequate second tier vehicles, as well as opening the portfolio to new and least developed markets in Asia and Africa, along the lines of the investment strategy and guidelines.

The company projects a competitive double bottom line profile, yielding above risk free rates while providing the microfinance industry with adequate and innovative access to capital and sustainable growth.

Independent Auditor's Report

Annual Report as of 31 December 2006

Report of the Réviseur d'Entreprises

To the Shareholders of

DUAL RETURN FUND, SICAV

1B, Parc d'Activité Syrdall
L-5365 Munsbach

We have audited the accompanying financial statements of DUAL RETURN FUND, 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 the statement of changes in net assets for the period from 30 March 2006 to 31 December 2006, and 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 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 DUAL RETURN FUND, SICAV, as of 31 December 2006, and of the results of its operations and changes in its net assets for the period from 30 March 2006 to 31 December 2006 in accordance with Luxembourg legal and regulatory requirements relating to the preparation 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, 20 March 2007

KPMG Audit S.à r.l.
Réviseurs d'Entreprises

Walter Koob

DUAL RETURN FUND – Vision Microfinance

Annual Report as of 31 December 2006

Most important figures

Date	ISIN	31.12.2006
Net assets in EUR		22 016 091.33
Class CHF¹	LU0236783907	
Shares outstanding		450.0000
Net asset value per share in CHF		993.88
Class EUR¹	LU0236782842	
Shares outstanding		21 524.0000
Net asset value per share in EUR		1 004.64
Class USD¹	LU0236783659	
Shares outstanding		148.0000
Net asset value per share in USD		1 019.17

¹ First Net Asset Value (NAV) date: 25.4.2006

Structure of the Securities Portfolio

Geographical Breakdown as a % of net assets	
Germany	13.63
Total	13.63

Economic Breakdown as a % of net assets	
Banks & credit institutions	13.63
Total	13.63

Statement of Net Assets

	EUR
	31.12.2006
Assets	
Investments in securities, cost	2 999 712.97
Investments in securities, unrealized appreciation (depreciation)	672.03
Total investments in securities (Note 1)	3 000 385.00
Cash at banks, deposits on demand and deposit accounts	3 617 192.70
Interest receivable on securities	28 695.17
Interest receivable on Loans/Microcredits	184 640.65
Formation expenses, net (Note 1)	42 332.96
Loans/Microcredits	15 499 044.49
Unrealized gain (loss) on forward foreign exchange contracts (Note 1)	-76 444.63
Total Assets	22 295 846.34
Liabilities	
Bank overdraft	-184 974.23
Provisions for Investment Advisory fees (Note 2)	-15 391.39
Provisions for custodian bank fees (Note 2)	-1 232.10
Provisions for taxe d'abonnement (Note 3)	-2 752.03
Provisions for audit fees, legal and economic advice (Note 2)	-8 960.00
Provisions for other commissions and fees (Note 2)	-34 695.80
Provisions for formation expenses (Note 1)	-6 080.60
Provisions for distribution fees (Note 2)	-25 668.86
Total provisions	-94 780.78
Total Liabilities	-279 755.01
Net assets at the end of the period	22 016 091.33

Statement of Operations

	EUR
	25.4.2006–31.12.2006
Income	
Interest on liquid assets and bank overdraft	114 017.55
Interest on securities	53 350.59
Interest on Loans/Microcredits	266 943.18
Total income	434 311.32
Expenses	
Investment Advisory fees (Note 2)	-39 521.84
Custodian bank fees (Note 2)	-6 291.45
Distribution fees (Note 2)	-121 817.30
Taxe d'abonnement (Note 3)	-6 069.65
Audit fees, legal and economic advice (Note 2)	-16 800.00
Publications, printing costs and publicity (Note 2)	-9 214.58
Amortization of formation expenses (Note 1)	-7 667.04
Other commissions and fees (Note 2)	-79 861.86
Total expenses	-287 243.72
Net income on investments	147 067.60
Realized gain (loss) (Note 1)	
Realized gain (loss) on forward foreign exchange contracts	329 839.60
Total realized gain (loss) on investments	329 839.60
Realized gain (loss) on foreign exchange	4 807.34
Total realized gain (loss)	334 646.94
Net realized gain (loss) of the period	481 714.54
Changes in unrealized appreciation (depreciation) (Note 1)	
Unrealized appreciation (depreciation) on market-priced securities without options	672.03
Unrealized appreciation (depreciation) on forward foreign exchange contracts	-76 444.63
Unrealized appreciation (depreciation) on Loans/Microcredits	-346 268.06
Total changes in unrealized appreciation (depreciation)	-422 040.66
Net increase (decrease) in net assets as a result of operations	59 673.88

Statement of Changes in Net Assets

	EUR	
	25.4.2006–31.12.2006	
Net assets at the beginning of the period		0.00
Subscriptions	23 565 389.26	
Redemptions	-1 608 971.81	
Total net subscriptions (redemptions)		21 956 417.45
Net income on investments	147 067.60	
Total realized gain (loss)	334 646.94	
Total changes in unrealized appreciation (depreciation)	-422 040.66	
Net increase (decrease) in net assets as a result of operations		59 673.88
Net assets at the end of the period		22 016 091.33

Changes in the Number of Shares outstanding

	25.4.2006–31.12.2006	
Class		CHF
Number of shares outstanding at the beginning of the period		0.0000
Number of shares issued		450.0000
Number of shares redeemed		0.0000
Number of shares outstanding at the end of the period		450.0000
Class		EUR
Number of shares outstanding at the beginning of the period		0.0000
Number of shares issued	23 130.0000	
Number of shares redeemed	-1 606.0000	
Number of shares outstanding at the end of the period		21 524.0000
Class		USD
Number of shares outstanding at the beginning of the period		0.0000
Number of shares issued	148.0000	
Number of shares redeemed	0.0000	
Number of shares outstanding at the end of the period		148.0000

Statement of Investments in Securities and other Net Assets as of 31 December 2006

Description	Quantity/ Nominal	Valuation in EUR 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 listed on an official stock exchange

Medium term notes, floating rate

EUR				
EUR	HYPOTHEKENBANK IN ESSEN AG 6M EURIBOR 05-06.04.07	1 000 000.00	999 670.00	4.54
Total EUR			999 670.00	4.54
Total Medium term notes, floating rate			999 670.00	4.54

Bonds, floating rate

EUR				
EUR	BERLIN-HANNOVERSCHE HYPOTHEKENBANK AG 3M EURIBOR 00-01.07.10	1 000 000.00	1 000 680.00	4.55
EUR	WL-BANK WESTF LANDSCHAFT BODENKB 6M EURIBOR 04-01.09.08	1 000 000.00	1 000 035.00	4.54
Total EUR			2 000 715.00	9.09
Total Bonds, floating rate			2 000 715.00	9.09

Total Transferable securities and money market instruments listed on an official stock exchange			3 000 385.00	13.63
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Total investments in securities			3 000 385.00	13.63
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Loans/Microcredits

Loans/Microcredits

EUR				
EUR	PARTNER MIKROKREDITNA ORGANIZACIJA 7.50000% 06-12.10.09	1 000 000.00	1 000 000.00	4.54
EUR	SINERGIJPLUS MKO 8.50000% 06-22.05.08	600 000.00	600 000.00	2.73
EUR	VISION FUND AGROINVEST 8.00000% 06-08.12.08	1 000 000.00	1 000 000.00	4.54
EUR	SUNRISE MKO 8.25000% 06-15.12.08	500 000.00	500 000.00	2.27
Total EUR			3 100 000.00	14.08

USD				
USD	ASOCIACION MUJERES EN ACCION 12.00000% 06-15.12.07	200 000.00	151 670.27	0.69
USD	ASSOCIAC CONSULTORES DESARROLLO PEQUENA 9.00000% 06-09.11.07	500 000.00	379 175.67	1.72
USD	BAI-TUSHUM AND PARTNERS LLC 9.00000% 06-22.09.08	400 000.00	303 340.54	1.38
USD	BAI-TUSHUM FINANCIAL FUND MCA 9.00000% 06-15.08.08	400 000.00	303 340.54	1.38
USD	BANCO SOLIDARIO LOAN 7.75000% 06-23.10.09	1 500 000.00	1 137 527.02	5.17
USD	BANCO SOLIDARIO S.A. 8.50000% 06-17.11.09	1 500 000.00	1 137 527.02	5.17
USD	CAJA DE CREDITO METROPOLITANA 8.25000% 06-05.12.08	500 000.00	379 175.67	1.72
USD	CAJA MUNICIPAL AHORRO CREDITO TRUJILLO 8.50000% 06-21.12.08	2 000 000.00	1 516 702.69	6.91
USD	CARITAS DEL PERU 10.00000% 06-04.04.08	500 000.00	379 175.67	1.72
USD	COOP AHORRO CREDITO PAB MUN VEGA 8.75000% 06-01.11.08	500 000.00	379 175.67	1.72
USD	COOP AHORRO CREDITO RIOBAMBA LTDA 9.00000% 06-10.11.09	500 000.00	379 175.67	1.72
USD	CREDAGRO 9.00000% 06-15.02.08	500 000.00	379 175.67	1.72
USD	ECOFUTURO SA FONDO FINANCIERO PRIVAD 8.75000% 06-10.02.08	500 000.00	379 175.67	1.72
USD	EDPYME CONFIANZA SA 9.50000% 06-14.12.07	500 000.00	379 175.67	1.72
USD	FINCA AZERBAIJAN 8.50000% 06-15.08.08	500 000.00	379 175.68	1.72
USD	FONDO DE DESARROLLO LOCAL 9.50000% 06-27.09.08	1 000 000.00	758 351.34	3.44
USD	KAZAKHSTAN LOAN FUND 8.50000% 06-29.06.09	1 000 000.00	758 351.35	3.44
USD	KOMPANION FINANCIAL GROUP MCC LTD 9.25000% 06-27.09.07	350 000.00	265 422.97	1.21
USD	MICRO FINANCE BANK OF AZERBAIJAN 8.25000% 06-15.12.09	1 500 000.00	1 137 527.01	5.17
USD	PRO MUJER INC BOLIVIA 9.00000% 06-27.09.08	500 000.00	379 175.68	1.72
USD	UBS/ECOFUTURO SA FONDO FIN PRIV 8.75000% 06-21.06.07	500 000.00	379 175.67	1.72
USD	UBS/EDPYME PROEMPRESA 11.00000% 06-19.04.08	500 000.00	379 175.68	1.72
USD	VISION FUND CREDO FOUNDATION 9.50000% 06-05.12.07	500 000.00	379 175.67	1.72
Total USD			12 399 044.49	56.32

Total Loans/Microcredits			15 499 044.49	70.40
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Forward Foreign Exchange contracts

Forward Foreign Exchange contracts (Purchase/Sale)

EUR	11 260 415.88	USD	15 000 000.00	15.3.2007	-77 833.17	-0.35
EUR	758 667.78	USD	1 000 000.00	15.3.2007	2 726.62	0.01
USD	100 000.00	EUR	75 861.02	25.1.2007	-104.33	0.00
CHF	450 000.00	EUR	281 091.89	25.1.2007	-1 227.40	-0.01
USD	50 504.00	EUR	38 266.40	25.1.2007	-6.35	0.00
Total Forward Foreign Exchange contracts (Purchase/Sale)					-76 444.63	-0.35

Cash at banks, deposits on demand and deposit accounts and other liquid assets			3 617 192.70	16.43
Bank overdraft and other short-term liabilities			-184 974.23	-0.84
Other assets and liabilities			160 888.00	0.73
Total net assets			22 016 091.33	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 NAV in respect of each class of Shares of each Subfund shall be expressed in the currency in which the Shares of such class are denominated and shall be calculated as of any Valuation Day (as defined hereinafter) by dividing the net assets of each class of Shares and/or Subfund (being the value of the portion of assets less the portion of liabilities attributable to such class of Shares and/or Subfund on any such Valuation Day) by the total number of Shares in the relevant class of Shares and/or Subfund then outstanding. The NAV per Share may be rounded up or down to the nearest unit.

If, since the time of determination of the NAV on the relevant Valuation Day, there has been a material change in the valuations of the investments attributable to the relevant Subfund, the Company may, in order to safeguard the interests of the shareholders and of the Company, cancel the first valuation and carry out a second valuation. All subscription and redemption requests shall be treated on the basis of this second valuation.

The NAV is determined on the 25th of each month (or, if such day is not a Business Day as defined hereabove, on the following Business Day) (the "Valuation Day"), on the basis of the value of the underlying investments of the Company:

b) Valuation principles

– Debt instruments not listed or dealt in on any stock exchange or any other Regulated Market that operates regularly, is recognized and open to the public will be valued at the nominal value plus accrued interest. Such value will be adjusted, if appropriate, to reflect e.g. major fluctuations in interest rates in the relevant markets or the appraisal of the Investment Adviser on the creditworthiness of the relevant debt instrument. The Board of Directors will use its best endeavours to continually assess this method of valuation and recommend changes, where necessary, to ensure that debt instruments will be valued at their fair value as determined in good faith by the Board of Directors. If the Board of Directors believes that a deviation from this method of valuation may result in material dilution or other unfair results to shareholders, the Board of Directors will take such corrective action, if any, as it deems appropriate to eliminate or reduce, to the extent reasonably practicable, the dilution or unfair results.

- The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Board of Directors may consider appropriate in such case to reflect the true value thereof.
- The value of assets which are listed or dealt in on any stock exchange is based on the last available price on the stock exchange which is normally the principal market for such assets.
- The value of assets dealt in on any other Regulated Market is based on the last available price.
- The value of units or shares in undertakings for collective investment is based on their last-stated net asset value. Other valuation methods may be used to adjust the price of these units or shares if, in the opinion of the Company, there have been changes in the value since the net asset value has been calculated.
- For the purpose of determining the value of the Company's assets, the Central Administrative Agent, having due regards to the standard of care and due diligence in this respect, may, when calculating the NAV, completely and exclusively rely, unless there is manifest error or negligence on its part, upon the valuations provided (i) by various pricing sources available on the market such as pricing agencies (i.e. Bloomberg, Reuters etc.) or fund administrators, (ii) by brokers, or (iii) by (a) specialist duly authorized to that effect by the Board of Directors. Finally, (iv) in the cases no prices are found or when the valuation may not correctly be assessed, the Central Administrative Agent may rely upon the valuation of the Board of Directors.
In circumstances where (i) one or more pricing sources fail(s) to provide valuations to the Central Administrative Agent, which could have a significant impact on the NAV, or where (ii) the value of any asset(s) may not be determined as rapidly and accurately as required, the Central Administrative Agent is authorized to postpone the NAV calculation and as a result may be unable to determine subscription and redemption prices. The Board of Directors shall be informed immediately by the Central Administrative Agent should the situation arise. The Board of Directors may then decide to suspend the calculation of the NAV in accordance with the procedures described under the heading "Temporary Suspension of the Calculation" below.

In the event that, assets are not listed or for any assets, the price as determined is not representative of the fair market value of the relevant assets, the value of such assets will be based on the reasonably foreseeable sales price determined prudently and in good faith

The Board of Directors, in its discretion, may permit some other method of valuation to be used, if it considers that such valuation better reflects the fair value of any asset of the Company.

The NAV and the issue and redemption prices for the Shares of each class of Shares of each Subfund may be obtained during business hours at the registered office of the Company.

c) Valuation of forward foreign exchange contracts

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

d) Valuation of financial futures contracts

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

e) Net realized gains (losses) 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.

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 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 on the day of acquisition.

g) Exchange rates

The following exchange rates were used for the conversion of foreign currencies as of 31 December 2006:

Exchange rates		
EUR 1 =	CHF	1.609676
EUR 1 =	USD	1.318650

h) 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.

i) Securities without fixed maturity date

Securities descriptions ending with "XX" in the "Statement of Investments in Securities and other Net Assets" indicate that these securities have no fixed maturity date.

j) Formation expenses

The costs and expenses incurred in connection with the creation of a new Subfund shall be written off over a period not exceeding five years.

Note 2 – Charges and Expenses

As more fully described hereinafter, the Company will pay out of the assets of the relevant Subfund all expenses payable by the Company which shall include but not be limited to the fees payable to the Investment Adviser including performance fees, if any, fees and expenses payable to the Custodian and its correspondents, the Paying Agent, Listing Agent, Domiciliary and Corporate Agent, and Central Administrative Agent, the Registrar and Transfer Agent, the listing agent, the distributor(s), any permanent representatives in places of registration as well as any other agent employed by the Company, the remuneration of the Directors and their reasonable out-of-pocket expenses, and reasonable travelling costs in connection with board meetings, any fees and expenses involved in registering and maintaining the registration of the Company with any governmental agencies or stock exchanges in the Grand Duchy of Luxembourg and in any other country, fees and expenses for legal, accounting and auditing services, reporting and publishing expenses, including the costs of preparing, printing, advertising and distributing prospectuses, ex-

planatory memoranda, reasonable fees and expenses for marketing and distribution, periodic reports or registration statements and the costs of any reports to the shareholders of the Company, expenses incurred in determining the Company's NAV, the cost of convening and holding shareholders' and board of directors' meetings, all taxes, duties, governmental and similar charges, and all other operating expenses, including all costs of buying or selling assets, reasonable travelling costs in connection with the selection of MFIs and of allocations to such MFIs, the cost of publishing the issue and redemption prices, if applicable, interest, bank charges, currency conversion costs and brokerage, postage, telephone and telex.

The Company may calculate administrative and other expenses of a regular or recurring nature on an estimated figure rateably for yearly or other periods in advance, and may accrue the same in equal proportions over any such period.

a) Formation and Launching Expenses of Additional Subfunds

The costs and expenses incurred in connection with the creation of a new Subfund shall be written off over a period not exceeding five years against the assets of such Subfund only and in such amounts each year as determined by the Board of Directors on an equitable basis. The newly created Subfund shall not bear a pro-rata of the costs and expenses incurred in connection with the formation of the Company and the initial issue of Shares, which have not already been written off at the time of the creation of the new Subfund.

b) Fees of the Investment Adviser

The Investment Adviser is entitled to receive fees which will depend on assets under management and will amount to 1.25% of the NAV of the relevant Subfund. In case, an Investment Manager has been appointed, the Investment Manager will pay the Investment Adviser out of his fees. For the time being, no Investment Manager had been appointed.

c) Fees of the Custodian, Paying Agent, Listing Agent, Domiciliary and Corporate Agent, and Central Administrative Agent

The Custodian and Paying Agent, (UBS (Luxembourg S.A.), Domiciliary and Corporate Agent (Axxion S.A.), and Central Administrative and Listing Agent (UBS Fund Services (Luxembourg) S.A.) are entitled to receive out of the assets of each Subfund fees calculated in accordance with customary banking practice in Luxembourg as a percentage per annum of the average monthly NAV thereof during the relevant quarter

and payable quarterly in arrears. In addition, the Custodian, Paying Agent, Listing Agent, Domiciliary and Corporate Agent, and Administrative Agent are entitled to be reimbursed by the Company for its reasonable out-of-pocket expenses and disbursements and for the charges of any correspondents.

The Domiciliary and Corporate Agent is entitled to receive out of the assets of each Subfund a fee calculated as a percentage per annum and up to a maximum of 0.425% of the NAV of the relevant Subfund.

d) Fees of the Registrar and Transfer Agent

The Registrar and Transfer Agent (UBS Fund Services (Luxembourg) S.A.) is entitled to receive out of the assets of each Subfund a fee calculated as a percentage per annum of the average monthly NAV thereof during the relevant quarter and payable quarterly in arrears. In addition, the Registrar and Transfer Agent are entitled to be reimbursed by the Company for its reasonable out-of-pocket expenses.

e) Fees of the Distributor

The Distributor is entitled to receive out of the assets of each Subfund a shareholder servicing fee calculated as a percentage per annum and up to a maximum of 1.25% of the NAV of the relevant Subfund.

Note 3 – Taxe d'abonnement

The Company is not liable to any Luxembourg tax on profits or income, nor are distributions paid by the Company liable to any Luxembourg withholding tax. The Company is, however, liable in Luxembourg to a tax of 0.05% per annum of its NAV, such tax being payable quarterly on the basis of the value of the aggregate net assets of the Company at the end of the relevant calendar quarter. No stamp duty or other tax is payable in Luxembourg on the issue of Shares. No Luxembourg tax is payable on the realised capital appreciation of the assets of the Company.

Note 4 – Securities Lending

The company may also lend portions of its securities portfolio to third parties. In general, lendings may only be effected via recognized clearing houses such as Clearstream International or Euroclear, or through the intermediary of prime financial institutions that specialise 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 securities portfolio of the corresponding Subfund, it may only be effected on condition that termination of the loan contract is possible immediately.

There were no securities lent out in DUAL RETURN FUND as of 31 December 2006.

Note 5 – Distribution

The primary investment objective of the Company is to achieve long-term growth. The Company's operating plan in general does not contemplate payment of dividends to shareholders. The Board of Directors may however decide to declare payment of dividends on its own discretion within the limits of the Luxembourg law on commercial companies.

Note 6 – Applicable law, place of performance and authoritative language

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

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

