

Strategy Fund

Thematic investing: PaineWebber Strategy Fund invests in stocks on the *Highlighted Stocks* list compiled by PaineWebber's Investment Strategy Group. The Group attempts to identify emerging economic, social and political trends—and the companies expected to benefit from them—before they are widely recognized.

A Stock-picker's stock-picker: Ed Kerschner, one of Wall Street's most well-respected strategists and most highly regarded stock-pickers, maintains the *Highlighted Stocks* list of securities believed most likely to benefit from the identified investment themes.

Exclusivity: PaineWebber Strategy Fund is the only way investors can purchase, in one mutual fund, all the securities on the PaineWebber *Highlighted Stocks* list, subject to investment minimums.

Professional Management

Edward M. Kerschner,
Investment Consultant



- Chief Investment Strategist of PaineWebber Incorporated and Chairman of the Investment Policy Committee, providing investment strategy advice to PaineWebber clients.
- More than 20 years' experience in the securities industry; Mr. Kerschner joined PaineWebber in 1982.
- Among the most well-respected investment strategists on Wall Street:
 - Consistently recognized by *Institutional Investor* with positions on its All-America Research Team for both portfolio strategy and quantitative analysis.
 - Frequently featured as a capital markets expert in the *The Wall Street Journal*, *The New York Times*, *Barron's*, *Money*, *Smart Money* and other publications.
- Developed the PaineWebber *Highlighted Stocks* list in the mid-1980s.

T. Kirkham Barneby,
Portfolio Manager



- Mitchell Hutchins' Chief Investment Officer, Quantitative Investments.
- Portfolio Manager of PaineWebber Tactical Allocation Fund.
- Manages more than \$3.7 billion in assets.
- Responsible for asset allocation decisions for numerous PaineWebber mutual fund and investment portfolios and management of several indexed portfolios.
- Performs the day-to-day management of PaineWebber Strategy Fund, carrying out the trading, cash flow and rebalancing activities necessary to keep the Fund's portfolio in line with the composition of the PaineWebber *Highlighted Stocks* list.

Spotting emerging trends—and the companies expected to benefit from them—has proven critical to successful investing.

Goal

The Fund seeks long-term capital appreciation by investing in stocks on the PaineWebber *Highlighted Stocks* list.

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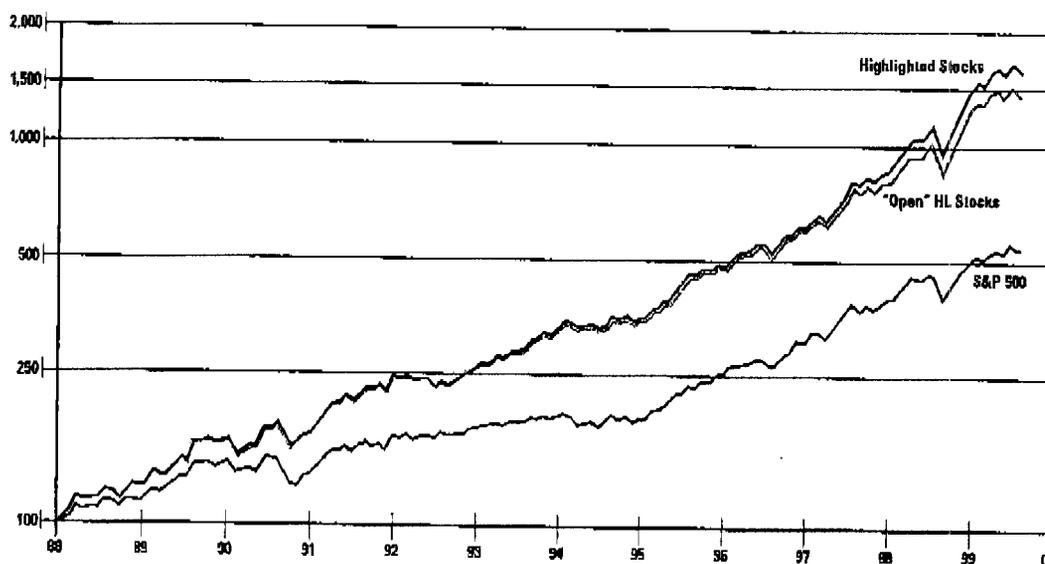
PaineWebber Equity Research Department

- Among the most well-respected research organizations on Wall Street. The Department as a whole and numerous individual equity research analysts have consistently been cited in *Institutional Investor's* annual All-America Research Team surveys.¹
- *The Wall Street Journal* named 15 PaineWebber analysts in its most recent All-Star Analysts Survey (June 1999).
- More than 50 analysts covering over 800 stocks from more than 50 industries.

PaineWebber Highlighted Stocks List

- Combines expertise of Edward Kerschner and PaineWebber's Equity Research Department.
- Drawn from a group of stocks rated "Buy" or "Attractive" by PaineWebber's Equity Research analysts.
- Mr. Kerschner composes the *Highlighted Stocks* list by selecting approximately 25 companies believed most likely to benefit from identified investment themes.

PaineWebber Highlighted Stocks Historical Price Returns (1/1/88-8/31/99)²



	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998 ³	1999 ⁴	Average ⁵
Highlighted Stocks	+23.6%	+32.0%	+5.4%	+41.6%	+5.9%	+28.3%	+5.5%	+35.8%	+27.2%	+42.4%	+61.0%	+11.4%	+26.4%
"Open" HL Stocks ⁴	+23.8%	+31.3%	+5.1%	+41.6%	+6.1%	+26.4%	+5.2%	+35.1%	+25.6%	+37.8%	+54.3%	+8.2%	+24.8%
S&P 500	+12.4%	+27.3%	-6.6%	+26.3%	+4.5%	+7.1%	-1.5%	+34.1%	+20.3%	+31.0%	+26.7%	+7.4%	+15.5%

PaineWebber Highlighted Stocks list (as of October 1, 1999)⁵

America Online	Delta Airlines	MCI WorldCom	Sun Microsystems
American Express	Disney	Medtronic	Time Warner
Bank of New York	Gap	Microsoft	Wal-Mart
Bed Bath & Beyond	Gateway	Motorola	Warner-Lambert
Carnival Corp.	Home Depot	Nextel	Xerox
Chase Manhattan	Illinois Tool Works	Pfizer	
Clear Channel Communications	IBM	Schering-Plough	
Costco	Lucent Technologies	Smurfit-Stone Container	

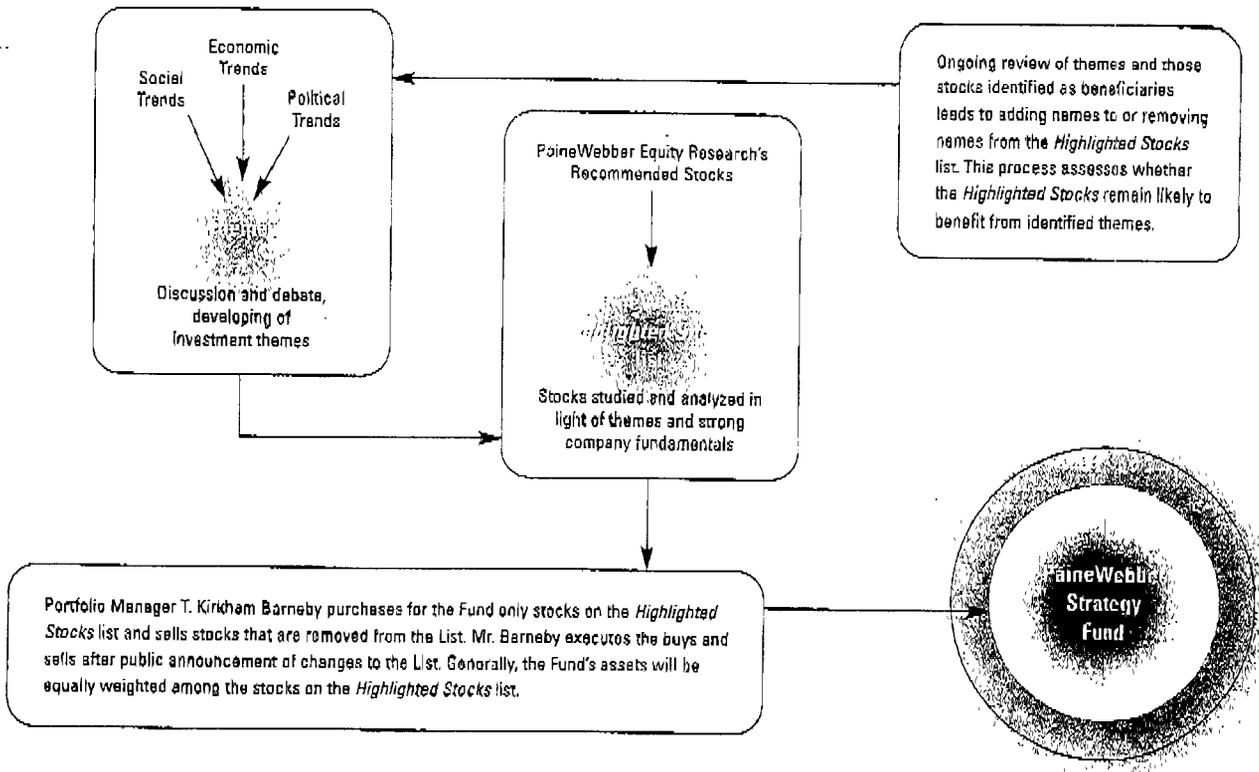
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Investment Process



Edward M. Kerschner Investment Consultant

- Identifies investment themes
- Leverages PaineWebber Equity Research
- Publishes the *Highlighted Stocks* list
- Determines additions/deletions to the list

T. Kirkham Barneby Portfolio Manager

- Employs quantitative discipline
- Uses active trade management
- Makes additions/deletions after public announcement of changes to the List
- Rebalances portfolio to maintain equal weighting

Current Investment Themes⁵

- The New Millennium American (September 1998)
- Muted Cycle Cyclical (April 1999)
- Information Revolution Wars (May 1999)

¹ Institutional Investor bases this ranking on the opinions of directors of research, chief investment officers, portfolio managers and analysts of major money management institutions.

² As of August 31, 1999. The price returns are based only on capital appreciation or depreciation of the stocks included in the *Highlighted Stocks* list, excluding dividends and transaction fees, such as commissions, fees and interest charges, or the costs of running a mutual fund, such as management fees, distribution fees and other expenses. Actual transactions and the effect of dividends, fees and costs will result in returns that differ from those of the *Highlighted Stocks* list.

The results for the *Highlighted Stocks* list portfolio represent an equal-weighted arithmetic average of the stocks held at any point during the month, and are calculated monthly based on each stock's capital appreciation or depreciation during the period that it is on the List. That number is then divided by the highest number of stocks on the List at any point during the month.

The close-price returns are calculated using the prices of the stocks at the close of the stock market the day before changes to the *Highlighted Stocks* list are announced or, if changes are announced after the market close, that day's closing price. The open-price returns are calculated using the prices of the stocks at the open on the day such changes are announced. Because the *Highlighted Stocks* list is a paper portfolio, its price returns do not:

- Reflect the execution of actual purchases or sales. There is no guarantee that a mutual fund following the *Highlighted Stocks* list would be able to execute purchases and sales at the prices used to calculate the price returns of the List.
- Reflect the market impact on the prices of stocks on the List that may be incurred between the time announcements of additions and deletions to the *Highlighted Stocks* list are made and the time a mutual fund following the *Highlighted Stocks* list would be able to execute purchases and sales.
- Reflect any "re-balancing" of actual investments when stocks are added to or deleted from the *Highlighted Stocks* list.

The S&P 500 Index is an unmanaged weighted index and not available for direct investment.

³ Compound annual rate.

⁴ "Open" price returns are calculated using the prices at the open of the stock market after changes to the List are announced.

⁵ As of October 1, 1999. Investment themes and the stocks on the *Highlighted Stocks* list are subject to change. The Fund's portfolio changes as names on the List change.

Quick Reference Guide: PaineWebber Strategy Fund

Portfolio Manager	T. Kirkham Barneby, Mitchell Hutchins Asset Management Inc.
Investment Consultant	Edward M. Kerschner, PaineWebber's Chief Investment Strategist
Goal	The Fund seeks long-term capital appreciation by investing in stocks on the PaineWebber <i>Highlighted Stocks</i> list.
Minimum Investment	<ul style="list-style-type: none"> • \$1,000; \$100 for additional investments. • Minimum investment may be waived or reduced for IRAs.
Dividends	Annually, if any.

	Class A	Class B	Class C	Class Y
Billing Symbols	MFPWKA	MFPWKB	MFPWKC	MFPWKY
Offering Price	\$10.00 + Sales Charge	\$10.00	\$10.00	\$10.00
Pricing/Up Front	4.5%*	None	None	None
GDSC	None	5%, 4%, 3%, 2%, 2% and 1% for six years	1.0% (For 1 Year)	None
Trailers	25 bps annually, paid monthly, starting immediately	25 bps annually, paid monthly, starting immediately	100 bps annually, paid monthly, beginning in month 13	None (\$10 million or qualified plans & PACE Multi-Advisor only)

*For the initial subscription period ending on or about November 29, 1999, Mitchell Hutchins will reallocate the full amount of the sales charge to selected dealers. Available in PaineWebber InsightOne™.

Investor Concerns

The Fund may be appropriate for investors seeking long-term capital appreciation who wish to diversify a portion of their assets into equity securities and who are willing to withstand short-term fluctuations in the equity markets in return for potentially higher returns over the long term. Investors should be aware that the value of the Fund's portfolio changes daily and can be affected by changes in interest rates, general economic conditions, general market conditions and other political, social and economic developments as well as specific matters relating to the companies in whose securities the Fund invests. The Fund's value may be more volatile than a diversified stock mutual fund because its portfolio is composed of the stocks on the PaineWebber *Highlighted Stocks* list and is not as broadly diversified as an equity mutual fund that invests across a wider spectrum of securities, industries or market sectors. An investment in the Fund is only one component of a balanced investment plan, and should not be considered to be a sufficiently diversified investment program by itself. The Fund is newly organized and has no operating history. No assurance can be given that the Fund will achieve its investment objective.

Sales/Marketing Support

- On InfoNet, go to Products & Services, select Mitchell Hutchins Asset Management and see What's New and Product Information.
- Call the MH Regional Sales Liaison Desk at 800/936-7295.
- Call your Regional Sales Director.

Marketing Materials

- PaineWebber Strategy Fund brochure with bound prospectus (#S714)
- Client-approved fact sheet (#S713); cover letter on InfoNet
- Financial Advisor and client-approved video
- Seminar presentation and invitation (#S723)
- Advertising and media

Mutual funds are sold by prospectus, which includes additional information on risks, charges and expenses. Clients should read it carefully before investing.