SECURITIES AND EXCHANGE COMMISSION

FORM 485APOS

Post-effective amendments [Rule 485(a)]

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FILER

PAINEWEBBER AMERICA FUND /NY/

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As filed with the Securities and Exchange Commission on May 10, 1995
1933 Act Registration No. 2-78626
1940 Act Registration No. 811-3502

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933	[X]
Pre-Effective Amendment No.	[ ]
Post-Effective Amendment No. 34	[X]
REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940	[X]

Amendment No. 32
(Check appropriate box or boxes.)

PAINEWEBBER AMERICA FUND
(Exact name of registrant as specified in charter)
1285 Avenue of the Americas
New York, New York 10019
(Address of principal executive offices)
Registrant's telephone number, including area code: (212) 713-2000

GREGORY K. TODD, Esq.
Mitchell Hutchins Asset Management Inc.
1285 Avenue of the Americas
New York, New York 10019
(Name and address of agent for service)

Copies to:
ROBERT A. WITTIE, Esq.
DANIEL E. BURTON, Esq.
Kirkpatrick & Lockhart
South Lobby - 9th Floor
1800 M Street, N.W.
Washington, D.C. 20036-5891
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It is proposed that this filing will become effective:

____	Immediately upon filing pursuant to Rule 485(b)
____	On _________________ pursuant to Rule 485(b)
_X__	60 days after filing pursuant to Rule 485(a)(i)
____	On _________________ pursuant to Rule 485(a)(i)
____	75 days after filing pursuant to Rule 485(a)(ii)
____	On _________________ pursuant to Rule 485(a)(ii)

Registrant has filed a declaration pursuant to Rule 24f-2 under the Investment Company Act of 1940 and filed the notice required by such Rule for its most recent fiscal year on October 28, 1994.

PaineWebber America Fund

Contents of Registration Statement

This registration statement consists of the following papers and documents:

. Cover Sheet

. Contents of Registration Statement

. Cross Reference Sheets

. PaineWebber Growth and Income Fund - Class A, B and D Shares

Part A - Prospectus

Part B - Statement of Additional Information

. PaineWebber Growth and Income Fund - Class C Shares

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Part A - Prospectus

Part B - Statement of Additional Information

. Part C - Other Information

. Signature Page

. Exhibits

PaineWebber Growth and Income Fund
Class A, B and D Shares
Form N-1A Cross Reference Sheet

	Part A Item No. and Caption	Prospectus Caption
1.	Cover Page.............	Cover Page
2.	Synopsis................	Prospectus Summary
3.	Condensed Financial Information............	Financial Highlights; Performance Information
4.	General Description of Registrant.............	Prospectus Summary; Investment Objective and Policies; General Information
5.	Management of the Fund..	Management; General Information
6.	Capital Stock and Other Securities........	Cover Page; Conversion of Class B Shares; Dividends and Taxes; General Information
7.	Purchase of Securities Being Offered..........	Purchases; Exchanges; Valuation of Shares; Other Services and Information; Management
8.	Redemption or Repurchase.............	Redemptions; Other Services and Information
9.	Pending Legal Proceedings............	Not Applicable

	Part B Item No. and Caption	Statement of Additional Information Caption
10.	Cover page.............	Cover Page
11.	Table of Contents.......	Table of Contents
12.	General Information and History............	Other Information
13.	Investment Objective and Policies................	Investment Policies and and Restrictions; Hedging Strategies; Portfolio Transactions
14.	Management of the Fund..	Trustees and Officers
15.	Control Persons and Principal Holders of Securities.............	Trustees and Officers
16.	Investment Advisory and Other Services..........	Investment Advisory and Distribution Arrangements; Other Information
17.	Brokerage Allocation....	Portfolio Transactions
18.	Capital Stock and Other Securities.............	Conversion of Class B Shares; Other Information
19.	Purchase, Redemption and Pricing of Securities Being Offered......	Reduced Sales Charges, Additional Exchange and Redemption Information and Other Services; Valuation of Shares
20.	Tax Status.............	Taxes

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21. Underwriters...........	Investment Advisory and Distribution Arrangements
22. Calculation of Performance Data....................	Performance Information
23. Financial Statements....	Financial Statements

PaineWebber Growth and Income Fund

Class C Shares

Form N-lA Cross Reference Sheet

Part A Item No. and Caption	Prospectus Caption
1. Cover Page.............	Cover Page
2. Synopsis................	Fund Expenses
3. Condensed Financial Information............	Financial Highlights; Performance Information
4. General Description of Registrant.............	Investment Objectives and Policies; General Information
5. Management of the Fund..	Management; General Information
6. Capital Stock and Other Securities........	Cover Page; Dividends and Taxes; General Information
7. Purchase of Securities Being Offered..........	Purchases and Redemptions; Valuation of Shares; Management
8. Redemption or Repurchase..............	Purchases and Redemptions
9. Pending Legal Proceedings............	Not Applicable

Part B Item No. and Caption	Statement of Additional Information Caption
10. Cover page.............	Cover Page
11. Table of Contents.......	Table of Contents
12. General Information and History............	Other Information
13. Investment Objective and Policies................	Investment Policies and and Restrictions; Hedging Strategies; Portfolio Transactions
14. Management of the Fund..	Trustees and Officers
15. Control Persons and Principal Holders of Securities.............	Trustees and Officers
16. Investment Advisory and Other Services..........	Investment Advisory and Distribution Arrangements; Other Information
17. Brokerage Allocation....	Portfolio Transactions
18. Capital Stock and Other Securities.............	Other Information
19. Purchase, Redemption and Pricing of Securi-ties Being Offered......	Valuation of Shares
20. Tax Status.............	Taxes

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21.	Underwriters...........	Investment Advisory and Distribution Arrangements
22.	Calculation of Performance Data...................	Performance Information
23.	Financial Statements....	Financial Statements

Part C

Information required to be included in Part C is set forth under the appropriate item, so numbered, in Part C of this Registration Statement.

PaineWebber Growth and Income Fund
1285 Avenue of the Americas, New York, New York 10019
Prospectus -- May , 1995

The Fund is a series of PaineWebber America Fund ("Trust"). This Prospectus concisely sets forth information about the Fund a prospective investor should know before investing. Please retain this Prospectus for future reference. A Statement of Additional Information dated May , 1995 (which is incorporated by reference herein) has been filed with the Securities and Exchange Commission. The Statement of Additional Information can be obtained without charge, and further inquiries can be made, by contacting the Fund, your PaineWebber investment executive or PaineWebber's correspondent firms or by calling toll-free 1-800-647-1568.

. Professional Management

. Portfolio Diversification

. Dividend and Capital Gain Reinvestment

. Flexible Pricingsm

. Low Minimum Investment

. Automatic Investment Plan

. Systematic Withdrawal Plan

. Exchange Privileges

. Suitable For Retirement Plans

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS ANY SUCH COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PROSPECTIVE WISCONSIN INVESTORS SHOULD NOTE THAT THE FUND MAY INVEST UP TO 10% OF ITS NET ASSETS IN RESTRICTED SECURITIES (OTHER THAN RULE 144A SECURITIES DETERMINED TO BE LIQUID BY THE TRUST'S BOARD OF TRUSTEES). INVESTMENT IN RESTRICTED SECURITIES (OTHER THAN SUCH RULE 144A SECURITIES) IN EXCESS OF 5% OF THE FUND'S TOTAL ASSETS MAY BE CONSIDERED A SPECULATIVE ACTIVITY AND MAY RESULT IN GREATER RISK AND INCREASED FUND EXPENSES.

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PAINEWEBBER GROWTH AND INCOME FUND

Prospectus Summary

See the body of the Prospectus for more information on the topics discussed in this summary.

The Fund:	PaineWebber Growth and Income Fund ("Fund") is a diversified series of an open-end management investment company.
Investment Objective and Policies:	To provide current income and capital growth; invests primarily in dividend-paying equity securities believed by Mitchell Hutchins to have the potential for rapid earnings growth; stocks are selected through a disciplined methodology that utilizes quantitative measures of value, earnings and price momentum, as well as fundamental analysis.
Total Net Assets:	$464.9 million at March 31, 1995.
Investment Adviser and Administrator:	Mitchell Hutchins Asset Management Inc. ("Mitchell Hutchins"), an asset management subsidiary of PaineWebber Incorporated ("PaineWebber" or "PW"), manages approximately $41.7 billion in assets. See "Management."
Purchases:	Shares of beneficial interest are available exclusively through PaineWebber and its correspondent firms for investors who are clients of PaineWebber or those firms ("PaineWebber clients") and, for other investors, through PFPC Inc., the Fund's transfer agent ("Transfer Agent").
Flexible Pricing System:	Investors may select Class A, Class B or Class D shares, each with a public offering price that reflects different sales charges and expense levels. See "Flexible Pricing System," "Purchases," "Redemptions" and "Conversion of Class B Shares."
Class A Shares	Offered at net asset value plus any applicable sales charge (maximum is 4.5% of public offering price).
Class B Shares	Offered at net asset value (a maximum contingent deferred sales charge of 5% of redemption proceeds is imposed on certain redemptions made within six years of date of purchase). Class B shares automatically convert into Class A shares (which pay lower ongoing expenses) approximately six years after purchase.
Class D Shares	Offered at net asset value without an initial or contingent deferred sales charge. Class D shares pay higher ongoing expenses than Class A shares and do not convert into another Class.
Exchanges:	Shares may be exchanged for shares of the corresponding Class of most PaineWebber and Mitchell Hutchins/Kidder, Peabody ("MH/KP") mutual funds.
Redemptions:	PaineWebber clients may redeem through PaineWebber; other shareholders must redeem through the Transfer Agent.

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Dividends:	Declared and paid semi-annually; net capital gain is distributed annually. See "Dividends and Taxes."
Reinvestment:	All dividends and capital gain distributions are paid in Fund shares of the same Class at net asset value unless the shareholder has requested cash.
Minimum Purchase:	$1,000 for the first purchase; $100 for subsequent purchases.

Other Features:

Class A Shares	Automatic investment plan Systematic withdrawal plan Rights of accumulation	Quantity discounts on initial sales charge 365-day reinstatement privilege
Class B Shares	Automatic investment plan	Systematic withdrawal plan
Class D Shares	Automatic investment plan	Systematic withdrawal plan

WHO SHOULD INVEST. The Fund is designed for investors seeking current income and capital growth. The Fund invests primarily in dividend-paying equity securities believed by Mitchell Hutchins to have the potential for rapid earnings growth; stocks are selected through a disciplined methodology that utilizes quantitative measures of value, earnings and price momentum, as well as fundamental analysis. While the Fund is not intended to provide a complete or balanced investment program, it can serve as one component of an investor's long-term program to accumulate assets for retirement, college tuition or other major goals.

RISK FACTORS. There can be no assurance that the Fund will achieve its investment objective, and the Fund's net asset value will fluctuate based upon changes in the value of its portfolio securities. Certain investment grade debt securities in which the Fund may invest have speculative characteristics. The Fund's ability to invest in U.S. dollar-denominated foreign securities and in convertible securities that are rated below investment grade, and its use of options and futures contracts involve special risks.

EXPENSES OF INVESTING IN THE FUND. The following tables are intended to assist investors in understanding the expenses associated with investing in the Fund.

<TABLE>
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<S>	CLASS A <C>	CLASS B <C>	CLASS D <C>
Shareholder Transaction Expenses(1)			
Maximum sales charge on purchases of shares (as a percentage of public offering price)	4.5%	None	None
Sales charge on reinvested dividends	None	None	None
Exchange fee	$5.00	$5.00	$5.00
Maximum contingent deferred sales charge (as a percentage of redemption proceeds)	None	5%	None

Annual Fund Operating Expenses(2)

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(as a percentage of average net assets)			
Management fees	0.70%	0.70%	0.70%
12b-1 fees(3)	0.23	1.00	1.00
Other expenses	0.27	0.27	0.24
Total operating expenses	1.20%	1.97%	1.94%

Example of Effect of Fund Expenses

An investor would directly or indirectly pay the following expenses on a $1,000 investment in the Fund, assuming a 5% annual return:

	ONE YEAR	THREE YEARS	FIVE YEARS	TEN YEARS
Class A Shares(4)	$57	$81	$108	$184
Class B Shares:				
Assuming a complete redemption at end of period(5)(6)	$70	$92	$126	$191
Assuming no redemption(6)	$20	$62	$106	$191
Class D Shares	$20	$61	$105	$226

This Example assumes that all dividends and other distributions are reinvested and that the percentage amounts listed under Annual Fund Operating Expenses remain the same in the years shown. The above tables and the assumption in the Example of a 5% annual return are required by regulations of the Securities and Exchange Commission ("SEC") applicable to all mutual funds; the assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of any Class of the Fund's shares.

THE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES, AND THE FUND'S ACTUAL EXPENSES MAY BE MORE OR LESS THAN THOSE SHOWN. The actual expenses attributable to each Class of the Fund's shares will depend upon, among other things, the level of average net assets and the extent to which the Fund incurs variable expenses, such as transfer agency costs.

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(1) Sales charge waivers are available for Class A and Class B shares, reduced sales charge purchase plans are available for Class A shares and exchange fee waivers are available for all three Classes. The maximum 5% contingent deferred sales charge on Class B shares applies to redemptions during the first year after purchase; the charge generally declines by 1% annually thereafter, reaching zero after six years. See "Purchases."

(2) See "Management" for additional information. All expenses are those actually incurred for the fiscal year ended August 31, 1994.

(3) 12b-1 fees have two components, as follows:

	CLASS A	CLASS B	CLASS D
12b-1 service fees	0.23%	0.25%	0.25%
12b-1 distribution fees	0.00	0.75	0.75

12b-1 distribution fees are asset-based sales charges. Long-term Class B and Class D shareholders may pay more in direct and indirect sales charges (including distribution fees) than the economic equivalent of the maximum front-end sales charge permitted by the National Association of Securities Dealers, Inc. The 12b-1 service fees for Class A shares reflect a blended annual rate of the Fund's average daily net assets of 0.25% and 0.15% representing shares sold on or after December 2, 1988 and shares sold prior to that date, respectively.

(4) Assumes deduction at the time of purchase of the maximum 4.5% initial sales

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charge.

(5) Assumes deduction at the time of redemption of the maximum applicable contingent deferred sales charge.

(6) Ten-year figures assume conversion of Class B shares to Class A shares at end of sixth year.

PAINEWEBBER GROWTH AND INCOME FUND

Financial Highlights

The tables below provide selected per share data and ratios for one Class A share, one Class B share and one Class D share of the Fund for each of the periods shown. This information is supplemented by the financial statements and accompanying notes appearing in the Fund's Annual Report to Shareholders for the fiscal year ended August 31, 1994, which are incorporated by reference into the Statement of Additional Information. The financial statements and notes, as well as the information in the tables appearing below insofar as it relates to the five years in the period ended August 31, 1994, have been audited by Ernst & Young LLP, independent auditors, whose report thereon is included in the Annual Report to Shareholders. Further information about the performance of the Fund is also included in the Annual Report to Shareholders, which may be obtained without charge. The information appearing below for periods prior to the year ended August 31, 1990 also has been audited by Ernst & Young LLP, whose reports thereon were unqualified. The financial statements and notes and the financial information in the table below insofar as they relate to the six months ended February 28, 1995 have been taken from the records of the Fund without examination by the Fund's independent auditors, who do not express an opinion thereon.

<TABLE>
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	CLASS A										
	FOR THE SIX MONTHS ENDED FEBRUARY 28, 1995	FOR THE YEARS ENDED AUGUST 31,									
	(UNAUDITED)	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period..........	$ 20.43	$ 20.86	$ 20.48	$ 19.26	$ 15.87	$ 16.50	$ 13.32	$ 18.06	$ 17.41	$ 14.18	$ 12.93
Income (loss) from investment operations:											
Net investment income..........	0.10	0.28	0.28	0.24	0.19	0.51	0.49	0.60	0.68	0.85	0.96
Net realized and unrealized gains (losses) from investment transactions....	(0.05)	(0.41)	0.37	1.25	3.50	(0.61)	3.17	(2.36)	1.79	3.36	1.27
Total income (loss) from investment operations.......	0.05	(0.13)	0.65	1.49	3.69	(0.10)	3.66	(1.76)	2.47	4.21	2.23
Less dividends and distributions:											
Dividends from net investment income..........	(0.12)	(0.27)	(0.27)	(0.27)	(0.30)	(0.53)	(0.48)	(0.88)	(0.76)	(0.61)	(0.98)
Distributions from net realized gains (losses) on investments.....	(1.21)	(0.03)	--	--	--	--	--	(2.10)	(1.06)	(0.37)	--
Total dividends and distributions...	1.33	(0.30)	(0.27)	(0.27)	(0.30)	(0.53)	(0.48)	(2.98)	(1.82)	(0.98)	(0.98)

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Net asset value, end of period....	$ 19.15	$ 20.43	$ 20.86	$ 20.48	$ 19.26	$ 15.87	$ 16.50	$ 13.32	$ 18.06	$ 17.41	$ 14.18
Total return(1)...	0.65%	(0.58)%	3.15%	7.78%	23.62%	(0.72)%	28.03%	(10.73)%	16.25%	31.05%	18.02%
Ratios/Supplemental data:											
Net assets, end of period (000's).........	$180,817	$222,432	$359,073	$358,643	$232,555	$58,649	$61,617	$62,917	$107,778	$98,226	$54,185
Ratio of expenses to average net assets**........	1.21%*	1.20%	1.13%	1.22%	1.42%	1.41%	1.41%	1.26%	1.15%	1.15%	1.34%
Ratio of net investment income to average net assets**........	0.97%*	1.29%	1.33%	1.26%	1.79%	3.11%	3.26%	4.24%	4.14%	5.32%	6.77%
Portfolio turnover........	65.25%	94.32%	36.52%	15.57%	52.00%	32.10%	79.08%	88.95%	131.70%	83.48%	33.53%

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** During certain periods presented, PaineWebber/Mitchell Hutchins waived fees or reimbursed the Fund for portions of its operating expenses. If such waivers or reimbursements had not been made for the Class A Shares, the annualized ratio of expenses to average net assets and the annualized ratio of net investment income to average net assets would have been 1.65% and 3.02%, respectively, for the year ended August 31, 1989, 1.36% and 4.14%, respectively, for the year ended August 31, 1988 and 1.40% and 6.71%, respectively, for the year ended August 31, 1985. For the years ended August 31, 1994, 1993, 1992, 1991, 1990 and 1987, there were no waivers or reimbursements and, for the year ended August 31, 1986, amounts reimbursed had no significant impact on the ratios presented above.

(1) Total return is calculated assuming a $1,000 investment on the first day of each period reported, reinvestment of all dividends and capital gain distributions at net asset value on the payable date, and a sale at net asset value on the last day of each period reported. The figures do not include sales charges; results for Class A shares would be lower if sales charges were included. Total return information for periods less than one year are not annualized.

Financial Highlights
(Continued)

<TABLE>
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	CLASS B					CLASS D			
	FOR THE SIX MONTHS ENDED FEBRUARY 28, 1995 (UNAUDITED)	FOR THE YEARS ENDED AUGUST 31, 1994	1993	1992	FOR THE PERIOD JULY 1, 1991+ TO AUGUST 31, 1991	FOR THE SIX MONTHS ENDED FEBRUARY 28, 1995 (UNAUDITED)	FOR THE YEARS ENDED AUGUST 31, 1994	1993	FOR THE PERIOD JULY 2, 1992+ TO AUGUST 31, 1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period....	$ 20.37	$ 20.78	$ 20.41	$ 19.23	$ 18.04	$ 20.42	$ 20.83	$ 20.47	$ 20.95
Income (loss) from investment operations:									
Net investment income..	0.02	0.10	0.12	0.13	0.02	0.02	0.11	0.11	0.02
Net realized and unrealized gains (losses) from investment transactions..........	(0.05)	(0.37)	0.36	1.20	1.17	(0.05)	(0.38)	0.37	(0.44)
Total income (loss) from investment operations............	(0.03)	(0.27)	0.48	1.33	1.19	(0.03)	(0.27)	0.48	(0.42)
Less dividends and									

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distributions:									
Dividends from net investment income.....	(0.03)	(0.11)	(0.11)	(0.15)	--	(0.03)	(0.11)	(0.12)	(0.06)
Distributions from net realized gains on investments...........	(1.21)	(0.03)	--	--	--	(1.21)	(0.03)	--	--
Total dividends and distributions.........	(1.24)	(0.14)	(0.11)	(0.15)	--	(1.24)	(0.14)	(0.12)	(0.06)
Net asset value, end of period.................	$ 19.10	$ 20.37	$ 20.78	$ 20.41	$ 19.23	$ 19.15	$ 20.42	$ 20.83	$ 20.47
Total return(1).........	0.22%	(1.31)%	2.34%	6.99%	6.60%	0.26%	(1.29)%	2.35%	2.85%
Ratios/Supplemental data:									
Net assets, end of period (000's)........	$239,383	$289,290	$461,389	$386,275	$57,539	$29.928	$37,287	$61,869	$13,019
Ratio of expenses to average net assets....	1.99%	1.97%	1.90%	1.97%	2.10%*	2.00%	1.94%	1.87%	1.73%*
Ratio of net investment income to average net assets................	0.19%	0.51%	0.57%	4.90%	1.18%*	0.18%	0.54%	0.61%	0.94%*
Portfolio turnover.....	65.25%	94.32%	36.52%	15.57%	52.00%	65.25%	94.32%	36.52%	15.57%

</TABLE>

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* Annualized.

\+ Commencement of offering of shares.

(1) Total return is calculated assuming a $1,000 investment on the first day of each period reported, reinvestment of all dividends and capital gain distributions at net asset value on the payable date, and a sale at net asset value on the last day of each period reported. The figures do not include sales charges; results for Class B shares would be lower if sales charges were included. Total return information for periods less than one year are not annualized.

PAINEWEBBER GROWTH AND INCOME FUND

Flexible Pricing System

DIFFERENCES AMONG THE CLASSES

The primary distinctions among the Classes of the Fund's shares lie in their initial and contingent deferred sales charge structures and in their ongoing expenses, including asset-based sales charges in the form of distribution fees. These differences are summarized in the table below. Each Class has distinct advantages and disadvantages for different investors, and investors may choose the Class that best suits their circumstances and objectives.

<TABLE>
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	SALES CHARGE	ANNUAL 12B-1 FEES (AS A % OF AVERAGE DAILY NET ASSETS)	OTHER INFORMATION
<C>	<S>	<C>	<C>
Class A	Maximum initial sales charge of 4.5% of the public offering price	Service fee of up to 0.25%	Initial sales charge waived or reduced for certain purchases
Class B	Maximum contingent deferred sales charge of 5% of redemption proceeds; declines to zero after six years	Service fee of 0.25%; distribution fee of 0.75%	Shares convert to Class A shares approximately six years after issuance
Class D	None	Service fee of 0.25%; distribution fee of 0.75%	--

</TABLE>

FACTORS TO CONSIDER IN CHOOSING A CLASS OF SHARES

In deciding which Class of shares to purchase, investors should consider the cost of sales charges together with the cost of the ongoing annual expenses described below, as well as any other relevant facts and circumstances.

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SALES CHARGES. Class A shares are sold at net asset value plus an initial sales charge of up to 4.5% of the public offering price. Because of this initial sales charge, not all of a Class A shareholder's purchase price is invested in the Fund. Class B shares are sold with no initial sales charge, but a contingent deferred sales charge of up to 5% of the redemption proceeds applies to redemptions made within six years of purchase. Class D shareholders pay no initial or contingent deferred sales charges. Thus, the entire amount of a Class B or Class D shareholder's purchase price is immediately invested in the Fund.

WAIVERS AND REDUCTIONS OF CLASS A SALES CHARGES. Class A share purchases over $50,000 and Class A share purchases made under the Fund's reduced sales charge plan may be made at a reduced sales charge. In considering the combined cost of sales charges and ongoing annual expenses, investors should take into account any reduced sales charges on Class A shares for which they may be eligible.

The entire initial sales charge on Class A shares is waived for certain eligible purchasers. Because Class A shares bear lower ongoing annual expenses than Class B shares or Class D shares, investors eligible for complete waivers should purchase Class A shares.

ONGOING ANNUAL EXPENSES. All three Classes of Fund shares pay an annual 12b-1 service fee of up to 0.25% of average daily net assets. Class B and Class D shares pay an annual 12b-1 distribution fee of 0.75% of average daily net assets. Annual 12b-1 distribution fees are a form of asset-based sales charge. An investor should consider both ongoing annual expenses and initial or contingent deferred sales charges in estimating the costs of investing in the respective Classes of Fund shares over various time periods.

For example, assuming a constant net asset value, the cumulative distribution fees on the Fund's

Class B or Class D shares and the 4.5% maximum initial sales charge on the Fund's Class A shares would all be approximately equal if the shares were held for six years. Because Class B shares convert to Class A shares (which do not bear the expense of ongoing distribution fees) approximately six years after purchase, an investor expecting to hold Fund shares for longer than six years would generally pay lower cumulative expenses by purchasing Class A or Class B shares than by purchasing Class D shares. An investor expecting to hold Fund shares for less than six years would generally pay lower cumulative expenses by purchasing Class D shares than by purchasing Class A shares and, due to the contingent deferred sales charges that would become payable on redemption of Class B shares, such an investor would generally pay lower cumulative expenses by purchasing Class D shares than Class B shares.

The foregoing examples do not reflect, among other variables, the cost or benefit of bearing sales charges or distribution fees at the time of purchase, upon redemption or over time, nor can they reflect fluctuations in the net asset value of Fund shares, which will affect the actual amount of expenses paid. Expenses borne by Classes may differ slightly because of the allocation of other Class-specific expenses. The "Example of Effect of Fund Expenses" under "Prospectus Summary" shows the cumulative expenses an investor would pay over time on a hypothetical investment in each Class of Fund shares, assuming an annual return of 5%.

OTHER INFORMATION

PaineWebber investment executives may receive different levels of compensation for selling one particular Class of Fund shares rather than another. Investors should understand that distribution fees and initial and contingent deferred sales charges all are intended to compensate Mitchell Hutchins for distribution services.

See "Purchases," "Redemptions" and "Management" for a more complete description of the initial and contingent sales charges, service fees and distribution fees for the three Classes of Fund shares. See also "Conversion of Class B Shares," "Dividends and Taxes," "Valuation of Shares" and "General Information" for other differences among the three Classes.

Investment Objective and Policies

The Fund's investment objective is to provide current income and capital growth. The Fund seeks to achieve this objective by investing primarily in

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dividend-paying equity securities (common and preferred stocks) believed by Mitchell Hutchins to have the potential for rapid earnings growth. Under normal circumstances, the Fund will invest at least 65% of its total assets in such securities. In managing the Fund, Mitchell Hutchins follows a disciplined methodology under which stocks from a universe of approximately 2,000 medium to large capitalization companies are ranked utilizing quantitative measures of value, earnings and price momentum in the context of Mitchell Hutchins' economic forecast. Stocks are selected for the Fund based on fundamental analysis of the highest ranking stocks.

The Fund may invest up to 35% of its total assets in equity securities not meeting the above criteria, as well as convertible securities, U.S. government securities, investment grade corporate debt securities and money market instruments. See "Other Investment Policies and Risk Factors-- Debt Securities." The Fund may invest in instruments other than common stocks when, in the opinion of Mitchell Hutchins, their projected total return is equal to or greater than that of common stocks or when such holdings might reduce the volatility of the Fund's portfolio.

The Fund primarily purchases equity securities of issuers with medium to large capitalization. The Fund generally will not invest in stocks of issuers with market capitalization below $300 million. Over the past 65 years, the total return of equity investments, as measured by the Standard & Poor's 500 Composite Stock Price Index ("S&P 500"), has exceeded the inflation rate, as measured by the Consumer Price Index, as well as total return on long-term Treasury bonds, long-term corporate bonds and short-term Treasury bills. However, year-to-year fluctuations in each of these indices and instruments have been significant, and total return for the S&P 500 for some periods has been negative.There can be no

assurance that this trend will continue, and the Fund's performance may be better or worse than that of the S&P 500.

There can be no assurance that the Fund will achieve its investment objective. The Fund's net asset value fluctuates based upon changes in the value of its portfolio securities. The Fund's investment objective and certain investment limitations as described in the Statement of Additional Information are fundamental policies that may not be changed without shareholder approval. All other investment policies may be changed by the Trust's board of trustees without shareholder approval.

OTHER INVESTMENT POLICIES AND RISK FACTORS

DEBT SECURITIES. The Fund is permitted to purchase investment grade corporate debt securities. Securities rated BBB by Standard & Poor's Ratings Group ("S&P"), Baa by Moody's Investor Services, Inc. ("Moody's") or comparably rated by another nationally recognized statistical rating organization ("NRSRO") are investment grade but Moody's considers securities rated Baa to have speculative characteristics. Changes in economic conditions or other circumstances are more likely to lead to a weakened capacity for such securities to make principal and interest payments than is the case for higher-rated debt securities. The Fund is also permitted to purchase debt securities that are not rated by S&P, Moody's or another NRSRO but that Mitchell Hutchins determines to be of comparable quality to that of rated securities in which the Fund may invest. Such securities are included in the computation of any percentage limitations applicable to the comparable rated securities. See the Statement of Additional Information for more information about S&P and Moody's ratings.

Ratings of debt securities represent the NRSROs' opinions regarding their quality, are not a guarantee of quality and may be reduced after the Fund has acquired the security. Mitchell Hutchins will consider such an event in determining whether the Fund should continue to hold the security but is not required to dispose of it. Credit ratings attempt to evaluate the safety of principal and interest payments and do not reflect an assessment of the volatility of the security's market value or the liquidity of an investment in the security. Also, NRSROs may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than the rating indicates.

U.S. government securities in which the Fund may invest include direct obligations of the U.S. Treasury as well as obligations of U.S. government agencies and instrumentalities backed by the U.S. Treasury or primarily or solely by the credit of the issuer.

DOLLAR-DENOMINATED FOREIGN SECURITIES. The Fund may invest up to 25% of its total assets in U.S. dollar-denominated securities of foreign issuers that are

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traded on recognized U.S. exchanges or in the U.S. over-the-counter ("OTC") market. These investments may involve special risks, arising both from political and economic developments abroad and differences between foreign and U.S. regulatory systems. Foreign securities may be less liquid and their prices more volatile than comparable U.S. securities. The prices of these securities may also be affected by fluctuations in the values of foreign currencies.

LOWER RATED CONVERTIBLE SECURITIES. A convertible security is a bond, debenture, note, preferred stock or other security that may be converted into or exchanged for a prescribed amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. The Fund may convert any convertible securities it may own into common stock, and it may hold the common stock upon conversion.

Up to 10% of the Fund's total assets may be invested in convertible securities that are rated below investment grade but no lower than B by S&P or Moody's or comparably rated by another NRSRO, or if not rated by an NRSRO, determined by Mitchell Hutchins to be of comparable quality. Convertible securities rated below investment grade are commonly referred to as "junk bonds," are deemed by the NRSROs to be predominantly speculative and may involve major risk exposure to adverse conditions. Investments in convertible securities generally entail less risk than the issuer's common stock, although the extent to which such risk is reduced depends in large measure upon the degree to which the convertible security sells above its value as a fixed income security.

Lower rated convertible securities generally offer a higher current yield than that available from higher grade issues, but they involve higher risks, in that they are especially subject to adverse changes in general economic conditions and in the industries in which the issuers are engaged, to changes in the financial condition of the issuers and to price fluctuation in response to changes in interest rates. During periods of economic downturn or rising interest rates, highly leveraged issuers may experience financial stress, which could adversely affect their ability to make payments of principal and interest (or, in the case of convertible preferred stock, dividends) and increase the possibility of default. In addition, such issuers may not have more traditional methods of financing available to them, and may be unable to repay debt at maturity by refinancing. The risk of loss due to default by such issuers is significantly greater because such securities frequently are unsecured and subordinated to the prior payment of senior indebtedness.

The market for lower rated debt securities has expanded rapidly in recent years, and its growth paralleled a long economic expansion. In the past, the prices of many lower rated debt securities declined substantially, reflecting an expectation that many issuers of such securities might experience financial difficulties. As a result, the yields on lower rated debt securities rose dramatically. However, such higher yields did not reflect the value of the income stream that holders of such securities expected, but rather the risk that holders of such securities could lose a substantial portion of their value as a result of the issuers' financial restructuring or default. There can be no assurance that such declines will not recur. The market for lower rated debt securities generally is thinner and less active than that for higher quality securities, which may limit a Fund's ability to sell such securities at fair value in response to changes in the economy or the financial markets. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the values and liquidity of lower rated securities, especially in a thinly traded market.

HEDGING STRATEGIES. The Fund may attempt to reduce the overall risk of its investments (hedge) by using options (both exchange-traded and OTC) and futures contracts. The Fund's ability to use these instruments may be limited by market conditions, regulatory limits and tax considerations. The Appendix to this Prospectus describes the hedging instruments the Fund may use. The Statement of Additional Information contains further information on these strategies.

The Fund may write (sell) covered put and call options or buy put and call options on securities in which it may invest and on stock indices. In addition, the Fund may buy and sell stock index futures contracts and interest rate futures contracts and may write covered put and call options or buy put and call options on such futures contracts. Because the Fund intends to

use options and futures for hedging purposes, the Fund may enter into options and futures contracts that approximate (but do not exceed) the full value of its portfolio.

The Fund might not employ any of the strategies described above, and there can be no assurance that any strategy used will succeed. If Mitchell Hutchins

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incorrectly forecasts interest rates, market values or other economic factors in utilizing a hedging strategy for the Fund, the Fund would be in a better position had it not hedged at all. The use of these strategies involves certain special risks, including (1) the fact that skills needed to use hedging instruments are different from those needed to select the Fund's securities, (2) possible imperfect correlation, or even no correlation, between price movements of hedging instruments and price movements of the investments being hedged, (3) the fact that, while hedging strategies can reduce the risk of loss, they can also reduce the opportunity for gain, or even result in losses, by offsetting favorable price movements in hedged investments and (4) the possible inability of the Fund to purchase or sell a portfolio security at a time that otherwise would be favorable for it to do so, or the possible need for the Fund to sell a portfolio security at a disadvantageous time, due to the need for the Fund to maintain "cover" or to segregate securities in connection with hedging transactions and the possible inability of the Fund to close out or to liquidate its hedged position.

New financial products and risk management techniques continue to be developed. The Fund may use these instruments and techniques to the extent consistent with its investment objective and regulatory and federal tax considerations.

ILLIQUID SECURITIES. The Fund may invest up to 10% of its net assets in illiquid securities, including certain cover for OTC options and securities whose disposition is restricted under

the federal securities laws (other than "Rule 144A securities" Mitchell Hutchins has determined to be liquid under procedures approved by the Trust's trustees). Rule 144A establishes a "safe harbor" from the registration requirements of the Securities Act of 1933 ("1933 Act"). Institutional markets for restricted securities have developed as a result of Rule 144A, providing both readily ascertainable values for restricted securities and the ability to liquidate an investment to satisfy share redemption orders. An insufficient number of qualified institutional buyers interested in purchasing Rule 144A-eligible restricted securities held by the Fund, however, could affect adversely the marketability of such portfolio securities and the Fund might be unable to dispose of such securities promptly or at favorable prices.

PORTFOLIO TURNOVER. The Fund's portfolio turnover rate may vary greatly from year to year and will not be a limiting factor when Mitchell Hutchins deems portfolio changes appropriate. A higher turnover rate (100% or more) will involve correspondingly greater transaction costs, which will be borne directly by the Fund, and may increase the potential for short-term capital gains.

The portfolio turnover rate is calculated by dividing the lesser of the Fund's annual sales or purchases of portfolio securities (exclusive of purchases or sales of securities whose maturities at the time of acquisition were one year or less) by the monthly average value of securities in the portfolio during the year. For the fiscal years ended August 31, 1994 and August 31, 1993, the Fund's portfolio turnover rates were 94.32% and 36.52%, respectively.

OTHER INFORMATION. When Mitchell Hutchins believes unusual circumstances warrant a defensive posture, the Fund temporarily may commit all or a portion of its assets to cash or money market instruments, including repurchase agreements. The Fund may also engage in short sales of securities "against the box" to defer realization of gains or losses for tax or other purposes. The Fund may borrow money for temporary purposes, but not in excess of 10% of its total assets.

Purchases

GENERAL. Class A shares of the Fund are sold to investors subject to an initial sales charge. Class B shares of the Fund are sold without an initial sales charge but are subject to higher ongoing expenses than Class A shares and a contingent deferred sales charge payable upon certain redemptions. Class B shares automatically convert to Class A shares approximately six years after issuance. Class D shares are sold without an initial or a contingent deferred sales charge but are subject to higher ongoing expenses than Class A shares and do not convert into another Class. See "Flexible Pricing System" and "Conversion of Class B Shares."

Shares of the Fund are available through PaineWebber and its correspondent firms or, for shareholders who are not PaineWebber clients, through the Transfer Agent. Investors may contact a local PaineWebber office to open an account. The minimum initial investment for the Fund is $1,000, and the minimum

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for additional purchases is $100. These minimums may be waived or reduced for investments by employees of PaineWebber or its affiliates, certain pension plans and retirement accounts and participants in the Fund's automatic investment plan. Purchase orders will be priced at the net asset value per share next determined (see "Valuation of Shares") after the order is received by PaineWebber's New York City offices or by the Transfer Agent, plus any applicable sales charge for Class A shares. The Fund and Mitchell Hutchins reserve the right to reject any purchase order and to suspend the offering of Fund shares for a period of time.

When placing purchase orders, investors should specify whether the order is for Class A, Class B or Class D shares. All share purchase orders that fail to specify a Class will automatically be invested in Class A shares.

PURCHASES THROUGH PAINEWEBBER OR CORRESPONDENT FIRMS. Purchases through PaineWebber investment executives orcorrespondent firms may be made in person or by mail, telephone or wire; the minimum wire purchase is $1 million. Investment executives and correspondent firms are responsible for transmitting purchase orders to PaineWebber's New York City offices promptly. Investors may

pay for purchases with checks drawn on U.S. banks or with funds held in brokerage accounts at PaineWebber or its correspondent firms. Payment is due on the fifth Business Day after the order is received at PaineWebber's New York City offices. A "Business Day" is any day, Monday through Friday, on which the New York Stock Exchange, Inc. ("NYSE") is open for business.

PURCHASES THROUGH THE TRANSFER AGENT. Investors who are not PaineWebber clients may purchase shares of the Fund through the Transfer Agent. Shares of the Fund may be purchased, and an account with the Fund established, by completing and signing the purchase application at the end of this Prospectus and mailing it, together with a check to cover the purchase, to the Transfer Agent: PFPC Inc., Attn: PaineWebber Mutual Funds, P.O. Box 8950, Wilmington, Delaware 19899. Subsequent investments need not be accompanied by an application.

INITIAL SALES CHARGE--CLASS A SHARES. The public offering price of Class A shares is the next determined net asset value, plus any applicable sales charge, which will vary with the size of the purchase as shown in the following table:

INITIAL SALES CHARGE SCHEDULE-- CLASS A SHARES

<TABLE>
<CAPTION>

AMOUNT OF PURCHASE	SALES CHARGE AS A PERCENTAGE OF OFFERING PRICE	SALES CHARGE AS A PERCENTAGE OF NET AMOUNT INVESTED (NET ASSET VALUE)	DISCOUNT TO SELECTED DEALERS AS A PERCENTAGE OF OFFERING PRICE
<S>	<C>	<C>	<C>
Less than $ 50,000	4.50%	4.71%	4.25%
$50,000 to $ 99,999	4.00	4.17	3.75
$100,000 to $249,999	3.50	3.63	3.25
$250,000 to $499,999	2.50	2.56	2.25
$500,000 to $999,999	1.75	1.78	1.50
$1,000,000 and over(1)	None	None	1.00

</TABLE>

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(1) Mitchell Hutchins pays compensation to PaineWebber out of its own resources.

Mitchell Hutchins may at times agree to reallow a higher discount to PaineWebber, as exclusive dealer for the Fund's shares, than those shown above. To the extent PaineWebber or any dealer receives 90% or more of the sales charge, it may be deemed an "underwriter" under the 1933 Act.

SALES CHARGE WAIVERS--CLASS A SHARES. Class A shares of the Fund are available without a sales charge through exchanges for Class A shares of most other PaineWebber mutual funds. See "Exchanges." In addition, Class A shares may be purchased without a sales charge, and exchanges of any Class of shares made without the $5.00 exchange fee, by employees, directors and officers of PaineWebber or its affiliates, directors or trustees and officers of any PaineWebber funds, their spouses, parents and children and advisory clients of Mitchell Hutchins.

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Class A shares also may be purchased without a sales charge if the purchase is made through a PaineWebber investment executive who formerly was employed as a broker with another firm registered as a broker-dealer with the SEC, provided (1) the purchaser was the investment executive's client at the competing brokerage firm, (2) within 90 days of the purchase of Class A shares the purchaser redeemed shares of one or more mutual funds for which that competing firm or its affiliates was principal underwriter, provided the purchaser either paid a sales charge to invest in those funds, paid a contingent deferred sales charge upon redemption or held shares of those funds for the period required not to pay the otherwise applicable contingent deferred sales charge and (3) the total amount of shares of all PaineWebber funds purchased under this sales charge waiver does not exceed the amount of the purchaser's redemption proceeds from the competing firm's funds. To take advantage of this waiver, an investor must provide satisfactory evidence that all the above-noted conditions are met. Qualifying investors should contact their PaineWebber investment executives for more information.

Certificate holders of unit investment trusts ("UITs") sponsored by PaineWebber may acquire Class A shares of the Fund without regard to minimum investment requirements and without sales charges by electing to have dividends and other distributions from their UIT investment automatically invested in Class A shares.

REDUCED SALES CHARGE PLANS--CLASS A SHARES. If an investor or eligible group of related Fund investors purchases Class A shares of the Fund concurrently with Class A shares of other PaineWebber mutual funds, the purchases may be combined to take advantage of the reduced sales charge applicable to larger purchases. In addition, the right of accumulation permits the Fund investor or eligible group of related Fund investors to pay the lower sales charge applicable to larger purchases by basing the sales charge on the dollar amount of Class A shares currently being purchased, plus the net asset value of the investor's or group's total existing Class A shareholdings in other PaineWebber mutual funds.

An "eligible group of related Fund investors" includes an individual, the individual's spouse, parents and children, the individual's individual retirement account ("IRA"), certain companies controlled by the individual and employee benefit plans of those companies, and trusts or Uniform Gifts to Minors Act/Uniform Transfers to Minors Act accounts created by the individual or eligible group of individuals for the benefit of the individual and/or the individual's spouse, parents or children. The term also includes a group of related employers and one or more qualified retirement plans of such employers. For more information, an investor should consult the State-ment of Additional Information or contact a PaineWebber investment executive or correspondent firm or the Transfer Agent.

CONTINGENT DEFERRED SALES CHARGE--CLASS B SHARES. The public offering price of the Class B shares of the Fund is the next determined net asset value, and no initial sales charge is imposed. A contingent deferred sales charge, however, is imposed upon certain redemptions of Class B shares.

Class B shares that are redeemed will not be subject to a contingent deferred sales charge to the extent that the value of such shares represents (1) capital appreciation of Fund assets, (2) reinvestment of dividends or capital gain distributions or (3) shares redeemed more than six years after their purchase. Otherwise, redemption of Class B shares of the Fund will be subject to a contingent deferred sales charge. The amount of any applicable contingent deferred sales charge will be calculated by multiplying the net asset value of such shares at the time of redemption by the applicable percentage shown in the table below:

REDEMPTION DURING	CONTINGENT DEFERRED SALES CHARGE AS A PERCENTAGE OF NET ASSET VALUE AT REDEMPTION
1st Year Since Purchase	5%
2nd Year Since Purchase	4
3rd Year Since Purchase	3
4th Year Since Purchase	2
5th Year Since Purchase	2
6th Year Since Purchase	1

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7th Year Since Purchase......................................	None

</TABLE>

In determining the applicability and rate of any contingent deferred sales charge, it will be assumed that a redemption is made first of Class B shares representing capital appreciation, next of shares representing the reinvestment of dividends and capital gain distributions and finally of other shares held by the shareholder for the longest period of time. The holding period of Class B shares acquired through an exchange with another PaineWebber mutual fund will be calculated from the date that the Class B shares were initially acquired in one of the other PaineWebber funds, and Class B shares being redeemed will be considered to represent, as applicable, capital appreciation or dividend and capital gain distribution reinvestments in such other funds. This will result in any contingent deferred sales charge being imposed at the lowest possible rate. For federal income tax purposes, the amount of the contingent deferred sales charge will reduce the gain or increase the loss, as the case may be, on the amount realized on redemption. The amount of any contingent deferred sales charge will be paid to Mitchell Hutchins.

SALES CHARGE WAIVERS--CLASS B SHARES. The contingent deferred sales charge will be waived for exchanges, as described below, and for redemptions in connection with the Fund's systematic withdrawal plan. In addition, the contingent deferred sales charge will be waived for a total or partial redemption made within one year of the death of the shareholder. The contingent deferred sales charge waiver is available where the decedent is either the sole shareholder or owns the shares with his or her spouse as a joint tenant with right of survivorship. This waiver applies only to redemption of shares held at the time of death. The contingent deferred sales charge will also be waived in connection with a lump-sum or other distribution in the case of an IRA, a self-employed individual retirement plan (so-called "Keogh Plan") or a custodial account under Section 403(b) of the Internal Revenue Code following attainment of age 59 1/2; a total or partial redemption resulting from any distribution following retirement in the case of a tax-qualified retirement plan; and a redemption resulting from a tax-free return of an excess contribution to an IRA.

Contingent deferred sales charge waivers will be granted subject to confirmation (by PaineWebber in the case of shareholders who are PaineWebber clients or by the Transfer Agent in the case of all other shareholders) of the shareholder's status or holdings, as the case may be.

PURCHASE OF CLASS D SHARES. The public offering price of the Class D shares of the Fund is the next determined net asset value. No initial or contingent deferred sales charge is imposed.

Exchanges

Shares of the Fund may be exchanged for shares of the corresponding Class of other PaineWebber and MH/KP mutual funds, or may be acquired through an exchange of shares of the corresponding Class of those funds. No initial sales charge is imposed on the shares being acquired, and no contingent deferred sales charge is imposed on the shares being disposed of, through an exchange. However, contingent deferred sales charges may apply to redemptions of Class B shares of PaineWebber mutual funds acquired through an exchange. Class B shares of MH/KP mutual funds differ from those of PaineWebber mutual funds. Class B shares of MH/KP mutual funds are equivalent to Class D shares of PaineWebber mutual funds. Thus, contingent deferred sales charges are not applicable to redemptions of the Class B shares of MH/KP mutual funds. A $5.00 exchange fee is charged for each exchange, and exchanges may be subject to minimum investment requirements of the fund into which exchanges are made.

Exchanges are permitted among other PaineWebber and MH/KP mutual funds, including:

Income Funds

- MH/KP ADJUSTABLE RATE GOVERNMENT FUND
- MH/KP GLOBAL FIXED INCOME FUND
- MH/KP GOVERNMENT INCOME FUND
- MH/KP INTERMEDIATE FIXED INCOME FUND

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. PW GLOBAL INCOME FUND

. PW HIGH INCOME FUND

. PW INVESTMENT GRADE INCOME FUND

. PW SHORT-TERM U.S. GOVERNMENT INCOME FUND

. PW SHORT-TERM U.S. GOVERNMENT INCOME FUND FOR CREDIT UNIONS

. PW STRATEGIC INCOME FUND

. PW U.S. GOVERNMENT INCOME FUND

Tax-Free Income Funds

. MH/KP MUNICIPAL BOND FUND

. PW CALIFORNIA TAX-FREE INCOME FUND

. PW MUNICIPAL HIGH INCOME FUND

. PW NATIONAL TAX-FREE INCOME FUND

. PW NEW YORK TAX-FREE INCOME FUND

Growth Funds

. MH/KP EMERGING MARKETS EQUITY FUND

. MH/KP GLOBAL EQUITY FUND

. MH/KP SMALL CAP GROWTH FUND

. PW ATLAS GLOBAL GROWTH FUND

. PW BLUE CHIP GROWTH FUND

. PW CAPITAL APPRECIATION FUND

. PW COMMUNICATIONS & TECHNOLOGY GROWTH FUND

. PW EUROPE GROWTH FUND

. PW GROWTH FUND

. PW REGIONAL FINANCIAL GROWTH FUND

. PW SMALL CAP VALUE FUND

Growth and Income Funds

. MH/KP ASSET ALLOCATION FUND

. MH/KP EQUITY INCOME FUND

. PW ASSET ALLOCATION FUND

. PW GLOBAL ENERGY FUND

. PW GLOBAL GROWTH AND INCOME FUND

. PW UTILITY INCOME FUND

PW MONEY MARKET FUND

PaineWebber clients must place exchange orders through their PaineWebber investment executives or correspondent firms unless the shares to be exchanged are held in certificate form. Shareholders who are not PaineWebber clients or who hold their shares in certificate form must place exchange orders in writing with the Transfer

Agent: PFPC Inc., Attn: PaineWebber Mutual Funds, P.O. Box 8950, Wilmington, Delaware 19899. All exchanges will be effected based on the relative net asset values per share next determined after the exchange order is received at PaineWebber's New York City offices or by the Transfer Agent. See "Valuation of

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Shares." Shares of the Fund purchased through PaineWebber or its correspondent firms may be exchanged only after the settlement date has passed and payment for such shares has been made.

OTHER EXCHANGE INFORMATION. This exchange privilege may be modified or terminated at any time, upon at least 60 days' notice when such notice is required by SEC rules. See the Statement of Additional Information for further details. This exchange privilege is available only in those jurisdictions where the sale of the PaineWebber and MH/KP fund shares to be acquired may be legally made. Before making any exchange, shareholders should contact their PaineWebber investment executives or correspondent firms or the Transfer Agent to obtain more information and prospectuses of the PaineWebber and MH/KP funds to be acquired through the exchange.

Redemptions

As described below, Fund shares may be redeemed at their net asset value (subject to any applicable contingent deferred sales charge) and redemption proceeds will be paid within seven days of the receipt of a redemption request. PaineWebber clients may redeem non-certificated shares through PaineWebber or its correspondent firms; all other shareholders must redeem through the Transfer Agent. If a redeeming shareholder owns shares of more than one Class, the shares will be redeemed in the following order unless the shareholder specifically requests otherwise: Class D shares, then Class A shares, and finally Class B shares.

REDEMPTION THROUGH PAINEWEBBER OR CORRESPONDENT FIRMS. PaineWebber clients may submit redemption requests to their investment executives or correspondent firms in person or by telephone, mail or wire. As the Fund's agent, PaineWebber may honor a redemption request by repurchasing Fund shares from a redeeming shareholder at the shares' net asset value next determined after receipt of the request by PaineWebber's New York City offices. Within seven days, repurchase proceeds (less any applicable contingent deferred sales charge) will be paid by check or credited to the shareholder's brokerage account at the election of the shareholder. PaineWebber investment executives and correspondent firms are responsible for promptly forwarding redemption requests to PaineWebber's New York City offices.

PaineWebber reserves the right not to honor any redemption request, in which case PaineWebber promptly will forward the request to the Transfer Agent for treatment as described below.

REDEMPTION THROUGH THE TRANSFER AGENT.
Fund shareholders who are not PaineWebber clients or who wish to redeem certificated shares must redeem their shares through the Transfer Agent by mail; other shareholders also may redeem Fund shares through the Transfer Agent. Shareholders should mail redemption requests directly to the Transfer Agent: PFPC Inc., Attn: PaineWebber Mutual Funds, P.O. Box 8950, Wilmington, Delaware 19899. A redemption request will be executed at the net asset value next computed after it is received in "good order." "Good order" means that the request must be accompanied by the following: (1) a letter of instruction or a stock assignment specifying the number of shares or amount of investment to be redeemed (or that all shares credited to the Fund account be redeemed), signed by all registered owners of the shares in the exact names in which they are registered, (2) a guarantee of the signature of each registered owner by an eligible institution acceptable to the Transfer Agent and in accordance with SEC rules, such as a commercial bank, trust company or member of a recognized stock exchange, (3) other supporting legal documents for estates, trusts, guardianships, custodianships, partnerships and corporations and (4) duly endorsed share certificates, if any.

Shareholders are responsible for ensuring that a request for redemption is received in "good order."

ADDITIONAL INFORMATION ON REDEMPTIONS. A shareholder who holds non-certificated Fund shares may have redemption proceeds of $1 million or more wired to the shareholder's PaineWebber brokerage account or a commercial bank account designated by the shareholder. Questions about this option, or redemption requirements generally, should be referred to the shareholder's PaineWebber investment executive or correspondent firm, or to the Transfer Agent if the shares are not held in a PaineWebber brokerage account. If a shareholder requests redemption of shares which were purchased recently, the Fund may delay payment until it is assured that good payment has been received. In the case of

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purchases by check, this can take up to 15 days.

Because the Fund incurs certain fixed costs in maintaining shareholder accounts, it reserves the right to redeem all Fund shares in any shareholder account of less than $500 net asset value. If the Fund elects to do so, it will notify the shareholder and provide the shareholder the opportunity to increase the amount invested to $500 or more within 60 days of the notice. The Fund will not redeem accounts that fall below $500 solely as a result of a reduction in net asset value per share.

Shareholders who have redeemed Class A shares may reinstate their Fund account without a sales charge up to the dollar amount redeemed by purchasing Class A shares within 365 days after the redemption. To take advantage of this reinstatement privilege, shareholders must notify their PaineWebber investment executive or correspondent firm at the time the privilege is exercised.

Conversion of Class B Shares

A shareholder's Class B shares will automatically convert to Class A shares of the Fund approximately six years after the date of issuance, together with a pro rata portion of all Class B shares representing dividends and other distributions paid in additional Class B shares. The Class B shares so converted will no longer be subject to the higher expenses borne by Class B shares. The conversion will be effected at the relative net asset values per share of the two Classes on the first Business Day of the month in which the sixth anniversary of the issuance of the Class B shares occurs. See "Valuation of Shares." If a shareholder effects one or more exchanges among Class B shares of the PaineWebber mutual funds during the six-year period, the holding periods for the shares so exchanged will be counted toward the six-year period.

Other Services and Information

Investors interested in the services described below should consult their PaineWebber investment executives or correspondent firms or call the Transfer Agent toll-free at 1-800-647-1568.

AUTOMATIC INVESTMENT PLAN. Shareholders may purchase shares of the Fund through an automatic investment plan, under which an amount specified by the shareholder of $50 or more each month will be sent to the Transfer Agent from the shareholder's bank for investment in the Fund. In addition to providing a convenient and disciplined manner of investing, participation in the automatic investment plan enables the investor to use the technique of "dollar cost averaging." When under the plan a shareholder invests the same dollar amount each month, the shareholder will purchase more shares when the Fund's net asset value per share is low and fewer shares when the net asset value per share is high. Using this technique, a shareholder's average

purchase price per share over any given period will be lower than if the shareholder purchased a fixed number of shares on a monthly basis during the period.

SYSTEMATIC WITHDRAWAL PLAN. Shareholders who own non-certificated Class A or Class D shares of the Fund with a value of $5,000 or more or Class B shares of the Fund with a value of $20,000 or more may have PaineWebber redeem a portion of their shares monthly, quarterly or semi-annually under the systematic withdrawal plan. No contingent deferred sales charge will be imposed on such withdrawals for Class B shares. The minimum amount for all withdrawals of Class A or Class D shares is $100, and minimum monthly, quarterly and semi-annual withdrawal amounts for Class B shares are $200, $400 and $600, respectively. Quarterly withdrawals are made in March, June, September and December, and semi-annual withdrawals are made in June and December. A Class B shareholder of the Fund may not withdraw an amount exceeding 12% annually of his or her "Initial Account Balance," a term that means the value of the Fund account at the time the shareholder elects to participate in the systematic withdrawal plan. A Class B shareholder's participation in the systematic withdrawal plan

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will terminate automatically if the Initial Account Balance (plus the net asset value on the date of purchase of Fund shares acquired after the election to participate in the systematic withdrawal plan), less aggregate redemptions made other than pursuant to the systematic withdrawal plan, is less than $20,000. Shareholders who receive dividends or other distributions in cash may not participate in the systematic withdrawal plan. Purchases of additional shares of the Fund concurrent with withdrawals are ordinarily disadvantageous to shareholders because of tax liabilities and, for Class A shares, sales charges.

INDIVIDUAL RETIREMENT ACCOUNTS. Shares of the Fund may be purchased through IRAs available through the Fund. In addition, a Self-Directed IRA is available through PaineWebber under which investments may be made in the Fund as well as in other investments available through PaineWebber. Investors considering establishing an IRA should review applicable tax laws and should consult their tax advisers.

TRANSFER OF ACCOUNTS. If a shareholder holding shares of the Fund in a PaineWebber brokerage account transfers his brokerage account to another firm, the Fund shares will be transferred to an account with the Transfer Agent. However, if the other firm has entered into a selected dealer agreement with Mitchell Hutchins relating to the Fund, the shareholder may be able to hold Fund shares in an account with the other firm.

DIVIDENDS. The Fund pays dividends from net investment income semi-annually. The Fund distributes annually substantially all of its net capital gain (the excess of net long-term capital gain over net short-term capital loss) and net short-term capital gain, if any. The Fund may make additional distributions if necessary to avoid a 4% excise tax on certain undistributed income and capital gain. Dividends and other distributions paid on each Class of shares of the Fund are calculated at the same time and in the same manner. Dividends on Class B and Class D shares of the Fund are expected to be lower than those for its Class A shares because of the higher expenses resulting from distribution fees borne by the Class B and Class D shares. Dividends on each Class also might be affected differently by the allocation of other Class-specific expenses. See "Valuation of Shares."

The Fund's dividends and capital gain distributions are paid in additional Fund shares of the same Class at net asset value unless the shareholder has requested cash payments. Shareholders who wish to receive dividends and/or capital gain distributions in cash, either mailed to the shareholder by check or credited to the shareholder's PaineWebber account, should contact their PaineWebber investment executives or correspondent firms or complete the appropriate section of the application form.

TAXES. The Fund intends to continue to qualify for treatment as a regulated investment company

under the Internal Revenue Code so that it will be relieved of federal income tax on that part of its investment company taxable income (consisting generally of net investment income and net short-term capital gain) and net capital gain that is distributed to its shareholders.

Dividends paid by the Fund (whether in cash or in additional shares) generally are taxable to shareholders as ordinary income. Distributions of the Fund's net capital gain (whether paid in cash or in additional shares) are taxable to shareholders as long-term capital gain, regardless of how long they have held their Fund shares. Shareholders not subject to tax on their income generally will not be required to pay tax on amounts distributed to them.

The Fund notifies its shareholders following the end of each calendar year of the amounts of dividends and capital gain distributions paid (or deemed paid) that year and of any portion of those dividends that qualifies for the corporate dividends-received deduction.

The Fund is required to withhold 31% of all dividends, capital gain distributions and redemption proceeds payable to any individuals and certain other noncorporate shareholders who do not provide the Fund with a correct taxpayer identification number. Withholding at that rate from dividends and capital gain distributions is also required for those shareholders who otherwise are subject to backup withholding.

A redemption of Fund shares may result in taxable gain or loss to the redeeming shareholder, depending upon whether the redemption proceeds payable to the shareholder are more or less than the shareholder's adjusted basis for the redeemed shares (which normally includes any initial sales charge paid on Class A shares). An exchange of Fund shares for shares of another PaineWebber or MH/KP fund generally will have similar tax consequences. However, special tax rules apply when a shareholder (1) disposes of Class A shares through a redemption or exchange within 90 days of purchase and (2) subsequently acquires Class A shares of a PaineWebber or MH/KP fund (including the Fund) without

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paying a sales charge due to the 365-day reinstatement privilege or the exchange privilege. In these cases, any gain on the disposition of the original Class A shares would be increased, or loss decreased, by the amount of the sales charge paid when those shares were acquired, and that amount will increase the basis of the PaineWebber fund shares subsequently acquired. In addition, if Fund shares are purchased within 30 days before or after redeeming other Fund shares (regardless of Class) at a loss, all or a portion of that loss will not be deductible and will increase the basis of the newly purchased shares.

No gain or loss will be recognized to a shareholder as a result of a conversion of Class B shares into Class A shares.

The foregoing is only a summary of some of the important federal tax considerations generally affecting the Fund and its shareholders; see the Statement of Additional Information for a further discussion. There may be other federal, state or local tax considerations applicable to a particular investor. Prospective shareholders are therefore urged to consult their tax advisers.

Valuation of Shares

The net asset value of the Fund's shares fluctuates and is determined separately for each Class as of the close of regular trading on the NYSE (currently 4:00 p.m., eastern time) each Business Day. The Fund's net asset value per share is determined by dividing the value of the securities held by the Fund plus any cash or other assets minus all liabilities by the total number of Fund shares outstanding.

The Fund values its assets based on their current market value when market quotations are readily available. If such value cannot be established, assets are valued at fair value as determined in good faith by or under the direction of the Trust's board of trustees. The amortized cost method of valuation generally is used to value debt obligations with 60 days or less remaining to maturity, unless the board of trustees determines that this does not represent fair value.

Management

The Trust's board of trustees, as part of its overall management responsibility, oversees various organizations responsible for the Fund's day-to-day management. Mitchell Hutchins, investment adviser and administrator of the Fund, makes and implements all investment decisions and supervises all aspects of the Fund's operations. Mitchell Hutchins receives a monthly fee for these services at the annual rate of 0.70% of average daily net assets of the Fund. Brokerage transactions for the Fund may be conducted through PaineWebber or its affiliates in accordance with procedures adopted by the Trust's board of trustees.

The Fund also pays PaineWebber an annual fee of $4.00 per active shareholder account held at PaineWebber for certain services not provided by the Transfer Agent. The Fund incurs other expenses and, for the fiscal year ended August 31, 1994, the Fund's total expenses for its Class A, Class B and Class D shares, stated as a percentage of net assets, were 1.20%, 1.97% and 1.94%, respectively.

Mitchell Hutchins is located at 1285 Avenue of the Americas, New York, New York 10019. It is a wholly owned subsidiary of PaineWebber, which is in turn wholly owned by Paine Webber Group Inc., a publicly owned financial services holding company. At March 31, 1995, Mitchell Hutchins was adviser or subadviser of 42 investment companies with 77 separate portfolios and aggregate assets of over $26.8 billion.

Mark A. Tincher has been responsible for the day-to-day management of the Fund since April 1995. Mr. Tincher is a Managing Director and Chief Investment Officer of Equity Investments of Mitchell Hutchins responsible for overseeing the management of domestic equity investments for Mitchell Hutchins. Prior to joining Mitchell Hutchins in March 1995, Mr. Tincher worked for Chase Manhattan Private Bank where he was Vice President and directed the U.S. Funds Management and Equity Research area. At Chase since 1988, Mr. Tincher oversaw the

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management of all Chase U.S. equity funds (the Vista Funds and Trust Investment Funds).

Other members of Mitchell Hutchins' domestic equities and fixed income groups provide input on market outlook, interest rate forecasts and other considerations pertaining to domestic equity and fixed income investments.

DISTRIBUTION ARRANGEMENTS. Mitchell Hutchins is the distributor of the Fund's shares and has appointed PaineWebber as the exclusive dealer for the sale of those shares. Under separate plans of distribution pertaining to the Class A shares, the Class B shares and Class D shares ("Class A Plan," "Class B Plan" and "Class D Plan," collectively, "Plans"), the Fund pays Mitchell Hutchins monthly service fees at the annual rate of up to 0.25% of the average daily net assets of each Class of shares and monthly distribution fees at the annual rate of 0.75% of the average daily net assets of the Class B and Class D shares.

Under all three Plans, Mitchell Hutchins uses the service fees primarily to pay PaineWebber for shareholder servicing, currently at the annual rate of up to 0.25% of the aggregate investment amounts maintained in the Fund by PaineWebber clients. PaineWebber passes on a portion of these fees to its investment executives to compensate them for shareholder servicing that they perform and retains the remainder to offset its own expenses in servicing and maintaining shareholder accounts. These expenses may include costs of the PaineWebber branch office in which the investment executive is based, such as rent, communications equipment, employee salaries and other overhead costs.

Mitchell Hutchins uses the distribution fees under the Class B and Class D Plans to offset the commissions it pays to PaineWebber for selling the Fund's Class B and Class D shares. PaineWebber passes on to its investment executives a portion of these commissions and retains the remainder to offset its expenses in selling Class B and Class D shares. These expenses may include the branch office costs noted above. In addition, Mitchell Hutchins uses the distribution fees under the Class B and Class D Plans to offset the Fund's marketing costs attributable to such Classes, such as preparation of sales literature, advertising and printing and

distributing prospectuses and other shareholder materials to prospective investors. Mitchell Hutchins also may use the distribution fees to pay additional compensation to PaineWebber and other costs allocated to Mitchell Hutchins' and PaineWebber's distribution activities, including employee salaries, bonuses and other overhead expenses.

Mitchell Hutchins expects that, from time to time, PaineWebber will pay shareholder servicing fees and sales commissions to its investment executives at the time of sale of Class D shares of the Fund. If PaineWebber makes such payments, it will retain the service and distribution fees on Class D shares until it has been reimbursed and thereafter will pass a portion of the service and distribution fees on Class D shares on to its investment executives.

Mitchell Hutchins receives the proceeds of the initial sales charge paid upon the purchase of Class A shares and the contingent deferred sales charge paid upon certain redemptions of Class B shares, and may use these proceeds for any of the distribution expenses described above. See "Purchases."

During the period they are in effect, the Plans and related distribution contracts pertaining to each Class of shares ("Distribution Contracts") obligate the Fund to pay service and distribution fees to Mitchell Hutchins as compensation for its service and distribution activities, not as reimbursement for specific expenses incurred. Thus, even if Mitchell Hutchins' expenses exceed its service or distribution fees for the Fund, it will not be obligated to pay more than those fees and, if Mitchell Hutchins' expenses are less than such fees, it will retain its full fees and realize a profit. The Fund will pay the service and distribution fees to Mitchell Hutchins until either the applicable Plan or Distribution Contract is terminated or not renewed. In that event, Mitchell Hutchins' expenses in excess of service and distribution fees received or accrued through the termination date will be Mitchell Hutchins' sole responsibility and not obligations of the Fund. In their annual consideration of the continuation of the Plans, the trustees will review the Plan and Mitchell Hutchins' corresponding expenses for each Class separately from the Plans and corresponding expenses for the other two Classes.

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Performance Information

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The Fund performs a standardized computation of annualized total return and may show this return in advertisements or promotional materials. Standardized return shows the change in value of an investment in the Fund as a steady compound annual rate of return. Actual year-by-year returns fluctuate and may be higher or lower than standardized return. Standardized return for the Class A shares of the Fund reflects deduction of the Fund's maximum initial sales charge at the time of purchase, and standardized return for the Class B shares of the Fund reflects deduction of the applicable contingent deferred sales charge imposed on a redemption of shares held for the period. One-, five-and ten-year periods will be shown, unless the Class has been in existence for a shorter period. Total return calculations assume reinvestment of dividends and other distributions.

The Fund may use other total return presentations in conjunction with standardized return. These may cover the same or different periods as those used for standardized return and may include cumulative returns, average annual rates, actual year-by-year rates or any combination thereof. Non-standardized return does not reflect initial or contingent deferred sales charges and would be lower if such charges were included.

The Fund will include performance data for all three Classes of Fund shares in any advertisements or promotional materials including Fund performance data. Total return information reflects past performance and does not necessarily indicate future results. Investment return and principal values will fluctuate, and proceeds upon redemption may be more or less than a shareholder's cost.

General Information

ORGANIZATION. PaineWebber America Fund is registered with the SEC as an open-end management investment company and was organized as a business trust under the laws of the Commonwealth of Massachusetts by Declaration of Trust dated October 31, 1986. The trustees have authority to issue an unlimited number of shares of beneficial interest of separate series, par value $.001 per share, of the Trust.

The shares of beneficial interest of the Fund are divided into four Classes, designated Class A shares, Class B shares, Class C shares and Class D shares. Each Class represents interests in the same assets of the Fund. The Classes differ as follows: (1) each Class of shares has exclusive voting rights on matters pertaining to its plan of distribution, (2) Class A shares are subject to an initial sales charge, (3) Class B shares bear ongoing distribution fees, are subject to a contingent deferred sales charge upon certain redemptions and will automatically convert to Class A shares approximately six years after issuance, (4) Class D shares are subject to neither an initial nor a contingent deferred sales charge, bear ongoing distribution fees and do not convert into another Class, (5) Class C shares, which may be offered only to a limited class of institutional investors, are subject to neither an initial or contingent deferred sales charge nor ongoing service or distribution fees, and (6) each Class may bear differing amounts of certain Class-specific expenses. The board of trustees of the Trust does not anticipate that there will be any conflicts among the interests of the holders of each Class of Fund shares. On an ongoing basis, the board of trustees will consider whether any such conflict exists and, if so, take appropriate action.

The Trust does not hold annual shareholder meetings. There normally will be no meetings of shareholders to elect trustees unless fewer than a majority of the trustees of the Trust holding office have been elected by shareholders. Shareholders of record holding at least two-thirds of the outstanding shares of the Trust may remove a trustee by votes cast in person or by proxy at a meeting called for that purpose. The trustees are required to call a meeting of shareholders for the purpose of voting upon the question of removal of any trustee when so requested in writing by the shareholders of record holding at least 10% of the Trust's outstanding shares. Each share of the Fund has equal voting rights, except as noted above. Each share of the Fund is entitled to participate equally in dividends and other distributions and the proceeds of any liquidation, except that, due to the differing expenses borne by the four classes, these dividends and proceeds for the Class B and Class D shares are likely to be lower than for the Class A shares and are likely to be lower for the Class A, Class B and Class D shares than for Class C shares.

To avoid additional operating costs and for investor convenience, the Fund does not issue share certificates. Ownership of shares of the Fund is recorded on a stock register by the Transfer Agent and shareholders have the same rights of ownership with respect to such shares as if certificates had been issued.

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CUSTODIAN AND TRANSFER AGENT. State Street Bank and Trust Company, One Heritage Drive, North Quincy, Massachusetts 02171, is custodian for the Fund. PFPC Inc., a subsidiary of PNC Bank, National Association, whose principal address is 400 Bellevue Parkway, Wilmington, Delaware 19809, is the Fund's transfer and dividend disbursing agent.

CONFIRMATIONS AND STATEMENTS. Shareholders receive confirmations of purchases and redemptions of shares of the Fund. PaineWebber clients receive statements at least quarterly that report their Fund activity and consolidated year-end statements that show all Fund transactions for that year. Shareholders who are not PaineWebber clients receive quarterly statements from the Transfer Agent. Shareholders also receive audited annual and unaudited semi-annual financial statements of the Fund.

Appendix

The Fund may use the hedging instruments described below:

OPTIONS ON EQUITY AND DEBT SECURITIES--A call option is a short-term contract pursuant to which the purchaser of the option, in return for a premium, has the right to buy the security underlying the option at a specified price at any time during the term of the option. The writer of the call option, who receives the premium, has the obligation, upon exercise of the option during the option term, to deliver the underlying security against payment of the exercise price. A put option is a similar contract that gives its purchaser, in return for a premium, the right to sell the underlying security at a specified price during the option term. The writer of the put option, who receives the premium, has the obligation, upon exercise of the option during the option term, to buy the underlying security at the exercise price.

OPTIONS ON STOCK INDEXES--A stock index assigns relative values to the stocks included in the index and fluctuates with changes in the market values of those stocks. A stock index option operates in the same way as a more traditional stock option, except that exercise of a stock index option is effected with cash payment and does not involve delivery of securities. Thus, upon exercise of a stock index option, the purchaser will realize, and the writer will pay, an amount based on the difference between the exercise price and the closing price of the stock index.

STOCK INDEX FUTURES CONTRACTS--A stock index futures contract is a bilateral agreement pursuant to which one party agrees to accept, and the other party agrees to make, delivery of an amount of cash equal to a specified dollar amount times the difference between the stock index value at the close of trading of the contract and the price at which the futures contract is originally struck. No physical delivery of the stocks comprising the index is made. Generally, contracts are closed out prior to the expiration date of the contract.

INTEREST RATE FUTURES CONTRACTS--Interest rate futures contracts are bilateral agreements pursuant to which one party agrees to make, and the other party agrees to accept, delivery of a specified type of debt security at a specified future time and at a specified price. Although such futures contracts by their terms call for actual delivery or acceptance of debt securities, in most cases the contracts are closed out before the settlement date without the making or taking of delivery.

OPTIONS ON FUTURES CONTRACTS--Options on futures contracts are similar to options on securities, except that an option on a futures contract gives the purchaser the right, in return for the premium, to assume a position in a futures contract (a long position if the option is a call and a short position if the option is a put), rather than to purchase or sell a security, at a specified price at any time during the option term. Upon exercise of the option, the delivery of the futures position to the holder of the option will be accompanied by delivery of the accumulated balance that represents the amount by which the market price of the futures contract exceeds, in the case of a call, or is less than, in the case of a put, the exercise price of the option on the future. The writer of an option, upon exercise, will assume a short position in the case of a call and a long position in the case of a put.

Application Form

THE PAINEWEBBER [_][_] - [_][_][_][_][_][_] - [_][_]

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MUTUAL FUNDS PaineWebber Account No.

INSTRUCTIONS DO NOT USE THIS FORM IF YOU WOULD LIKE YOUR ACCOUNT SERVICED THROUGH PAINEWEBBER. INSTEAD, CALL YOUR PAINEWEBBER INVESTMENT EXECUTIVE (OR YOUR LOCAL PAINEWEBBER OFFICE TO OPEN AN ACCOUNT).

ALSO, DO NOT USE THIS FORM TO OPEN A RETIREMENT PLAN ACCOUNT. FOR RETIREMENT PLAN FORMS OR FOR ASSISTANCE IN COMPLETING THIS FORM CONTACT PFPC INC. AT 1-800-647-1568.

Return this completed form to: PFPC Inc. P.O. Box 8950 Wilmington, Delaware 19899 ATTN: PaineWebber Mutual Funds

PLEASE PRINT

<TABLE>
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[1] INITIAL INVESTMENT ($1,000 MINIMUM)

ENCLOSED IS A CHECK FOR:

$____(payable to PaineWebber Growth and Income Fund) to purchase Class A [_] Class B [_] or Class D [_] shares
(Check one Class; if no Class is specified Class A shares will be purchased)

[2] ACCOUNT REGISTRATION

Not valid without signature and Soc. Sec. or Tax ID #
- --As joint tenants, use Lines 1 and 2
- --As custodian for a minor, use Lines 1 and 3
- --In the name of a corporation, trust or other organization or any fiduciary capacity, use Line 4

1. Individual / /
First Name Last Name MI Soc. Sec. No.

2. Joint Tenancy / /
First Name Last Name MI Soc. Sec. No.
("Joint Tenants with Rights of Survivorship" unless otherwise specified)

3. Gifts to Minors / /
Minor's Name Soc. Sec. No.

Under the ___________________________ Uniform Gifts to Minors Act /Uniform Transfers to Minors Act
State of Residence of Minor

4. Other Registrations
Name Tax Ident. No.

5. If Trust, Date of Trust Instrument: _______

[3] ADDRESS

Street U.S. Citizen [_] YES [_] NO*

City State Zip Code *Country of Citizenship

[4] DISTRIBUTION OPTIONS See Prospectus

Please select one of the following:

[_] Reinvest both dividends and capital gain distributions in additional shares

[_] Pay dividends to my address above; reinvest capital gain distributions

[_] Pay both dividends and capital gain distributions in cash to my address above

[_] Reinvest dividends and pay capital gain distributions in cash to my address above

[5] SPECIAL OPTIONS (For More Information--Check Appropriate Box)

[_] Automatic Investment Plan [_] Prototype IRA Application [_] Systematic Withdrawal Plan

NOTE: If a selection is not made, both dividends and capital gain distributions will be paid in additional Fund shares of the same Class.

</TABLE>

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[6] RIGHTS OF ACCUMULATION--CLASS A SHARES (See Prospectus)

Indicate here any other account(s) in the group of funds that would qualify for the cumulative quantity discount as outlined in the Prospectus.

Fund Name	Account No.	Registered Owner
Fund Name	Account No.	Registered Owner
Fund Name	Account No.	Registered Owner

[7] PLEASE INDICATE BELOW IF YOU ARE AFFILIATED WITH PAINEWEBBER

"Affiliated" persons are defined as officers, directors/trustees and employees of the PaineWebber funds, PaineWebber or its affiliates, and their parents, spouses and children.

Nature of Relationship

[8] SIGNATURE (S) AND TAX CERTIFICATION (S)

I warrant that I have full authority and am of legal age to purchase shares of the Fund and have received and read a current Prospectus of the Fund and agree to its terms. The Fund and its Transfer Agent will not be liable for acting upon instructions or inquiries believed genuine. Under penalties of perjury, I certify that (1) my taxpayer identification number provided in this application is correct and (2) I am not subject to backup withholding because (i) I have not been notified that I am subject to backup withholding as a result of failure to report interest or dividends or (ii) the IRS has notified me that I am no longer subject to backup withholding (strike out clause (2) if incorrect).

Individual (or Custodian)	Joint Registrant (if any)	Date
Corporate Officer, Partner, Trustee, etc.	Title	Date

[9] INVESTMENT EXECUTIVE IDENTIFICATION (To Be Completed By Investment Executive Only)

Broker No./Name	Branch Wire Code
Branch Address	( ) Telephone

[10] CORRESPONDENT FIRM IDENTIFICATION (To Be Completed By Correspondent Firm Only)

Name	Address

MAIL COMPLETED FORM TO YOUR PAINEWEBBER INVESTMENT EXECUTIVE OR CORRESPONDENT FIRM OR TO: PFPC INC., P.O. BOX 8950, WILMINGTON, DELAWARE 19899.

Shares of the Fund can be exchanged for shares of the following other PaineWebber and Mitchell Hutchins/Kidder Peabody mutual funds:

INCOME FUNDS

. MH/KP Adjustable Rate Government Fund

. MH/KP Global Fixed Income Fund

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. MH/KP Government Income Fund

. MH/KP Intermediate Fixed Income Fund

. PW Global Income Fund

. PW High Income Fund

. PW Investment Grade Income Fund

. PW Short-Term U.S. Government Income Fund

. PW Short-Term U.S. Government Income Fund for Credit Unions

. PW Strategic Income Fund

. PW U.S. Government Income Fund

TAX-FREE INCOME FUNDS

. MH/KP Municipal Bond Fund

. PW California Tax-Free Income Fund

. PW Municipal High Income Fund

. PW National Tax-Free Income Fund

. PW New York Tax-Free Income Fund

GROWTH FUNDS

. MH/KP Emerging Markets Equity Fund

. MH/KP Global Equity Fund

. MH/KP Small Cap Growth Fund

. PW Atlas Global Growth Fund

. PW Blue Chip Growth Fund

. PW Capital Appreciation Fund

. PW Communications & Technology Growth Fund

. PW Europe Growth Fund

. PW Growth Fund

. PW Regional Financial Growth Fund

. PW Small Cap Value Fund

GROWTH AND INCOME FUNDS

. MH/KP Asset Allocation Fund

. MH/KP Equity Income Fund

. PW Asset Allocation Fund

. PW Dividend Growth Fund

. PW Global Energy Fund

. PW Global Growth and Income Fund

. PW Utility Income Fund

PW MONEY MARKET FUND

A prospectus containing more complete information for any of the above funds, including charges and expenses, can be obtained from a PaineWebber investment executive or correspondent firm. Read it carefully before investing.

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PaineWebber
Growth and Income
Fund

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PROSPECTUS
May , 1995

PAINEWEBBER GROWTH AND INCOME FUND

1285 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10019

STATEMENT OF ADDITIONAL INFORMATION

PaineWebber Growth and Income Fund ("Fund") is a diversified series of PaineWebber America Fund ("Trust"), a professionally managed, open-end investment company organized as a Massachusetts business trust. The Fund seeks to provide current income and capital growth; it invests primarily in dividend-paying equity securities believed by Mitchell Hutchins to have the potential for rapid earnings growth; stocks are selected through a disciplined methodology that utilizes quantitative measures of value, earnings and price momentum, as well as fundamental analysis. The Fund's investment adviser, administrator and distributor is Mitchell Hutchins Asset Management Inc. ("Mitchell Hutchins"), a wholly owned subsidiary of PaineWebber Incorporated ("PaineWebber"). As distributor for the Fund, Mitchell Hutchins has appointed PaineWebber to serve as the exclusive dealer for the sale of Fund shares. This Statement of Additional Information is not a prospectus and should be read only in conjunction with the Fund's current Prospectus, dated May , 1995. A copy of the Prospectus may be obtained by calling any PaineWebber investment executive or correspondent firm or by calling toll-free 1-800-647-1568. This Statement of Additional Information is dated May , 1995.

INVESTMENT POLICIES AND RESTRICTIONS

The following supplements the information contained in the Prospectus concerning the Fund's investment policies and limitations.

YIELD FACTORS AND RATINGS. Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Group ("S&P") and other nationally recognized statistical rating organizations ("NRSROs") are private services that provide ratings of the credit quality of debt obligations. A description of the ratings assigned to corporate debt obligations by Moody's and S&P is included in the Appendix to this Statement of Additional Information. The Fund may use these ratings in determining whether to purchase, sell or hold a security. It should be emphasized, however, that ratings are general and are not absolute standards of quality. Consequently, securities with the same maturity, interest rate and rating may have different market prices.

SPECIAL CONSIDERATIONS RELATING TO FOREIGN SECURITIES. To the extent that the Fund invests in U.S. dollar-denominated securities of foreign issuers, these securities may not be registered with the Securities and Exchange Commission ("SEC") nor may the issuers thereof be subject to its reporting requirements. Accordingly, there may be less publicly available information concerning foreign issuers of securities held by the Fund than is available concerning U.S. companies. Foreign companies are not generally subject to uniform accounting, auditing and financial reporting standards or to other regulatory requirements comparable to those applicable to U.S. companies.

The Fund may invest in foreign securities by purchasing American Depository Receipts ("ADRs"). Generally, ADRs, in registered form, are denominated in U.S. dollars and are designed

for use in the U.S. securities markets. ADRs are receipts typically issued by a U.S. bank or trust company evidencing ownership of the underlying securities. For purposes of the Fund's investment policies, ADRs are deemed to have the same classification as the underlying securities they represent. Thus, an ADR representing ownership of common stock will be treated as common stock.

Investment income on certain foreign securities in which the Fund may invest may be subject to foreign withholding or other taxes that could reduce the return on these securities. Tax treaties between the United States and foreign countries, however, may reduce or eliminate the amount of foreign taxes to

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which the Fund would be subject.

CONVERTIBLE SECURITIES. A convertible security entitles the holder to receive interest paid or accrued on debt or the dividend paid on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities have characteristics similar to non-convertible debt securities in that they ordinarily provide a stable stream of income with generally higher yields than those of common stocks of the same or similar issuers. Convertible securities rank senior to common stock in a corporation's capital structure but are usually subordinated to comparable non-convertible securities.

Convertible securities have unique investment characteristics in that they generally (1) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (2) are less subject to fluctuation in value than the underlying stock since they have fixed income characteristics and (3) provide the potential for capital appreciation if the market price of the underlying common stock increases. The value of a convertible security is a function of its "investment value" (determined by its yield comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also may have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value, and generally the conversion value decreases as the convertible security approaches maturity. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. In addition, a convertible security generally will sell at a premium over its conversion value determined by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed income security.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Fund is called for redemption, the Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party.

ILLIQUID SECURITIES. The Fund may invest up to 10% of its net assets in illiquid securities. The term "illiquid securities" for this purpose means securities that cannot be disposed of within seven

days in the ordinary course of business at approximately the amount at which the Fund has valued the securities and includes, among other things, purchased over-the-counter ("OTC") options, repurchase agreements maturing in more than seven days and restricted securities other than those Mitchell Hutchins has determined are liquid pursuant to guidelines established by the Trust's board of trustees. The assets used as cover for OTC options written by the Fund will be considered illiquid unless the OTC options are sold to qualified dealers who agree that the Fund may repurchase any OTC option it writes at a maximum price to be calculated by a formula set forth in the option agreement. The cover for an OTC option written subject to this procedure would be considered illiquid only to the extent that the maximum repurchase price under the formula exceeds the intrinsic value of the option. Illiquid restricted securities may be sold only in privately negotiated transactions or in public offerings with respect to which a registration statement is in effect under the Securities Act of 1933 ("1933 Act"). Where registration is required, the Fund may be obligated to pay all or part of the registration expenses and a considerable period may elapse between the time of the decision to sell and the time the Fund may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the Fund might obtain a less favorable price than prevailed when it decided to sell.

Not all restricted securities are illiquid. In recent years a large institutional market has developed for certain securities that are not registered under the 1933 Act, including private placements, repurchase agreements, commercial paper, foreign securities and corporate bonds and notes. These instruments are often restricted securities because the securities are sold in transactions not requiring registration. Institutional investors generally will not seek to sell these instruments to the general public, but instead will often depend either on an efficient institutional market in which such unregistered securities can be readily resold or on an issuer's ability to honor a demand for repayment. Therefore, the fact that there are contractual or legal restrictions on resale to the general public or certain institutions is not dispositive of the liquidity of such investments.

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Rule 144A under the 1933 Act establishes a "safe harbor" from the registration requirements of the 1933 Act for resales of certain securities to qualified institutional buyers. Institutional markets for restricted securities have developed as a result of Rule 144A, providing both readily ascertainable values for restricted securities and the ability to liquidate an investment to satisfy share redemption orders. Such markets include automated systems for the trading, clearance and settlement of unregistered securities of domestic and foreign issuers, such as the PORTAL System sponsored by the National Association of Securities Dealers, Inc. An insufficient number of qualified institutional buyers interested in purchasing Rule 144A-eligible restricted securities held by the Fund, however, could affect adversely the marketability of such portfolio securities and the Fund might be unable to dispose of such securities promptly or at favorable prices.

The Trust's board of trustees has delegated the function of making day-to-day determinations of liquidity to Mitchell Hutchins, pursuant to guidelines approved by the board. Mitchell Hutchins takes into account a number of factors in reaching liquidity decisions, including (1) the frequency of trades for the security, (2) the number of dealers that make quotes for the security, (3) the number of dealers that have undertaken to make a market in the security, (4) the number of other potential purchasers and (5) the nature of the security and how trading is effected (e.g., the time needed to sell the security, how offers are solicited and the mechanics of transfer). Mitchell Hutchins monitors the liquidity of restricted securities in the Fund's portfolio and reports periodically on such decisions to the board.

REPURCHASE AGREEMENTS. Repurchase agreements are transactions in which the Fund purchases securities from a bank or recognized securities dealer and simultaneously commits to resell the securities to the bank or dealer at an agreed-upon date and price reflecting a market rate of interest unrelated to the coupon rate or maturity of the purchased securities. The Fund maintains custody of the underlying securities prior to their repurchase; thus, the obligation of the bank or dealer to pay the repurchase price on the date agreed to is, in effect, secured by such securities. If the value of these securities is less than the repurchase price, plus any agreed-upon additional amount, the other party to the agreement must provide additional collateral so that at all times the collateral is at least equal to the repurchase price, plus any agreed-upon additional amount. The difference between the total amount to be received upon repurchase of the securities and the price that was paid by the Fund upon acquisition is accrued as interest and included in its net investment income. Repurchase agreements carry certain risks not associated with direct investments in securities, including possible declines in the market value of the underlying securities and delays and costs to the Fund if the other party to a repurchase agreement becomes insolvent.

The Fund intends to enter into repurchase agreements only with banks and dealers in transactions believed by Mitchell Hutchins to present minimal credit risks in accordance with guidelines established by the Trust's board of trustees. Mitchell Hutchins reviews and monitors the creditworthiness of those institutions under the board's general supervision.

REVERSE REPURCHASE AGREEMENTS. The Fund may enter into reverse repurchase agreements with banks and securities dealers up to an aggregate value of not more than 5% of its total assets. Such agreements involve the sale of securities held by the Fund subject to its agreement to repurchase the securities at an agreed-upon date and price reflecting a market rate of interest. Such agreements are considered to be borrowings and may be entered into only for temporary purposes. While a reverse repurchase agreement is outstanding, the Fund's custodian segregates assets to cover the Fund's obligations under the reverse repurchase agreement. See "Investment Policies and Restrictions--Segregated Accounts."

LENDING OF PORTFOLIO SECURITIES. Although the Fund has no intention of doing so during the coming year, it is authorized to lend up to 10% of the total value of its portfolio securities to broker-dealers or institutional investors that Mitchell Hutchins deems qualified, but only when the borrower maintains with the Fund's custodian bank collateral either in cash or money market instruments in an amount, marked to market daily, at least equal to the market value of the securities loaned, plus accrued interest and dividends. In determining whether to lend securities to a particular broker-dealer or institutional investor, Mitchell Hutchins will consider, and during the period of the loan will monitor, all relevant facts and circumstances, including the creditworthiness of the borrower. The Fund will retain authority to terminate any loans at any time. The Fund may pay reasonable administrative and custodial fees in connection with a loan and may pay a negotiated portion of the interest earned on the cash or money market instruments held as collateral to the borrower or placing broker. The Fund will receive reasonable interest on the loan or a flat fee from the borrower and amounts equivalent to any dividends, interest or other distributions on the securities loaned. The Fund will regain record ownership of loaned securities to exercise beneficial rights, such as voting and subscription rights and rights to dividends, interest or other

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distributions, when regaining such rights is considered to be in the Fund's interest.

SHORT SALES "AGAINST THE BOX". As indicated in the prospectus, the Fund may engage in short sales of securities it owns or has the right to acquire at no added cost through conversion or exchange of other securities it owns (short sales "against the box") to defer realization of gains or losses for tax or other purposes. To make delivery to the purchaser in a short sale, the executing broker borrows the securities being sold short on behalf of the Fund, and the Fund is obligated to replace the securities borrowed at a date in the future. When the Fund sells short, it will establish a margin account with the broker effecting the short sale, and will deposit collateral with the broker. In addition, the Fund will maintain with its custodian, in a segregated account, the securities that could be used to cover the short sale. The Fund will incur transaction costs, including interest expense, in connection with opening, maintaining and closing short sales against the box. The Fund currently does not intend to have obligations under short-sales that at any time during the coming year exceed 5% of the Fund's total assets.

The Fund might make a short sale "against the box" in order to hedge against market risks when Mitchell Hutchins believes that the price of a security may decline, thereby causing a decline in the value of a security owned by the Fund or a security convertible into or exchangeable for a security owned by the Fund, or when Mitchell Hutchins wants to sell a security that the Fund owns at a current price, but also wishes to defer recognition of gain or loss for federal income tax purposes. In such case, any loss in the Fund's long position after the short sale should be reduced by a gain in the short position. Conversely, any gain in the long position should be reduced by a loss in the short position. The extent to which gains or losses in the long position are reduced will depend upon the amount of the securities sold short relative to the amount of the securities the Fund owns, either directly or indirectly, and in the case where the Fund owns convertible securities, changes in the investment values or conversion premiums of such securities.

SEGREGATED ACCOUNTS. When the Fund enters into certain transactions to make future payments to third parties, including reverse repurchase agreements, it will maintain with an approved custodian in a segregated account cash, U.S. government securities or other liquid high-grade debt securities, marked to market daily, in an amount at least equal to the Fund's obligation or commitment under such transactions. As described below under "Hedging Strategies," segregated accounts may also be required in connection with certain transactions involving options and futures contracts.

INVESTMENT LIMITATIONS OF THE FUND

The Fund may not (1) purchase any securities other than those its investment objective permits it to purchase; (2) purchase securities of any one issuer (except U.S. government securities) if as a result more than 5% of the Fund's total assets would be invested in such issuer or the Fund would own or hold more than 10% of the outstanding voting securities of that issuer, provided, however, that up to 25% of the value of the Fund's total assets may be invested without regard to these limitations; (3) purchase securities on margin, except for short-term credit necessary for clearance of portfolio transactions and except that the Fund may make margin deposits in connection with its use of options, futures contracts and options on futures contracts; (4) underwrite securities of other issuers, except to the extent that, in connection with the disposition of portfolio securities, the Fund may be deemed an underwriter under the federal securities laws; (5) make short sales of securities or maintain a short position, except that the Fund may (a) make short sales and may maintain short positions in connection with its use of options, futures contracts and options on futures contracts and (b) sell short "against the box"; (6) purchase or sell real estate, provided that the Fund may invest in securities secured by real estate or interests therein or issued by companies which invest

in real estate or interests therein; (7) purchase or sell commodities or commodity contracts, except that the Fund may purchase or sell stock index futures, interest rate futures and options thereon; (8) invest in oil, gas or mineral-related programs or leases; (9) make loans, except through loans of portfolio securities as described herein and except through repurchase agreements; provided that for purposes of this restriction the acquisition of bonds, debentures, or other corporate debt securities and investment in government obligations, short-term commercial paper, certificates of deposit and bankers' acceptances shall not be deemed to be the making of loans; (10) purchase any securities issued by any other investment company, except in connection with the merger, consolidation or acquisition of all the securities or assets of such an issuer; (11) issue senior securities or borrow money,

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except from banks for temporary purposes and except for reverse repurchase agreements, and then in an aggregate amount not in excess of 10% of the Fund's total assets; provided further that the Fund will not purchase securities while borrowings in excess of 5% of the Fund's total assets are outstanding; or (12) make an investment in any one industry if the investment would cause the aggregate value of the Fund's investments in such industry to exceed 25% of the Fund's total assets.

The foregoing fundamental investment limitations cannot be changed without the affirmative vote of the lesser of (a) more than 50% of the outstanding shares of the Fund or (b) 67% or more of the shares present at a shareholders' meeting if more than 50% of the outstanding shares are represented at the meeting in person or by proxy. If a percentage restriction is adhered to at the time of an investment or transaction, a later increase or decrease in percentage resulting from a change in values of portfolio securities or amount of total assets will not be considered a violation of any of the foregoing limitations.

The following investment restrictions may be changed by the Trust's board of trustees without shareholder approval: the Fund may not (1) purchase or retain the securities of any issuer if, to the knowledge of the Fund's management, the officers and trustees of the Trust and the officers and directors of Mitchell Hutchins (each owning beneficially more than 0.5% of the outstanding securities of an issuer) own in the aggregate more than 5% of the securities of the issuer; (2) purchase any security if as a result more than 5% of its total assets would be invested in securities of companies that together with any predecessors have been in continuous operation for less than three years; (3) invest more than 10% of its net assets in illiquid securities, a term which means securities that cannot be disposed of within seven days in the ordinary course of business at approximately the amount at which it has valued the securities and includes, among other things, repurchase agreements maturing in more than seven days; (4) make investments in warrants if such investments, valued at the lower of cost or market, exceed 5% of the value of its net assets, which amount may include warrants that are not listed on the New York Stock Exchange, Inc ("NYSE") or the American Stock Exchange, Inc., provided that such unlisted warrants, valued at the lower of cost or market, do not exceed 2% of its net assets, and further provided that this restriction does not apply to warrants attached to, or sold as a unit with, other securities. For purposes of this restriction, the term "warrants" does not include options on securities, stock or bond indices or futures contracts; or (5) invest more than 35% of its total assets in debt securities rated Ba or lower by Moody's or BB or lower by S&P, comparably rated by another NRSRO or determined by Mitchell Hutchins to be of comparable quality. This non-fundamental policy (5) can be changed only upon 30 days' advance notice to shareholders. The Fund will continue to interpret fundamental investment limitation (6) to prohibit investment in real estate limited partnerships.

HEDGING STRATEGIES

GENERAL DESCRIPTION OF HEDGING STRATEGIES. As discussed in the Prospectus, Mitchell Hutchins may use a variety of financial instruments ("Hedging Instruments"), including certain options, futures contracts (sometimes referred to as "futures") and options on futures contracts to attempt to hedge the Fund's portfolio. The particular Hedging Instruments are described in the Appendix to the Prospectus.

Hedging strategies can be broadly categorized as "short hedges" and "long hedges." A short hedge is a purchase or sale of a Hedging Instrument intended to partially or fully offset potential declines in the value of one or more investments held in the Fund's portfolio. Thus, in a short hedge the Fund takes a position in a Hedging Instrument whose price is expected to move in the opposite direction of the price of the investment being hedged. For example, the Fund might purchase a put option on a security to hedge against a potential decline in the value of that security. If the price of the security declined below the exercise price of the put, the Fund could exercise the put and thus limit its loss below the exercise price to the premium paid plus transactions costs. In the alternative, because the value of the put option can be expected to increase as the value of the underlying security declines, the Fund might be able to close out the put option and realize a gain to offset the decline in the value of the security.

Conversely, a long hedge is a purchase or sale of a Hedging Instrument intended partially or fully to offset potential increases in the acquisition cost of one or more investments that the Fund intends to acquire. Thus, in a long hedge the Fund takes a position in a Hedging Instrument whose price is expected to move in the same direction as the price of the prospective investment being hedged. For example, the Fund might purchase a call option on a security it intends to purchase in order to hedge against an increase in the cost of the security. If the price of the security increased above the exercise price of the call, the Fund could exercise the call and thus limit its acquisition cost to the exercise price plus the premium paid and transactions costs. Alternatively, the Fund might be able to offset the price increase by

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closing out an appreciated call option and realizing a gain.

Hedging Instruments on securities generally are used to hedge against price movements in one or more particular securities positions that the Fund owns or intends to acquire. Hedging Instruments on stock indices, in contrast, generally are used to hedge against price movements in broad equity market sectors in which the Fund has invested or expects to invest. Hedging Instruments on debt securities may be used to hedge either individual securities or broad fixed income market sectors.

The use of Hedging Instruments is subject to applicable regulations of the SEC, the several options and futures exchanges upon which they are traded, the Commodity Futures Trading Commission ("CFTC") and various state regulatory authorities. In addition, the Fund's ability to use Hedging Instruments will be limited by tax considerations. See "Taxes."

In addition to the products, strategies and risks described below and in the Prospectus, Mitchell Hutchins expects to discover additional opportunities in connection with options, futures contracts and other hedging techniques. These new opportunities may become available as Mitchell Hutchins develops new techniques, as regulatory authorities broaden the range of permitted transactions and

as new options, futures contracts or other techniques are developed. Mitchell Hutchins may utilize these opportunities to the extent that they are consistent with the Fund's investment objective and permitted by the Fund's investment limitations and applicable regulatory authorities. The Fund's Prospectus or Statement of Additional Information will be supplemented to the extent that new products or techniques involve materially different risks than those described below or in the Prospectus.

SPECIAL RISKS OF HEDGING STRATEGIES. The use of Hedging Instruments involves special considerations and risks, as described below. Risks pertaining to particular Hedging Instruments are described in the sections that follow.

(1) Successful use of most Hedging Instruments depends upon the ability of Mitchell Hutchins to predict movements of the overall securities and interest rate markets, which requires different skills than predicting changes in the prices of individual securities. While Mitchell Hutchins is experienced in the use of Hedging Instruments, there can be no assurance that any particular hedging strategy adopted will succeed.

(2) There might be imperfect correlation, or even no correlation, between price movements of a Hedging Instrument and price movements of the investments being hedged. For example, if the value of a Hedging Instrument used in a short hedge increased by less than the decline in value of the hedged investment, the hedge would not be fully successful. Such a lack of correlation might occur due to factors unrelated to the value of the investments being hedged, such as speculative or other pressures on the markets in which Hedging Instruments are traded.

The effectiveness of hedges using Hedging Instruments on indices will depend on the degree of correlation between price movements in the index and price movements in the securities being hedged. Because the Fund invests primarily in common stocks of issuers meeting the specific criteria described in the Prospectus, there might be a significant lack of correlation between the portfolio and the stock indices underlying any such Hedging Instruments used by the Fund.

(3) Hedging strategies, if successful, can reduce risk of loss by wholly or partially offsetting the negative effect of unfavorable price movements in the investments being hedged. However, hedging strategies can also reduce opportunity for gain by offsetting the positive effect of favorable price movements in the hedged investments. For example, if the Fund entered into a short hedge because Mitchell Hutchins projected a decline in the price of a security in the Fund's portfolio, and the price of that security increased instead, the gain from that increase might be wholly or partially offset by a decline in the price of the Hedging Instrument. Moreover, if the price of the Hedging Instrument declined by more than the increase in the price of the security, the Fund could suffer a loss. In either such case, the Fund would have been in a better position had it not hedged at all.

(4) As described below, the Fund might be required to maintain assets as "cover," maintain segregated accounts or make margin payments when it takes positions in Hedging Instruments involving obligations to third parties (i.e., Hedging Instruments other than purchased options). If the Fund were unable to close out its positions in such Hedging Instruments, it might be required to continue to maintain such assets or accounts or make such payments until the positions expired or matured. These requirements might impair the Fund's ability to sell a portfolio security or make an investment at a time when it would otherwise be favorable to do so, or require that the Fund

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sell a portfolio security at a disadvantageous time. The Fund's ability to close out a position in a Hedging Instrument prior to expiration or maturity depends on the existence of a liquid secondary market or, in the absence of such a market, the ability and willingness of a contra party to enter into a transaction closing out the position. Therefore, there is no assurance that any hedging position can be closed out at a time and price that is favorable to the Fund.

COVER FOR HEDGING STRATEGIES. The Fund will not use Hedging Instruments for speculative purposes or for purposes of leverage. Transactions using Hedging Instruments, other than purchased options, expose the Fund to an obligation to another party. The Fund will not enter into any such transactions unless it owns either (1) an offsetting ("covered") position in securities, other options or futures contracts or (2) cash and short-term liquid debt securities, with a value sufficient at all times to cover its potential obligations to the extent not covered as provided in (1) above. The Fund will comply with SEC guidelines regarding cover for hedging transactions and will, if the guidelines so require, set aside cash, U.S. government securities or other liquid, high-grade debt securities in a segregated account with its custodian in the prescribed amount.

Assets used as cover or held in a segregated account cannot be sold while the position in the corresponding Hedging Instrument is open, unless they are replaced with similar assets. As a result, the commitment of a large portion of the Fund's assets to cover or segregated accounts could impede portfolio management or the Fund's ability to meet redemption requests or other current obligations.

OPTIONS. The Fund may purchase put and call options, and write (sell) covered put or call options, on equity and debt securities and stock indices. The purchase of call options serves as a long hedge, and the purchase of put options serves as a short hedge. Writing covered call options serves as a limited short hedge, because declines in the value of the hedged investment would be offset to the extent of the premium received for writing the option. However, if the security appreciates to a price higher than the exercise price of the call option, it can be expected that the option will be exercised and the Fund will be obligated to sell the security at less than its market value. Writing covered put options serves as a limited long hedge because increases in the value of the hedged investment would be offset to the extent of the premium received for writing the option. However, if the security depreciates to a price lower than the exercise price of the put option, it can be expected that the put option will be exercised and the Fund will be obligated to purchase the security at more than its market value. If the covered option is an OTC option, the securities or other assets used as cover would be considered illiquid to the extent described under "Investment Policies and Limitations--Illiquid Securities."

The value of an option position will reflect, among other things, the current market value of the underlying investment, the time remaining until expiration, the relationship of the exercise price to the market price of the underlying investment, the historical price volatility of the underlying investment and general market conditions. Options normally have expiration dates of up to nine months. Options that expire unexercised have no value.

The Fund may effectively terminate its right or obligation under an option by entering into a closing transaction. For example, the Fund may terminate its obligation under a call or put option that it had written by purchasing an identical call or put option; this is known as a closing purchase

transaction. Conversely, the Fund may terminate a position in a put or call option it had purchased by writing an identical put or call option; this is known as a closing sale transaction. Closing transactions permit the Fund to realize profits or limit losses on an option position prior to its exercise or expiration.

The Fund may purchase and write both exchange-traded and OTC options. Currently, many options on equity securities are exchange-traded. Exchange markets for options on debt securities exist but are relatively new, and these instruments are primarily traded on the OTC market. Exchange-traded options in the United States are issued by a clearing organization affiliated with the exchange on which the option is listed which, in effect, guarantees completion of every exchange-traded option transaction. In contrast, OTC options are contracts between the Fund and its contra party (usually a securities dealer or a bank) with no clearing organization guarantee. Thus, when the Fund purchases or writes an OTC option, it relies on the contra party to make or take delivery of the underlying investment upon exercise of the option. Failure by the contra party to do so would result in the loss of any premium paid by the Fund as well as the loss of any expected benefit of the transaction. The Fund will enter

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into OTC option transactions only with contra parties that have a net worth of at least $20 million.

Generally, the OTC debt options used by the Fund are European style options. This means that the option is only exercisable immediately prior to its expiration. This is in contrast to American-style options, which are exercisable at any time prior to the expiration date of the option.

The Fund's ability to establish and close out positions in exchange-listed options depends on the existence of a liquid market. The Fund intends to purchase or write only those exchange-traded options for which there appears to be a liquid secondary market. However, there can be no assurance that such a market will exist at any particular time. Closing transactions can be made for OTC options only by negotiating directly with the contra party, or by a transaction in the secondary market if any such market exists. Although the Fund will enter into OTC options only with contra parties that are expected to be capable of entering into closing transactions with the Fund, there is no assurance that the Fund will in fact be able to close out an OTC option position at a favorable price prior to expiration. In the event of insolvency of the contra party, the Fund might be unable to close out an OTC option position at any time prior to its expiration.

If the Fund were unable to effect a closing transaction for an option it had purchased, it would have to exercise the option to realize any profit. The inability to enter into a closing purchase transaction for a covered put or call option written by the Fund could cause material losses because the Fund would be unable to sell the investment used as cover for the written option until the option expires or is exercised.

LIMITATIONS ON THE USE OF OPTIONS. The Fund's use of options is governed by the following guidelines, which can be changed by the Trust's board of trustees without shareholder vote:

(1) The Fund may purchase a put or call option, including any straddles or spreads, only if the value of its premium, when aggregated with the premiums on all other options held by the Fund, does not exceed 5% of the Fund's total assets.

(2) The aggregate value of securities underlying put options written by the Fund, determined as of the date the put options are written, will not exceed 50% of the Fund's net assets.

(3) The aggregate premiums paid on all options (including options on securities and stock or bond indices and options on futures contracts) purchased by the Fund that are held at any time will not exceed 20% of the Fund's net assets.

FUTURES. The Fund may purchase and sell stock index futures contracts and interest rate futures contracts. The Fund may also purchase put and call options, and write covered put and call options, on futures in which it is allowed to invest. The purchase of futures or call options thereon can serve as a long hedge, and the sale of futures or the purchase of put options thereon can serve as a short hedge. Writing covered call options on futures contracts can serve as a limited short hedge, and writing covered put options on futures contracts can serve as a limited long hedge, using strategies similar to those used for writing covered options on securities or indices.

No price is paid upon entering into a futures contract. Instead, at the inception of a futures contract the Fund is required to deposit in a segregated account with its custodian, in the name of the futures broker through whom the transaction was effected, "initial margin" consisting of cash, U.S. government securities or other liquid, high-grade debt securities, in an amount generally equal to 10% or less of the contract value. Margin must also be deposited when writing a call option on a futures contract, in accordance with applicable exchange rules. Unlike margin in securities transactions, initial margin on futures contracts does not represent a borrowing, but rather is in the nature of a performance bond or good-faith deposit that is returned to the Fund at the termination of the transaction if all contractual obligations have been satisfied. Under certain circumstances, such as periods of high volatility, the Fund may be required by an exchange to increase the level of its initial margin payment, and initial margin requirements might be increased generally in the future by regulatory action.

Subsequent "variation margin" payments are made to and from the futures broker daily as the value of the futures position varies, a process known as "marking to market." Variation margin does not involve borrowing, but rather represents a daily settlement of the Fund's obligations to or from a futures broker. When the Fund purchases an option on a future, the premium paid plus transaction costs is all that is at risk. In contrast, when the Fund purchases or sells a futures contract or writes a call option thereon, it is subject to daily variation margin calls that could be substantial in the event of adverse price movements. If the Fund has insufficient cash to meet daily variation

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margin requirements, it might need to sell securities at a time when such sales are disadvantageous.

Holders and writers of futures positions and options on futures can enter into offsetting closing transactions, similar to closing transactions on options, by selling or purchasing, respectively, an instrument identical to the instrument held or written. Positions in futures and options on futures may be closed only on an exchange or board of trade that provides a secondary market. The Fund intends to enter into futures transactions only on exchanges or boards of trade where there appears to be a liquid secondary market. However, there can be no assurance that such a market will exist for a particular contract at a particular time.

Under certain circumstances, futures exchanges may establish daily limits on the amount that the price of a future or related option can vary from the previous day's settlement price; once that limit is reached, no trades may be made that day at a price beyond the limit. Daily price limits do not limit potential losses because prices could move to the daily limit for several consecutive days with little or no trading, thereby preventing liquidation of unfavorable positions.

If the Fund were unable to liquidate a futures or related options position due to the absence of a liquid secondary market or the imposition of price limits, it could incur substantial losses. The Fund would continue to be subject to market risk with respect to the position. In addition, except in the case of purchased options, the Fund would continue to be required to make daily variation margin payments and might be required to maintain the position being hedged by the future or option or to maintain cash or securities in a segregated account.

Certain characteristics of the futures market might increase the risk that movements in the prices of futures contracts or related options might not correlate perfectly with movements in the prices of the investments being hedged. For example, all participants in the futures and related options markets are subject to daily variation margin calls and might be compelled to liquidate futures or related options positions whose prices are moving unfavorably to avoid being subject to further calls. These liquidations could increase price volatility of the instruments and distort the normal price relationship between the futures or options and the investments being hedged. Also, because initial margin deposit requirements in the futures market are less onerous than margin requirements in the securities markets, there might be increased participation by speculators in the futures markets. This participation also might cause temporary price distortions. In addition, activities of large traders in both the futures and securities markets involving arbitrage, "program trading" and other investment strategies might result in temporary price distortions.

LIMITATIONS ON THE USE OF FUTURES. The Fund's use of futures is governed by the following guidelines, which can be changed by the Trust's board of trustees without shareholder vote:

(1) To the extent the Fund enters into futures contracts, options on futures positions that are not for bona fide hedging purposes (as defined by the CFTC), the aggregate initial margin and premiums on those positions (excluding the amount by which options are "in-the-money") may not exceed 5% of the Fund's net assets.

(2) The aggregate premiums paid on all options (including options on securities and stock or bond indices and options on futures contracts) purchased by the Fund that are held at any time will not exceed 20% of the Fund's net assets.

(3) The aggregate margin deposits on all futures contracts and options thereon held at any time by the Fund will not exceed 5% of the Fund's total assets.

TRUSTEES AND OFFICERS

The trustees and executive officers of the Trust, their business addresses and principal occupations during the past five years are:

<TABLE>
<CAPTION>

NAME AND ADDRESS*; AGE	POSITION WITH THE TRUST	BUSINESS EXPERIENCE; OTHER DIRECTORSHIPS
<S>	<C>	<C>
E. Garrett Bewkes, Jr.**; 68	Trustee and Chairman of the	Mr. Bewkes is a director of Paine Webber Group Inc. ("PW Group")

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	Board of Trustees	(holding company of PaineWebber and Mitchell Hutchins) and a consultant to PW Group. Prior to 1988, he was chairman of the board, president and chief executive officer of American Bakeries Company. Mr. Bewkes is also a director of Interstate Bakeries Corporation and a director or trustee of 26 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Meyer Feldberg; 52 Columbia University 101 Uris Hall New York, New York 10027	Trustee	Mr. Feldberg is Dean and Professor of Management of the Graduate School of Business, Columbia University. Prior to 1989, he was president of the Illinois Institute of Technology. Dean Feldberg is also a director of AMSCO International Inc., Federated Department Stores, Inc., Inco Homes Corporation and New World Communications Group Incorporated and a director or trustee of 18 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
George W. Gowen; 65 666 Third Avenue New York, New York 10017	Trustee	Mr. Gowen is a partner in the law firm of Dunnington, Bartholow & Miller. Prior to May 1994, he was a partner in the law firm of Fryer, Ross & Gowen. Mr. Gowen is also a director of Columbia Real Estate Investments, Inc. and a director or trustee of 16 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.

</TABLE>

<TABLE>
<CAPTION>

NAME AND ADDRESS*; AGE	POSITION WITH THE TRUST	BUSINESS EXPERIENCE; OTHER DIRECTORSHIPS
<S>	<C>	<C>
Frederic V. Malek; 58 901 15th Street, N.W. Suite 300 Washington, D.C. 20005	Trustee	Mr. Malek is chairman of Thayer Capital Partners (investment bank) and a co-chairman and director of CB Commercial Group Inc. (real estate). From January 1992 to November 1992, he was campaign manager of Bush-Quayle '92. From 1990 to 1992, he was vice chairman, and from 1989 to 1990, he was president of Northwest Airlines Inc., NWA Inc. (holding company of Northwest Airlines Inc.) and Wings Holdings Inc. (holding company of NWA Inc.). Prior to 1989, he was employed by the Marriott Corporation (hotels, restaurants, airline catering and contract feeding), where he most recently was an executive vice president and president of Marriott Hotels and Resorts. Mr. Malek is also a director of American Management Systems, Inc., Automatic Data Processing, Inc., Avis, Inc., FPL Group, Inc., ICF International, Manor Care, Inc. and National Education Corporation and a director or trustee of 16 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Frank P. L. Minard**; 49	Trustee	Mr. Minard is chairman and a director of Mitchell Hutchins,

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		chairman of the board of Mitchell Hutchins Institutional Investors Inc. and a director of PaineWebber. Prior to 1993, Mr. Minard was managing director of Oppenheimer Capital in New York and Director of Oppenheimer Capital Ltd. in London. Mr. Minard is also a director or trustee of 30 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.

</TABLE>

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<CAPTION>

NAME AND ADDRESS*; AGE	POSITION WITH THE TRUST	BUSINESS EXPERIENCE; OTHER DIRECTORSHIPS
<S>	<C>	<C>
Judith Davidson Moyers; 59 Public Affairs Television 356 W. 58th Street New York, New York 10019	Trustee	Mrs. Moyers is president of Public Affairs Television, Inc., an educational consultant and a home economist. Mrs. Moyers is also a director of Columbia Real Estate Investments, Inc. and Ogden Corporation and a director or trustee of 16 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Thomas F. Murray; 89 400 Park Avenue New York, New York 10022	Trustee	Mr. Murray is a real estate and financial consultant. Mr. Murray is also a director and chairman of American Continental Properties, Inc., a trustee of Prudential Realty Trust and a director or trustee of 16 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Margo N. Alexander; 48	President	Ms. Alexander is president, chief executive officer and a director of Mitchell Hutchins. Prior to January 1995, Ms. Alexander was an executive vice president of PaineWebber. Ms. Alexander is also president of 26 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Teresa M. Boyle; 36	Vice President	Ms. Boyle is a first vice president and manager--advisory administration of Mitchell Hutchins. Prior to November 1993, she was compliance manager of Hyperion Capital Management, Inc., an investment advisory firm. Prior to April 1993, Ms. Boyle was a vice president and manager--legal administration of Mitchell Hutchins. Ms. Boyle is also a vice president of 39 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.

</TABLE>

<TABLE>
<CAPTION>

NAME AND ADDRESS*; AGE	POSITION WITH THE TRUST	BUSINESS EXPERIENCE; OTHER DIRECTORSHIPS
<S>	<C>	<C>
Joan L. Cohen; 30	Vice President and	Ms. Cohen is a vice president and

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	Assistant Secretary	attorney of Mitchell Hutchins. Prior to December 1993, she was an associate at the law firm of Seward & Kissel. Ms. Cohen is also a vice president and assistant secretary of 26 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Ellen R. Harris; 48	Vice President	Ms. Harris is chief domestic equity strategist and a managing director of Mitchell Hutchins. Ms. Harris is also a vice president of 19 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Ann E. Moran; 37	Vice President and Assistant Treasurer	Ms. Moran is a vice president of Mitchell Hutchins. Ms. Moran is also a vice president and assistant treasurer of 39 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Dianne E. O'Donnell; 42	Vice President and Secretary	Ms. O'Donnell is a senior vice president and senior associate general counsel of Mitchell Hutchins. Ms. O'Donnell is also a vice president and secretary of 39 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Victoria E. Schonfeld; 43	Vice President	Ms. Schonfeld is a managing director and general counsel of Mitchell Hutchins. From April 1990 to May 1994, she was a partner in the law firm of Arnold & Porter. Prior to April 1990, she was a partner in the law firm of Shereff, Friedman, Hoffman & Goodman. Ms. Schonfeld is also a vice president of 39 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.

</TABLE>

<TABLE>
<CAPTION>

NAME AND ADDRESS*; AGE	POSITION WITH THE TRUST	BUSINESS EXPERIENCE; OTHER DIRECTORSHIPS
Paul H. Schubert; 32	Vice President and Assistant Treasurer	Mr. Schubert is a vice president of Mitchell Hutchins. From August 1992 to August 1994, he was a vice president at BlackRock Financial Management, L.P. Prior to August 1992, he was an audit manager with Ernst & Young LLP. Mr. Schubert is also a vice president and assistant treasurer of 39 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Martha J. Slezak; 32	Vice President and Assistant Treasurer	Ms. Slezak is a vice president of Mitchell Hutchins. From September 1991 to April 1992, she was a fund-raising director for a U.S. Senate campaign. Prior to September 1991, she was a tax manager with Arthur Andersen & Co. Ms. Slezak is also a vice president and assistant treasurer of 39 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Julian F. Sluyters; 34	Vice President and	Mr. Sluyters is a senior vice

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	Treasurer	president and the director of the mutual fund finance division of Mitchell Hutchins. Prior to 1991, he was an audit senior manager with Ernst & Young LLP. Mr. Sluyters is also a vice president and treasurer of 39 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Gregory K. Todd; 38	Vice President and Assistant Secretary	Mr. Todd is a first vice president and associate general counsel of Mitchell Hutchins. Prior to 1993, he was a partner in the law firm of Shereff, Friedman, Hoffman & Goodman. Mr. Todd is also a vice president and assistant secretary of 39 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.

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* Unless otherwise indicated, the business address of each listed person is 1285 Avenue of the Americas, New York, New York 10019.

** Messrs. Bewkes, Guenther and Minard are "interested persons" of the Trust as defined in the Investment Company Act of 1940 ("1940 Act") by virtue of their positions with PW Group, PaineWebber and/or Mitchell Hutchins.

The Trust pays trustees who are not "interested persons" of the Trust $1,500 annually and $250 per meeting of the board or any committee thereof. Trustees also are reimbursed for any expenses incurred in attending meetings. Trustees and officers of the Trust own in the aggregate less than 1% of the shares of the Fund. Because Mitchell Hutchins and PaineWebber perform substantially all of the services necessary for the operation of the Trust and, the Trust requires no employees. No officer, director or employee of Mitchell Hutchins or PaineWebber presently receives any compensation from the Trust for acting as a trustee or officer.

COMPENSATION TABLE

<TABLE>
<CAPTION>

NAME OF PERSON, POSITION	AGGREGATE COMPENSATION FROM THE TRUST*	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF A FUND'S EXPENSES	ESTIMATED ANNUAL BENEFITS UPON RETIREMENT	TOTAL COMPENSATION FROM THE TRUST AND THE FUND COMPLEX PAID TO TRUSTEES**
<S>	<C>	<C>	<C>	<C>
E. Garrett Bewkes, Jr., Trustee and chairman of the board of trustees.....	--	--	--	--
Meyer Feldberg, Trustee...................	$2,750	--	--	$86,050
George W. Gowen, Trustee...................	2,750	--	--	71,425
Frederic V. Malek, Trustee...................	3,000	--	--	77,875
Frank P.L. Minard, Trustee...................	--	--	--	--
Judith Davidson Moyers, Trustee...................	2,750	--	--	71,125
Thomas F. Murray, Trustee...................	2,750	--	--	71,925

</TABLE>

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* Represents fees paid to each trustee during the fiscal year ended August 31, 1994.

** Represents total compensation paid to each trustee during the calendar year ended December 31, 1994.

INVESTMENT ADVISORY AND DISTRIBUTION ARRANGEMENTS

INVESTMENT ADVISORY ARRANGEMENTS. Mitchell Hutchins acts as the investment adviser and administrator of the Fund pursuant to a contract with the Trust dated March 1, 1989 ("Advisory Contract"). Under the Advisory Contract, the Fund pays Mitchell Hutchins a fee, computed daily and paid monthly, at the annual rate of 0.70% of the Fund's daily net assets.

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For the fiscal years ended August 31, 1994, August 31, 1993 and August 31, 1992, the Fund paid (or accrued) to Mitchell Hutchins investment advisory and administration fees of $4,892,163, $6,413,944 and $3,852,408, respectively.

On May 19, 1994, Mitchell Hutchins entered into a sub-advisory contract with its wholly-owned subsidiary, Mitchell Hutchins Institutional Investors Inc. ("MHII"), in order to enable the Fund to utilize the services of Mr. Gyandera (Joe) Joshi, MHII's Managing Director of Equity Investments, as portfolio manager. In February, 1995, Mr. Joshi became an officer and employee of Mitchell Hutchins, and therefore, the sub-advisory contract with MHII was terminated. Under the sub-advisory contract, MHII determined what securities would be purchased, sold or held by the Fund, and Mitchell Hutchins (not the Fund) paid MHII a fee in the annual amount of 0.25% of the Fund's average daily net assets. During the period from May 19, 1994 to August 31, 1994, Mitchell Hutchins paid or accrued to MHII sub-advisory fees of $405,821.

Under a service agreement with the Trust pursuant to which PaineWebber provides certain services to the Fund not otherwise provided by the Fund's transfer agent, which agreement is reviewed by the Trust's board of trustees annually, during the fiscal years ended August 31, 1994, August 31, 1993 and August 31, 1992, the Fund paid (or accrued) to PaineWebber service fees of $303,496, $355,724 and $224,546, respectively.

Under the terms of the Advisory Contract, the Fund bears all expenses incurred in its operation that are not specifically assumed by Mitchell Hutchins. Expenses borne by the Fund include the following: (1) the cost (including brokerage commissions) of securities purchased or sold by the Fund and any losses incurred in connection therewith; (2) fees payable to and expenses incurred on behalf of the Fund by Mitchell Hutchins; (3) organizational expenses; (4) filing fees and expenses relating to the registration and qualification of the Fund's shares under federal and state securities laws and maintenance of such registrations and qualifications; (5) fees and salaries payable to trustees and officers who are not interested persons (as defined in the 1940 Act) of the Fund or Mitchell Hutchins; (6) all expenses incurred in connection with the trustees' services, including travel expenses; (7) taxes (including any income or franchise taxes) and governmental fees; (8) costs of any liability, uncollectable items of deposit and other insurance or fidelity bonds; (9) any costs, expenses or losses arising out of a liability of or claim for damages or other relief asserted against the Trust or Fund for violation of any law; (10) legal, accounting and auditing expenses, including legal fees of special counsel for the independent trustees; (11) charges of custodians, transfer agents and other agents; (12) costs of preparing share certificates; (13) expenses of setting in type and printing prospectuses, statements of additional information and supplements thereto, reports and proxy materials for existing shareholders, and costs of mailing such materials to shareholders; (14) any extraordinary expenses (including fees and disbursements of counsel) incurred by the Fund; (15) fees, voluntary assessments and other expenses incurred in connection with membership in investment company organizations; (16) costs of mailing and tabulating proxies and costs of meetings of shareholders, the board and any committees thereof; (17) the cost of investment company literature and other publications provided to trustees and officers; and (18) costs of mailing, stationery and communications equipment.

As required by state regulation, Mitchell Hutchins will reimburse the Fund if and to the extent that the aggregate operating expenses of the Fund in any fiscal year exceed applicable limits. Currently, the most restrictive such limit applicable to the Fund is 2.5% of the first $30 million of the Fund's average daily net assets, 2.0% of the next $70 million of its average daily net assets and 1.5% of its average daily net assets in excess of $100 million. Certain expenses, such as brokerage

commissions, taxes, interest, distribution fees and extraordinary items, are excluded from this limitation. For the fiscal years ended August 31, 1994, August 31, 1993 and August 31, 1992, no reimbursements were required pursuant to such limitation.

Under the Advisory Contract, Mitchell Hutchins will not be liable for any error of judgment or mistake of law or for any loss suffered by the Fund in connection with the performance of the Advisory Contract, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of Mitchell Hutchins in the performance of its duties or from reckless disregard of its duties and obligations thereunder. The Advisory Contract terminates automatically upon assignment and is terminable at any time without penalty by the board of trustees or by vote of the holders of a majority of the Fund's outstanding voting securities on 60 days' written notice to Mitchell Hutchins, or by Mitchell Hutchins on 60 days' written notice to the Fund.

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The following table shows the approximate net assets as of March 31, 1995, sorted by category of investment objective, of the investment companies as to which Mitchell Hutchins serves as adviser or sub-adviser. An investment company may fall into more than one of the categories below.

INVESTMENT CATEGORY	NET ASSETS ($ MIL)
Domestic (excluding Money Market)	$ 5,730.7
Global	3,392.5
Equity/Balanced	2,773.2
Fixed Income (excluding Money Market)	6,350.0
Taxable Fixed Income	4,565.0
Tax-Free Fixed Income	1,785.0
Money Market Funds	17,769.0

Mitchell Hutchins personnel may invest in securities for their own accounts pursuant to a code of ethics that describes the fiduciary duty owed to shareholders of the PaineWebber and Mitchell Hutchins/Kidder, Peabody ("MH/KP") mutual funds and other Mitchell Hutchins' advisory accounts by all Mitchell Hutchins' directors, officers and employees, establishes procedures for personal investing and restricts certain transactions. For example, employee accounts generally must be maintained at PaineWebber, personal trades in most securities require pre-clearance and short-term trading and participation in initial public offerings generally are prohibited. In addition, the code of ethics puts restrictions on the timing of personal investing in relation to trades by PaineWebber and MH/KP funds and other Mitchell Hutchins advisory clients.

DISTRIBUTION ARRANGEMENTS. Mitchell Hutchins acts as the distributor of the Class A, Class B and Class D shares under separate distribution contracts with the Trust dated July 7, 1993 (collectively, "Distribution Contracts") that require Mitchell Hutchins to use its best efforts, consistent with its other businesses, to sell shares of the Fund. Shares of the Fund are offered continuously. Under separate exclusive dealer agreements between Mitchell Hutchins and PaineWebber dated July 7, 1993 relating to the Class A, Class B and Class D shares (collectively, "Exclusive Dealer Agreements"), PaineWebber and its correspondent firms sell the Fund's shares.

Under separate plans of distribution pertaining to the Class A, Class B and Class D shares adopted by the Trust in the manner prescribed under Rule 12b-1 under the 1940 Act ("Class A Plan," "Class B Plan" and "Class D Plan," collectively, "Plans"), the Fund pays Mitchell Hutchins a service fee, accrued daily and payable monthly, at the annual rate of 0.25% of the average daily net assets of each Class of shares, except that the Class A Plan for the Fund provides that the service fee paid with respect to shares sold prior to December 2, 1988 ("Old Shares") is paid at the annual rate of 0.15% of the Fund's net assets represented by such Old Shares. Shares acquired through new purchases, reinvestment of dividends and other distributions and exchanges on or after December 2, 1988 are not considered "Old Shares" for this purpose. Under the Class B Plan and the Class D Plan, the Fund pays Mitchell Hutchins a distribution fee, accrued daily and payable monthly, at the annual rate of 0.75% of the average daily net assets of the Class B shares and Class D shares, respectively.

Among other things, each Plan provides that (1) Mitchell Hutchins will submit to the Trust's board of trustees at least quarterly, and the trustees will review, reports regarding all amounts expended under the Plan and the purposes for which such expenditures were made, (2) the Plan will continue in effect only so long as it is approved at least annually, and any material amendment thereto is approved, by the board of trustees, including those trustees who are not "interested persons" of the Trust and who have no direct or indirect financial interest in the operation of the Plan or any agreement related to the Plan, acting in person at a meeting called for that purpose, (3) payments by the Fund under the Plan shall not be materially increased without the affirmative vote of the holders of a majority of the outstanding shares of the relevant class of the Fund and (4) while the Plan remains in effect, the selection and nomination of trustees who are not "interested persons" of the Trust shall be committed to the discretion of the trustees who are not "interested persons" of the Trust.

In reporting amounts expended under the Plans to the trustees, Mitchell Hutchins allocates expenses attributable to the sale of each Class of Fund shares to such Class based on the ratio of sales of shares of such Class to the sales of all three Classes of shares. The fees paid by one Class of Fund shares will not be used to subsidize the sale of any other Class of Fund shares.

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For the fiscal year ended August 31, 1994, the Fund paid (or accrued) the following fees to Mitchell Hutchins under the Plans:

Class A	$ 637,190
Class B	$3,590,435
Class D	$ 476,859

Mitchell Hutchins estimates that it and its parent corporation, PaineWebber, incurred the following shareholder service-related and distribution-related expenses with respect to the Fund during the fiscal year ended August 31, 1994:

CLASS A

Marketing and advertising	$ 220,770
Printing of prospectuses and statements of additional information	3,739
Branch network costs allocated and interest expense	1,597,764
Service fees paid to PaineWebber investment executives	286,736

CLASS B

Marketing and advertising	$ 459,990
Amortization of commissions	1,735,989
Printing of prospectuses and statements of additional information	8,176
Branch network costs allocated and interest expense	3,678,624
Service fees paid to PaineWebber investment executives	403,924

CLASS D

Marketing and advertising	$ 160,992
Amortization of commissions	178,489
Printing of prospectuses and statements of additional information	2,719
Branch network costs allocated and interest expense	1,073,046
Service fees paid to PaineWebber investment executives	53,647

"Marketing and advertising" includes various internal costs allocated by Mitchell Hutchins to its efforts at distributing Fund shares. These internal costs encompass office rent, salaries and other overhead expenses of various departments and areas of operations of Mitchell Hutchins. "Branch network costs allocated and interest expense" consist of an allocated portion of the expenses of various PaineWebber departments involved in the distribution of the Fund's shares, including the PaineWebber retail branch system.

In approving the Fund's overall Flexible Pricing SM system of distribution, the Trust's board of trustees considered several factors, including that implementation of Flexible Pricing would (1) enable investors to choose the purchasing option best suited to their individual situation, thereby encouraging current shareholders to make additional investments in the Fund and attracting new investors and assets to the Fund to the benefit of the Fund and its shareholders, (2) facilitate distribution of the Fund's shares and (3) maintain the competitive position of the Fund in relation to other funds that have implemented or are seeking to implement similar distribution arrangements.

In approving the Class A Plan, the trustees considered all the features of the distribution system, including (1) the conditions under which initial sales charges would be imposed and the amount of such charges, (2) Mitchell Hutchins' belief that the initial sales charge combined with a service fee would be attractive to PaineWebber investment executives and correspondent firms, resulting in greater growth of the Fund than might otherwise be the case, (3) the advantages to the shareholders of economies of scale resulting from growth in the Fund's assets and potential continued growth, (4) the services provided to the Fund and its shareholders by Mitchell Hutchins, (5) the services provided by PaineWebber pursuant to its Exclusive Dealer Agreement with Mitchell Hutchins and (6) Mitchell Hutchins' shareholder service-related expenses and costs.

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In approving the Class B Plan, the trustees considered all the features of the distribution system, including (1) the conditions under which contingent deferred sales charges would be imposed and the amount of such charges, (2) the advantage to investors in having no initial sales charges deducted from the Fund purchase payments and instead having the entire amount of their purchase payments immediately invested in Fund shares, (3) Mitchell Hutchins' belief that the ability of PaineWebber investment executives and correspondent firms to receive sales commissions when Class B shares are sold and continuing service fees thereafter while their customers invest their entire purchase payments immediately in Class B shares would prove attractive to the investment executives and correspondent firms, resulting in greater growth of the Fund than might otherwise be the case, (4) the advantages to the shareholders of economies of scale resulting from growth in the Fund's assets and potential continued growth, (5) the services provided to the Fund and its shareholders by Mitchell Hutchins, (6) the services provided by PaineWebber pursuant to its Exclusive Dealer Agreement with Mitchell Hutchins and (7) Mitchell Hutchins' shareholder service- and distribution-related expenses and costs. The trustees also recognized that Mitchell Hutchins' willingness to compensate PaineWebber and its investment executives, without the concomitant receipt by Mitchell Hutchins of initial sales charges, was conditioned upon its expectation of being compensated under the Class B Plan.

In approving the Class D Plan, the trustees considered all the features of the distribution system, including (1) the advantage to investors in having no initial sales charges deducted from the Fund's purchase payments and instead having the entire amount of their purchase payments immediately invested in Fund shares, (2) the advantage to investors in being free from contingent deferred sales charges upon redemption and paying for distribution on an ongoing basis, (3) Mitchell Hutchins' belief that the ability of PaineWebber investment executives and correspondent firms to receive sales compensation for their sales of Class D shares on an ongoing basis, along with continuing service fees, while their customers invest their entire purchase payments immediately in Class D shares and do not face contingent deferred sales charges, would prove attractive to the investment executives and correspondent firms, resulting in greater growth to the Fund than might otherwise be the case, (4) the advantages to the shareholders of economies of scale resulting from growth in the Fund's assets and potential continued growth, (5) the services provided to the Fund and its shareholders by Mitchell Hutchins, (6) the services provided by PaineWebber pursuant to its Exclusive Dealer Agreement with Mitchell Hutchins and (7) Mitchell Hutchins' shareholder service- and distribution-related expenses and costs. The trustees also recognized that Mitchell Hutchins' willingness to compensate PaineWebber and its investment executives without the concomitant receipt by Mitchell Hutchins of initial sales charges or contingent deferred sales charges upon redemption, was conditioned upon its expectation of being compensated under the Class D Plan.

With respect to each Plan, the trustees considered all compensation that Mitchell Hutchins would receive under the Plan and the Distribution Contract, including service fees and, as applicable, initial sales charges, distribution fees and contingent deferred sales charges. The trustees also considered the benefits that would accrue to Mitchell Hutchins under each Plan in that Mitchell Hutchins would receive service, distribution and advisory fees which are calculated based upon a percentage of the average net assets of the Fund, which fees would increase if the Plan were successful and the Fund attained and maintained significant asset levels.

Under the Distribution Contract for the Class A shares and similar prior distribution contracts, for the fiscal years set forth below, Mitchell Hutchins earned the following approximate amounts of sales charges and retained the following approximate amounts, net of concessions to PaineWebber as exclusive dealer.

<TABLE>
<CAPTION>

	FISCAL YEAR ENDED AUGUST 31,		
	1994	1993	1992
<S>	<C>	<C>	<C>
Earned..................................	$186,333	$1,794,698	$4,969,439
Retained................................	11,944	108,359	298,514

</TABLE>

For the fiscal year ended August 31, 1994, Mitchell Hutchins earned and retained $2,384,664 contingent deferred sales charges paid upon certain redemptions of Class B shares.

PORTFOLIO TRANSACTIONS

Subject to policies established by the Trust's board of trustees, Mitchell Hutchins is responsible for the execution of the Fund's portfolio transactions

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and the allocation of brokerage transactions. In executing portfolio transactions, Mitchell Hutchins seeks to obtain the best net results for the Fund, taking into account such factors as the price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the firm involved. Prices paid to dealers in principal transactions, through which most debt securities and some equity securities are traded, generally include a "spread," which is the difference between the prices at which the dealer is willing to purchase and sell a specific security at the time. The Fund may invest in securities traded in the OTC market and will engage primarily in transactions directly with the dealers who make markets in such securities, unless a better price or execution could be obtained by using a broker. While Mitchell Hutchins generally seeks reasonably competitive commission rates and dealer spreads, payment of the lowest commission or spread is not necessarily consistent with obtaining the best net results. For the fiscal years ended August 31, 1994, August 31, 1993 and August 31, 1992, the Fund paid $1,901,499, $1,131,909 and $1,095,795, respectively, in brokerage commissions.

The Fund has no obligation to deal with any broker or group of brokers in the execution of portfolio transactions. The Fund contemplates that, consistent with the policy of obtaining the best net results, brokerage transactions may be conducted through Mitchell Hutchins or its affiliates, including PaineWebber. The Trust's board of trustees has adopted procedures in conformity with Rule 17e-1 under the 1940 Act to ensure that all brokerage commissions paid to Mitchell Hutchins or its affiliates are reasonable and fair. Specific provisions in the Advisory Contract authorize Mitchell Hutchins and any of its affiliates that is a member of a national securities exchange to effect

portfolio transactions for the Fund on such exchange and to retain compensation in connection with such transactions. Any such transactions will be effected and related compensation paid only in accordance with applicable SEC regulations. For the fiscal year ended August 31, 1994, the Fund paid $47,142 in brokerage commissions to PaineWebber, which represented 2.48% of the total brokerage commissions paid by the Fund and 2.81% of the total dollar amount of transactions involving payment of commissions. For the fiscal years ended August 31, 1993 and August 31, 1992, the Fund paid $108,080 and $5,040, respectively, in brokerage commissions to PaineWebber.

Transactions in futures contracts are executed through futures commission merchants ("FCMs"), who receive brokerage commissions for their services. The Fund's procedures in selecting FCMs to execute its transactions in futures contracts, including procedures permitting the use of Mitchell Hutchins and its affiliates, are similar to those in effect with respect to brokerage transactions in securities.

Consistent with the interests of the Fund and subject to the review of the Trust's board of trustees, Mitchell Hutchins may cause the Fund to purchase and sell portfolio securities through brokers who provide the Fund with research, analysis, advice and similar services. In return for such services, the Fund may pay to those brokers a higher commission than may be charged by other brokers, provided that Mitchell Hutchins determines in good faith that such commission is reasonable in terms either of that particular transaction or of the overall responsibility of Mitchell Hutchins to the Fund and its other clients and that the total commissions paid by the Fund will be reasonable in relation to the benefits to the Fund over the long term. Research services furnished by brokers through which the Fund effects securities transactions may be used by Mitchell Hutchins in advising other funds or accounts it advises and, conversely, research services furnished to Mitchell Hutchins in connection with other funds or accounts Mitchell Hutchins advises may be used by Mitchell Hutchins in advising the Fund. Information and research received from brokers will be in addition to, and not in lieu of, the services required to be performed by Mitchell Hutchins under the Advisory Contract. For the fiscal year ended August 31, 1994, MHII (and, for the period prior to May 19, 1994, Mitchell Hutchins) directed $223,552,118 in portfolio transactions to brokers chosen because they provided research services, for which the Fund paid $259,192 in commissions. The Fund may purchase and sell portfolio securities to and from dealers who provide the Fund with research services. Portfolio transactions will not be directed by the Fund to dealers solely on the basis of research services provided. The Fund will not purchase portfolio securities at a higher price or sell such securities at a lower price in connection with transactions effected with a dealer, acting as principal, who furnishes research services to Mitchell Hutchins than would be the case if no weight were given by Mitchell Hutchins to the dealer's furnishing of such services. Research services furnished by the dealers through which or with which the Fund effects securities transactions may be used by Mitchell Hutchins in advising other funds or accounts it advises and, conversely, research services furnished to Mitchell Hutchins in connection with other funds or accounts it advises may be used in advising the Fund.

Investment decisions for the Fund and for other investment accounts managed by Mitchell Hutchins are made independently of each other in light of differing considerations for the various accounts. However, the same investment decision

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may occasionally be made for the Fund and one or more of such accounts. In such cases, simultaneous transactions are inevitable. Purchases or sales are then averaged as to price and allocated between the Fund and such other account(s) as to

amount according to a formula deemed equitable to the Fund and such account(s). While in some cases this practice could have a detrimental effect upon the price or value of the security as far as the Fund is concerned, or upon its ability to complete its entire order, in other cases it is believed that coordination and the ability to participate in volume transactions will be beneficial to the Fund.

The Fund will not purchase securities that are offered in underwritings in which Mitchell Hutchins or any of its affiliates is a member of the underwriting or selling group, except pursuant to procedures adopted by the Trust's board of trustees pursuant to Rule 10f-3 under the 1940 Act. Among other things, these procedures require that the spread or commission paid in connection with such a purchase be reasonable and fair, the purchase be at not more than the public offering price prior to the end of the first business day after the date of the public offering and that Mitchell Hutchins or any affiliate thereof not participate in or benefit from the sale to the Fund.

REDUCED SALES CHARGES, ADDITIONAL EXCHANGE AND REDEMPTION INFORMATION AND OTHER SERVICES

COMBINED PURCHASE PRIVILEGE--CLASS A SHARES. Investors and eligible groups of related Fund investors may combine purchases of Class A shares of the Fund with concurrent purchases of Class A shares of any other PaineWebber or MH/KP mutual fund and thus take advantage of the reduced sales charges indicated in the table of sales charges for Class A shares in the Prospectus. The sales charge payable on the purchase of Class A shares of the Fund and Class A shares of such other funds will be at the rates applicable to the total amount of the combined concurrent purchases.

An "eligible group of related Fund investors" can consist of any combination of the following:

(a) an individual, that individual's spouse, parents and children;

(b) an individual and his or her Individual Retirement Account ("IRA");

(c) an individual (or eligible group of individuals) and any company controlled by the individual(s) (a person, entity or group that holds 25% or more of the outstanding voting securities of a corporation will be deemed to control the corporation, and a partnership will be deemed to be controlled by each of its general partners);

(d) an individual (or eligible group of individuals) and one or more employee benefit plans of a company controlled by individual(s);

(e) an individual (or eligible group of individuals) and a trust created by the individual(s), the beneficiaries of which are the individual and/or the individual's spouse, parents or children;

(f) an individual and a Uniform Gifts to Minors Act/Uniform Transfers to Minors Act account created by the individual or the individual's spouse; or

(g) an employer (or group of related employers) and one or more qualified retirement plans of such employer or employers (an employer controlling, controlled by or under common control with another employer is deemed related to that other employer).

RIGHTS OF ACCUMULATION--CLASS A SHARES. Reduced sales charges are available through a right of accumulation, under which investors and eligible groups of related Fund investors (as defined above) are permitted to purchase Class A shares of the Fund among related accounts at the offering price applicable to the total of (1) the dollar amount then being purchased plus (2) an amount equal to the then-current net asset value of the purchaser's combined holdings of Class A Fund shares and Class A shares of any other PaineWebber or MH/KP mutual fund. The purchaser must provide sufficient information to permit confirmation of his or her holdings, and the acceptance of the purchase order is subject to such confirmation. The right of accumulation may be amended or terminated at any time.

WAIVERS OF SALES CHARGES--CLASS B SHARES. Among other circumstances, the contingent deferred sales charge on Class B shares is waived where a total or partial redemption is made within one year following the death of the shareholder. The contingent deferred sales charge waiver is available where the

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decedent is either the individual shareholder or owns the shares with his or her spouse as a joint tenant with right of survivorship. This waiver applies only to redemption of shares held at the time of death.

Certain PaineWebber mutual funds offered shares subject to contingent deferred sales charges before the implementation of the Flexible Pricing System on July 1, 1991 ("CDSC Funds"). The contingent deferred sales charge is waived with respect to redemptions of Class B shares of CDSC Funds purchased prior to July 1, 1991 by officers, directors (trustees) or employees of the CDSC Funds, Mitchell Hutchins or their affiliates (or their spouses and children under age 21). In addition, the contingent deferred sales charge will be reduced by 50% with respect to redemptions of Class B shares of CDSC Funds purchased prior to July 1, 1991 with a net asset value at the time of purchase of at least $1 million. If Class B shares of a CDSC Fund purchased prior to July 1, 1991 are exchanged for Class B shares of the Fund, any waiver or reduction of the contingent deferred sales charge that applied to the Class B Shares of the CDSC Fund will apply to the Class B shares of the Fund acquired through the exchange.

ADDITIONAL EXCHANGE AND REDEMPTION INFORMATION. As discussed in the Prospectus, eligible shares of the Fund may be exchanged for shares of the corresponding Class of most other PaineWebber or MH/KP mutual funds. This exchange privilege is available only in those jurisdictions where the sale of the PaineWebber fund shares to be acquired through such exchange may be legally made. Shareholders will receive at least 60 days' notice of any termination or material modification of the exchange offer, except no notice need be given of an amendment whose only material effect is to reduce the exchange fee and no notice need be given if, under extraordinary circumstances, either redemptions are suspended under the circumstances described below or the Fund temporarily delays or ceases the sales of its shares because it is unable to invest amounts effectively in accordance with the Fund's investment objective, policies and restrictions.

If conditions exist that make cash payments undesirable, the Fund reserves the right to honor any request for redemption by making payment in whole or in part in securities chosen by the Fund and valued in the same way as they would be valued for purposes of computing the Fund's net asset value. If payment is made in securities, a shareholder may incur brokerage expenses in converting these securities into cash. The Trust has elected, however, to be governed by Rule 18f-1 under the 1940 Act, under which the Fund is obligated to redeem shares solely in cash up to the lesser of

$250,000 or 1% of the net asset value of the Fund during any 90-day period for one shareholder. This election is irrevocable unless the SEC permits its withdrawal. The Fund may suspend redemption privileges or postpone the date of payment during any period (1) when the New York Stock Exchange, Inc. ("NYSE") is closed or trading on the NYSE is restricted as determined by the SEC, (2) when an emergency exists, as defined by the SEC, that makes it not reasonably practicable for the Fund to dispose of securities owned by it or fairly to determine the value of its assets or (3) as the SEC may otherwise permit. The redemption price may be more or less than the shareholder's cost, depending on the market value of the Fund's portfolio at the time.

SYSTEMATIC WITHDRAWAL PLAN. On or about the 15th of each month for monthly plans and on or about the 15th of the months selected for quarterly or semi-annual plans, PaineWebber will arrange for redemption by the Fund of sufficient Fund shares to provide the withdrawal payment specified by participants in the Fund's systematic withdrawal plan. The payment generally is mailed approximately five business days after the redemption date. Withdrawal payments should not be considered dividends, but redemption proceeds, with the tax consequences described under "Dividends and Taxes" in the Prospectus. If periodic withdrawals continually exceed reinvested dividends, a shareholder's investment may be correspondingly reduced. A shareholder may change the amount of the systematic withdrawal or terminate participation in the systematic withdrawal plan at any time without charge or penalty by written instructions with signatures guaranteed to PaineWebber or PFPC Inc. ("Transfer Agent"). Instructions to participate in the plan, change the withdrawal amount or terminate participation in the plan will not be effective until five days after written instructions with signatures guaranteed are received by the Transfer Agent. Shareholders may request the forms needed to establish a systematic withdrawal plan from their PaineWebber investment executives, correspondent firms or the Transfer Agent at 1-800-647-1568.

REINSTATEMENT PRIVILEGE--CLASS A SHARES. As described in the Prospectus, shareholders who have redeemed their Class A shares may reinstate their account in the Fund without a sales charge. Shareholders may exercise the reinstatement privilege by notifying the Transfer Agent of such desire and forwarding a check for the amount to be purchased within 365 days after the date of redemption. The reinstatement will be made at the net asset value per share next computed after the notice of reinstatement and check are received. The amount of a purchase under this reinstatement privilege cannot exceed the amount of the redemption proceeds. Gain on a redemption is taxable regardless of whether the

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reinstatement privilege is exercised; however, a loss arising out of a redemption will not be deductible to the extent the reinstatement privilege is exercised within 30 days after redemption, and an adjustment will be made to the shareholder's tax basis for shares acquired pursuant to the reinstatement privilege. Gain or loss on a redemption also will be adjusted for federal income tax purposes by the amount of any sales charge paid on Class A shares, under the circumstances and to the extent described in "Dividends and Taxes" in the Prospectus.

PAINEWEBBER RMA RESOURCE ACCUMULATION PLAN SM;
PAINEWEBBER RESOURCE MANAGEMENT ACCOUNT (R)(RMA (R))

Shares of the PaineWebber and MH/KP mutual funds (each a "PW Fund" and, collectively, the "PW Funds") are available for purchase through the RMA Resource Accumulation Plan ("Plan") by customers of PaineWebber and its correspondent firms who maintain Resource Management Accounts ("RMA accountholders"). The Plan allows an RMA accountholder to continually invest in

one or more of the PW Funds at regular intervals, with payment for shares purchased automatically deducted from the client's RMA account. The client may elect to invest at monthly or quarterly intervals and may elect either to invest a fixed dollar amount (minimum $100 per period) or to purchase a fixed number of shares. A client can elect to have Plan purchases executed on the first or fifteenth day of the month. Settlement occurs five business days after the trade date, and the purchase price of the shares is withdrawn from the investor's RMA account on the settlement date from the following sources and in the following order: uninvested cash balances, balances in RMA money market funds, or margin borrowing power, if applicable to the account.

To participate in the Plan, an investor must be an RMA accountholder, must have made an initial purchase of the shares of each PW Fund selected for investment under the Plan (meeting applicable minimum investment requirements) and must complete and submit the RMA Resource Accumulation Plan Client Agreement and Instruction Form available from PaineWebber. The investor must have received a current prospectus for each PW Fund selected prior to enrolling in the Plan. Information about mutual fund positions and outstanding instructions under the Plan are noted on the RMA accountholder's account statement. Instructions under the Plan may be changed at any time, but may take up to two weeks to become effective.

The terms of the Plan, or an RMA accountholder's participation in the Plan, may be modified or terminated at any time. It is anticipated that, in the future, shares of other PW Funds and/or mutual funds other than the PW Funds may be offered through the Plan.

PERIODIC INVESTING AND DOLLAR COST AVERAGING.

Periodic investing in the PW Funds or other mutual funds, whether through the Plan or otherwise, helps investors establish and maintain a disciplined approach to accumulating assets over time, de-emphasizing the importance of timing the market's highs and lows. Periodic investing also permits an investor to take advantage of "dollar cost averaging." By investing a fixed amount in mutual fund shares at established intervals, an investor purchases more shares when the price is lower and fewer shares when the price is higher, thereby increasing his or her earning potential. Of course, dollar cost averaging does not guarantee a profit or protect against a loss in a declining market, and an investor should consider his or her financial ability to continue investing through periods of low share prices. However, over time, dollar cost averaging generally results in a lower average original investment cost than if an investor invested a larger dollar amount in a mutual fund at one time.

PAINEWEBBER'S RESOURCE MANAGEMENT ACCOUNT.

In order to enroll in the Plan, an investor must have opened an RMA account with PaineWebber or one of its correspondent firms. The RMA account is PaineWebber's comprehensive asset management account and offers investors a number of features, including the following:

- monthly Premier account statements that itemize all account activity, including investment transactions, checking activity and Gold MasterCard (R) transactions during the period, and provide unrealized and realized gain and loss estimates for most securities held in the account;

- comprehensive preliminary 9-month and year-end summary statements that provide information on account activity for use in tax planning and tax return preparation;

- automatic "sweep" of uninvested cash into the RMA accountholder's choice of one of the five RMA money market funds--RMA Money Market Portfolio,

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RMA U.S. Government Portfolio, RMA Tax-Free Fund, RMA California Municipal Money Fund and RMA New York Municipal Money Fund. Each money market fund attempts to maintain a stable price per share of $1.00, although there can be no assurance that it will be able to do so. Investments in the money market funds are not insured or guaranteed by the U.S. government;

- check writing, with no per-check usage charge, no minimum amount on checks and no maximum number of checks that can be written. RMA accountholders can code their checks to classify expenditures. All canceled checks are returned each month;

- Gold MasterCard, with or without a line of credit, which provides RMA accountholders with direct access to their accounts and can be used with automatic teller machines worldwide. Purchases on the Gold MasterCard are debited to the RMA account once monthly, permitting accountholders to remain invested for a longer period of time;

- 24-hour access to account information through toll-free numbers, and more detailed personal assistance during business hours from the RMA Service Center;

- expanded account protection to $25 million in the event of the liquidation of PaineWebber. This protection does not apply to shares of the RMA money market funds or the PW Funds because those shares are held at the transfer agent and not through PaineWebber; and

- automatic direct deposit of checks into your RMA account and automatic withdrawals from the account.

The annual account fee for an RMA account is $85, which includes the Gold MasterCard, with an additional fee of $40 if the investor selects an optional line of credit with the Gold MasterCard.

CONVERSION OF CLASS B SHARES

Class B shares of the Fund will automatically convert to Class A shares, based on the relative net asset values per share of each of the two Classes, as of the close of business on the first Business Day (as defined under "Valuation of Shares") of the month in which the sixth anniversary of the initial issuance of such Class B shares of the Fund occurs. For the purpose of calculating the holding period required for conversion of Class B shares, the date of initial issuance shall mean (i) the date on which such Class B shares were issued, or (ii) for Class B shares obtained through an exchange, or a series of exchanges, the date on which the original Class B shares were issued. If the shareholder acquired Class B shares of the Fund through an exchange of Class B shares of a CDSC Fund that were acquired prior to July 1, 1991, the shareholder's holding period for purposes of conversion will be determined based on the date the CDSC Fund shares were initially issued. For purposes of conversion into Class A, Class B shares purchased through the reinvestment of dividends and other distributions paid in respect of Class B shares will be held in a separate sub-account. Each time any Class B shares in the shareholder's regular account (other than those in the sub-account) convert to Class A, a pro rata portion of the Class B shares in the sub-account will also convert to Class A. The portion will be determined by the ratio that the shareholder's Class B shares converting to Class A bears to the shareholder's total Class B shares not acquired through dividends and other distributions.

The availability of the conversion feature is subject to (1) the continuing applicability of a ruling of the Internal Revenue Service that the dividends and other distributions paid on Class A and Class B shares will not result in "preferential dividends" under the Internal Revenue Code and (2) the continuing availability of an opinion of counsel to the effect that the conversion of shares does not constitute a taxable event. If the conversion feature ceased to be available, the Class B shares of the Fund would not be converted and would continue to be subject to the higher ongoing expenses of the Class B shares beyond six years from the date of purchase. Mitchell Hutchins has no reason to believe that these conditions for the availability of the conversion feature will not continue to be met.

VALUATION OF SHARES

The Fund determines the net asset value per share separately for each Class of shares as of the close of regular trading (currently 4:00 p.m., eastern time) on the NYSE on each Business Day, which is defined as each Monday through Friday when the NYSE is open. Currently the NYSE is closed on the observance of the following holidays: New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Securities that are listed on U.S. stock exchanges are valued at the last sale price on the day the securities are valued or, lacking any sales on such day, at the last available bid price. In cases where securities are traded on

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more than one exchange, the securities are generally valued on the exchange considered by the Sub-Adviser as the primary market. Securities traded in the OTC market and listed on Nasdaq are valued at the last trade price on Nasdaq at 4:00 p.m., eastern time; other OTC securities are valued at the last bid price available prior to valuation. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Trust's board of trustees.

PERFORMANCE INFORMATION

The Fund's performance data quoted in advertising and other promotional materials ("Performance Advertisements") represents past performance and is not intended to indicate future performance. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

TOTAL RETURN CALCULATIONS. Average annual total return quotes ("Standardized Return") used in the Fund's Performance Advertisements are calculated according to the following formula:

$$P(1 + T)^n = ERV$$

where: P = a hypothetical initial payment of $1,000 to purchase shares of a specified Class
T = average annual total return of shares of that Class
n = number of years
ERV = ending redeemable value of a hypothetical $1,000 payment at the beginning of that period.

Under the foregoing formula, the time periods used in Performance Advertisements will be based on rolling calendar quarters, updated to the last day of the most recent quarter prior to

submission of the advertisement for publication. Total return, or "T" in the formula above, is computed by finding the average annual change in the value of an initial $1,000 investment over the period. In calculating the ending redeemable value, for Class A shares, the maximum 4.5% sales charge is deducted from the initial $1,000 payment and, for Class B shares, the applicable contingent deferred sales charge imposed on a redemption of Class B shares held for the period is deducted. All dividends and other distributions are assumed to have been reinvested at net asset value.

The Fund also may refer in Performance Advertisements to total return performance data that are not calculated according to the formula set forth above ("Non-Standardized Return"). The Fund calculates Non-Standardized Return for specified periods of time by assuming an investment of $1,000 in Fund shares and assuming the reinvestment of all dividends and other distributions. The rate of return is determined by subtracting the initial value of the investment from the ending value and by dividing the remainder by the initial value. Neither initial nor contingent deferred sales charges are taken into account in calculating Non-Standardized Return; the inclusion of those charges would reduce the return.

Both Standardized Return and Non-Standardized Return for Class B shares for periods of over six years reflect conversion of the Class B shares to Class A shares at the end of the sixth year.

The following table shows performance information for the Class A, Class B and Class D shares of the Fund for the periods indicated. All returns for periods of more than one year are expressed as an average return.

	CLASS A	CLASS B	CLASS D
Fiscal year ended August 31, 1994:			
Standardized Return*..............................	(5.04)%	(6.31)%	(1.29)%
Non-Standardized Return...........................	(0.58)%	(1.31)%	(1.29)%
Five years ended August 31, 1994:			
Standardized Return*..............................	5.32%	NA	NA
Non-Standardized Return...........................	6.30%	NA	NA
Ten years ended August 31, 1994:			
Standardized Return*..............................	10.25%	NA	NA
Non-Standardized Return...........................	10.76%	NA	NA
Inception** to August 31, 1994:			
Standardized Return*..............................	10.26%	3.40%	1.79%
Non-Standardized Return...........................	10.74%	4.56%	1.79%

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* All Standardized Return figures for Class A shares reflect deduction of the current maximum sales charge of 4.5%. Until December 2, 1988, the maximum sales charge imposed on purchases of Class A shares was 8.5%. This higher

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sales charge is not reflected in the Standardized Return set forth above. All Standardized Return figures for Class B shares reflect deduction of the applicable contingent deferred sales charges imposed on a redemption of shares held for the period. Class D shares do not impose an initial or contingent deferred sales charge; therefore, Non-Standardized Return is identical to Standardized Return.

** The inception date for each Class of shares is as follows: Class A--December 20, 1983, Class B--July 1, 1991 and Class D--July 2, 1992.

OTHER INFORMATION. In Performance Advertisements, the Fund may compare its Standardized Return and/or its Non-Standardized Return with data published by Lipper Analytical Services, Inc. ("Lipper"), CDA Investment Technologies, Inc. ("CDA"), Wiesenberger Investment Companies Service ("Wiesenberger"), Investment Company Data, Inc. ("ICD") or Morningstar Mutual Funds ("Morningstar"), with the performance of recognized stock and other indices, including (but not limited to) the Standard & Poor's 500 Composite Stock Price Index ("S&P 500"), the Dow Jones Industrial Average, the Nasdaq Composite Index, the Russell 2000 Index, the Wilshire 5000 Index, the Lehman Bond Index, 30-year and 10-year U.S. Treasury bonds, the Morgan Stanley Capital International World Index and changes in the Consumer Price Index as published by the U.S. Department of Commerce. The Fund also may refer in such materials to mutual fund performance rankings and other data, such as comparative asset, expense and fee levels, published by Lipper, CDA, Wiesenberger, ICD or Morningstar. Performance Advertisements also may refer to discussions of the Fund and comparative mutual fund data and ratings reported in independent periodicals, including (but not limited to) THE WALL STREET JOURNAL, MONEY Magazine, FORBES, BUSINESS WEEK, FINANCIAL WORLD, BARRON'S, FORTUNE, THE NEW YORK TIMES, THE CHICAGO TRIBUNE, THE WASHINGTON POST and THE KIPLINGER LETTERS. Comparisons in Performance Advertisements may be in graphic form.

The Fund may include discussions or illustrations of the effects of compounding in Performance Advertisements. "Compounding" refers to the fact that, if dividends or other distributions on the Fund investment are reinvested in additional Fund shares, any future income or capital appreciation of the Fund would increase the value, not only of the original Fund investment, but also of the additional Fund shares received through reinvestment. As a result, the value of the Fund investment would increase more quickly than if dividends or other distributions had been paid in cash.

The Fund may also compare its performance with the performance of bank certificates of deposit (CDs) as measured by the CDA Investment Technologies, Inc. Certificate of Deposit Index, the Bank Rate Monitor National Index and the averages of yields of CDs of major banks published by Banxquote(R) Money Markets. In comparing the Fund's performance to CD performance, investors should keep in mind that bank CDs are insured in whole or in part by an agency of the U.S. government and offer fixed principal and fixed or variable rates of interest, and that bank CD yields may vary depending on the financial institution offering the CD and prevailing interest rates. Shares of the Fund are not insured or guaranteed by the U.S. government and returns and net asset value will fluctuate. The securities held by the Fund generally have longer maturities than most CDs and may reflect interest rate fluctuations for longer term securities. An investment in the Fund involves greater risks than an investment in either a money market fund or a CD.

The Fund may also compare its performance to general trends in the stock and bond markets, as illustrated by the following graph prepared by Ibbotson Associates, Chicago.

[MAC ART APPEARS HERE]

Over time, stocks have outperformed all other investments by a wide margin, offering a solid hedge against inflation. From 1926 to 1993, stocks beat all other traditional asset classes. A $10 investment in the S&P 500 grew to $8,001, significantly more than any other investment.

The chart shown is for illustrative purposes only and does not represent the Fund's performance and should not be considered an indication or guarantee of future results. Year-to-year fluctuations of the S&P 500 have been significant, and total return for some periods has been negative. The S&P 500 includes companies with larger market capitalizations than those in which the Fund invests. Unlike investors in bonds and Treasury bills, common stock investors do not receive fixed income payments and are not entitled to repayment of principal. These differences contribute to investment risk. Returns shown for long-term government bonds are based on Treasury bonds with 20-year maturities.

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TAXES

In order to continue to qualify for treatment as a regulated investment company ("RIC") under the Internal Revenue Code, the Fund must distribute to its shareholders for each taxable year at least 90% of its investment company taxable income (consisting generally of net investment income and net short-term capital gain) ("Distribution Requirement") and must meet several additional requirements. Among these requirements are the following: (1) the Fund must derive at least 90% of its gross income each taxable year from dividends, interest, payments with respect to securities loans and gains from the sale or other disposition of securities or other income (including gains from options or futures) derived with respect to its business of investing in securities ("Income Requirement"); (2) the Fund must derive less than 30% of its gross income each taxable year from

the sale or other disposition of securities, options or futures held for less than three months ("Short-Short Limitation"); (3) at the close of each quarter of the Fund's taxable year, at least 50% of the value of its total assets must be represented by cash and cash items, U.S. government securities, securities of other RICs and other securities, with these other securities limited, in respect of any one issuer, to an amount that does not exceed 5% of the value of the Fund's total assets and that does not represent more than 10% of the issuer's outstanding voting securities; and (4) at the close of each quarter of the Fund's taxable year, not more than 25% of the value of its total assets may be invested in securities (other than U.S. government securities or the securities of other RICs) of any one issuer.

Dividends and other distributions declared by the Fund in October, November or December of any year and payable to shareholders of record on a date in any of those months will be deemed to have been paid by the Fund and received by the shareholders on December 31 of that year if the distributions are paid by the Fund during the following January. Accordingly, those distributions will be taxed to shareholders for the year in which that December 31 falls.

A portion of the dividends from the Fund's investment company taxable income (whether paid in cash or reinvested in additional Fund shares) may be eligible for the dividends-received deduction allowed to corporations. The eligible portion may not exceed the aggregate dividends received by the Fund from U.S. corporations. However, dividends received by a corporate shareholder and deducted by it pursuant to the dividends-received deduction are subject indirectly to the alternative minimum tax.

If Fund shares are sold at a loss after being held for six months or less, the loss will be treated as long-term, instead of short-term, capital loss to the extent of any capital gain distributions received on those shares.

Investors also should be aware that if shares are purchased shortly before the record date for any dividend or capital gain distribution, the shareholder will pay full price for the shares and receive some portion of the price back as a taxable distribution.

The Fund will be subject to a nondeductible 4% excise tax ("Excise Tax") to the extent it fails to distribute by the end of any calendar year substantially all of its ordinary income for that year and capital gain net income for the one-year period ending on October 31 of that year, plus certain other amounts.

The Fund may invest in the stock of "passive foreign investment companies" ("PFICs") if such stock is denominated in U.S. dollars and otherwise is a permissible investment. A PFIC is a foreign corporation that, in general, meets either of the following tests: (1) at least 75% of its gross income is passive or (2) an average of at least 50% of its assets produce, or are held for the production of, passive income. Under certain circumstances, the Fund will be subject to federal income tax on a portion of any "excess distribution" received on the stock of a PFIC or of any gain from disposition of such stock (collectively "PFIC income"), plus interest thereon, even if the Fund distributes the PFIC income as a taxable dividend to its shareholders. The balance of the PFIC income will be included in the Fund's investment company taxable income and, accordingly, will not be taxable to it to the extent that income is distributed to its shareholders. If the Fund invests in a PFIC and elects to treat the PFIC as a "qualified electing fund," then in lieu of the foregoing tax and interest

obligation, the Fund will be required to include in income each year its pro rata share of the qualified electing fund's annual ordinary earnings and net capital gain (the excess of net long-term capital gain over net short-term capital loss)--which may have to be distributed to satisfy the Distribution Requirement and avoid imposition of the Excise Tax--even if those earnings and gain are not distributed to the Fund. In most instances it will be very

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difficult, if not impossible, to make this election because of certain requirements thereof.

The "Tax Simplification and Technical Corrections Bill of 1993," passed in May 1994 by the House of Representatives, would substantially modify the taxation of U.S. shareholders of foreign corporations, including eliminating the provisions described above dealing with PFICs and replacing them (and other provisions) with a regulatory scheme involving entities called "passive foreign corporations." Three similar bills were passed by Congress in 1991 and 1992 and vetoed. It is unclear at this time whether, and in what form, the proposed modifications may be enacted into law.

Pursuant to proposed regulations, open-end RICs, such as the Fund, would be entitled to elect to "mark-to-market" their stock in certain PFICs. "Marking-to-market," in this context, means recognizing as gain for each taxable year the excess, as of the end of that year, of the fair market value of each such PFIC's stock over the owner's adjusted basis in that stock (including mark-to-market gain for each prior year for which an election was in effect).

The use of hedging strategies, such as writing ("selling") and purchasing options and futures contracts, involves complex rules that will determine for income tax purposes the character and timing of recognition of the gains and losses the Fund realizes in connection therewith. Income from transactions in options and futures derived by the Fund with respect to its business of investing in securities will qualify as permissible income under the Income Requirement. However, income from the disposition of options and futures contracts will be subject to the Short-Short Limitation if they are held for less than three months.

If the Fund satisfies certain requirements, any increase in value of a position that is part of a "designated hedge" will be offset by any decrease in value (whether realized or not) of the offsetting hedging position during the period of the hedge for purposes of determining whether the Fund satisfies the Short-Short Limitation. Thus, only the net gain (if any) from the designated hedge will be included in gross income for purposes of that limitation. The Fund will consider whether it should seek to qualify for this treatment for its hedging transactions. To the extent the Fund does not qualify for this treatment, it may be forced to defer the closing out of certain options and futures beyond the time when it otherwise would be advantageous to do so, in order for the Fund to continue to qualify as a RIC.

OTHER INFORMATION

The Fund's name was changed from "PaineWebber Classic Growth and Income Fund" to PaineWebber Dividend Growth Fund effective May 17, 1991 and to its current name effective April 3, 1995. Effective on May 17, 1991, the Fund was combined in a tax-free reorganization with PaineWebber Classic Dividend Growth Fund, which was at the time another series of the Trust. As a result of the reorganization, each shareholder of PaineWebber Classic Dividend Growth Fund became a shareholder of Growth and Income Fund.

PaineWebber America Fund is an entity of the type commonly known as a "Massachusetts business trust." Under Massachusetts law, shareholders of the Fund could, under certain circumstances, be held personally liable for the obligations of the Trust or Fund. However, the Declaration of Trust disclaims shareholder liability for acts or obligations of the Trust or the Fund and requires that notice of such disclaimer be given in each note, bond, contract, instrument, certificate or undertaking made or issued by the trustees or by any officers or officer by or on behalf of the Trust or the Fund, the trustees or any of them in connection with the Trust. The Declaration of Trust provides for indemnification from the Fund's property for all losses and expenses of any shareholder held personally liable for the obligations of the Fund. Thus, the risk of a shareholder's incurring financial loss on account of shareholder liability is limited to circumstances in which the Fund itself would be unable to meet its obligations, a possibility that Mitchell Hutchins believes is remote and not material. Upon payment of any liability incurred by a shareholder solely by reason of being or having been a shareholder, the shareholder paying such liability will be entitled to reimbursement from the general assets of the Fund. The trustees intend to conduct the operations of the Fund in such a way as to avoid, as far as possible, ultimate liability of the shareholders for liabilities of the Fund.

CLASS-SPECIFIC EXPENSES. The Fund may determine to allocate certain of its expenses (in addition to distribution fees) to the specific Classes of the Fund's shares to which those expenses are attributable. For example, Class B shares bear higher transfer agency fees per shareholder account than those borne by Class A or Class D shares. The higher fee is imposed due to the higher costs incurred by the transfer agent in tracking shares subject to a contingent deferred sales charge because, upon redemption, the duration of the shareholder's investment must be determined in order to determine the applicable charge. Moreover, the tracking and calculations required by the automatic conversion feature of the Class B shares will cause the transfer

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agent to incur additional costs. Although the transfer agency fee will differ on a per account basis as stated above, the specific extent to which the transfer agency fees will differ between the Classes as a percentage of net assets is not certain, because the fee as a percentage of net assets will be affected by the number of shareholder accounts in each Class and the relative amounts of net assets in each Class.

COUNSEL. The law firm of Kirkpatrick & Lockhart LLP, 1800 M Street, N.W., Washington, D.C., 20036-5891, counsel to the Fund, has passed upon the legality of the shares offered by the Prospectus. Kirkpatrick & Lockhart LLP also acts as counsel to PaineWebber and Mitchell Hutchins in connection with other matters.

AUDITORS. Ernst & Young LLP, 787 Seventh Avenue, New York, New York 10019, serves as independent auditors for the Fund.

FINANCIAL STATEMENTS

The Fund's Annual Report to Shareholders for the fiscal year ended August 31, 1994 and its Semi-Annual Report to Shareholders for the six months ended February 28, 1995 are separate documents supplied with this Statement of Additional Information and the financial statements, accompanying notes and (with respect to the Annual Report to Shareholders) report of independent auditors appearing therein are incorporated by reference in this Statement of Additional Information.

APPENDIX

DESCRIPTION OF MOODY'S INVESTORS SERVICES, INC. ("MOODY'S") CORPORATE BOND RATINGS

AAA. Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as a "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues; AA. Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long term risks appear somewhat larger than in Aaa securities; A. Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future; BAA. Bonds which are rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well; BA. Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class; B. Bonds which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small; CAA. Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest; CA. Bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings; C. Bonds which are rated C are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Note: Moody's apply numerical modifiers, 1, 2 and 3 in each generic rating classification from Aa through B in its corporate bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking, and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

DESCRIPTION OF STANDARD & POOR'S RATINGS GROUP ("S&P") CORPORATE DEBT RATINGS

AAA. Debt rated AAA has the highest rating assigned by S&P. Capacity to pay interest and repay principal is extremely strong; AA. Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the higher rated issues only in small degree; A. Debt rated A has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the

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adverse effects of changes in circumstances and economic conditions than debt in higher

rated categories; BBB. Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories; BB, B, CCC, CC, C. Debt rated BB, B, CCC, CC and C is regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB indicates the lowest degree of speculation and C the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions; C1. The rating C1 is reserved for income bonds on which no interest is being paid; D. Debt rated D is in default, and payment of interest and/or repayment of principal is in arrears.

PLUS (+) OR MINUS (-): The ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY IN- FORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THE PROSPECTUS OR IN THIS STATEMENT OF ADDITIONAL INFORMATION IN CONNECTION WITH THE OFFERING MADE BY THE PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUND OR ITS DISTRIBUTOR. THE PROSPECTUS AND THIS STATEMENT OF ADDITIONAL INFORMATION DO NOT CONSTITUTE AN OFFERING BY THE FUND OR BY THE DISTRIBUTOR IN ANY JURISDICTION IN WHICH SUCH OFFERING MAY NOT LAWFULLY BE MADE.

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PAINEWEBBER

GROWTH AND INCOME FUND

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Statement of Additional Information

May , 1995

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PAINEWEBBER

PAINEWEBBER ATLAS GLOBAL GROWTH FUND

PAINEWEBBER GROWTH AND INCOME FUND

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PAINEWEBBER
GROWTH FUND
CLASS C SHARES
1285 AVENUE OF THE AMERICAS NEW YORK, NEW YORK 10019

PaineWebber Atlas Global Growth Fund ("Atlas Fund"), a series of PaineWebber Atlas Fund, seeks long-term capital appreciation and invests primarily in common stocks of issuers based in the United States, Europe, Japan and the Pacific Basin. The board of trustees of PaineWebber Atlas Fund has approved a proposed Reorganization ("Reorganization") for submission to Atlas Fund's shareholders at a special meeting to be held on July 14, 1995. If the Reorganization is approved and implemented, Atlas Fund's assets will be acquired and its liabilities assumed by Mitchell Hutchins/ Kidder Peabody Global Equity Fund ("MH/KP Global Equity Fund"), a series of another open-end management investment company. As a result of the Reorganization, the two funds' assets would be combined and each Atlas Fund shareholder would, on the closing date of the transaction, receive a number of full and fractional shares of the corresponding class of shares of MH/KP Global Equity Fund having an aggregate value equal to the value of the shareholder's holdings in Atlas Fund. Following the Reorganization, the Atlas Fund would have neither assets, liabilities or shareholders, and it would be terminated as soon as practicable. See "General Information--Proposed Reorganization".

PaineWebber Growth and Income Fund ("Growth and Income Fund"), a series of PaineWebber America Fund, seeks to provide current income and capital growth and invests primarily in dividend-paying equity securities believed by Mitchell Hutchins to have the potential for rapid earnings growth; stocks are selected through a disciplined methodology that utilizes quantitative measures of value, earnings and price momentum, as well as fundamental analysis.

PaineWebber Growth Fund ("Growth Fund"), a series of PaineWebber Olympus Fund, seeks long-term capital appreciation and invests primarily in common stocks issued by companies deemed by its investment adviser to have substantial potential for capital growth.

The Class C shares described in this Prospectus are currently offered for sale only to the trustee of the PaineWebber Savings Investment Plan on behalf of that Plan.

This Prospectus concisely sets forth information about the Funds a prospective investor should know before investing. Please retain this Prospectus for future reference. A Statement of Additional Information dated May , 1995 with respect to Growth and Income Fund and January 1, 1995 (as revised May , 1995) with respect to Atlas Fund and Growth Fund (which is incorporated by reference herein), has been filed with the Securities and Exchange Commission. The Statement of Additional Information can be obtained without charge, and further inquiries can be made, by contacting the PaineWebber Incorporated Benefits Department, 1000 Harbor Boulevard, 10th Floor, Weehawken, New Jersey 07087 or by calling 1-201-902-4444.

Atlas Fund, Growth and Income Fund and Growth Fund are series of PaineWebber Atlas Fund, PaineWebber America Fund and PaineWebber Olympus Fund, respectively (each a "Trust"), which are Massachusetts business trusts.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS ANY SUCH COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is May , 1995 with respect to Growth and Income Fund and January 1, 1995 (as revised May , 1995) with respect to Atlas Fund and Growth Fund.

PAINEWEBBER INCORPORATED

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS IN CONNECTION WITH THE OFFERING MADE BY THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUNDS OR THEIR DISTRIBUTOR. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFERING BY THE FUNDS OR THEIR DISTRIBUTOR IN ANY JURISDICTION IN WHICH SUCH OFFERING MAY NOT LAWFULLY BE MADE.

FUND EXPENSES

The following tables are intended to assist investors in understanding the

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expenses associated with investing in Class C shares of each Fund.

SHAREHOLDER TRANSACTION EXPENSES

Maximum sales charge on purchases of shares	None
Sales charge on reinvested dividends	None
Redemption fee or deferred sales charge	None

ANNUAL FUND OPERATING EXPENSES
(as a percentage of average net assets)

	ATLAS FUND	GROWTH AND INCOME FUND	GROWTH FUND
Management fees	0.75%	0.70%	0.75%
12b-1 fees	0.00	0.00	0.00
Other expenses	0.38	0.20	0.19
Total estimated operating expenses	1.13%	0.90%	0.94%

EXAMPLE OF EFFECT OF FUND EXPENSES

An investor would directly or indirectly pay the following expenses on a $1,000 investment in each Fund, assuming a 5% annual return:

	ONE YEAR	THREE YEARS	FIVE YEARS	TEN YEARS
ATLAS FUND	$12	$36	$62	$137
GROWTH AND INCOME FUND	$ 9	$29	$50	$111
GROWTH FUND	$10	$30	$52	$115

This Example assumes that all dividends and other distributions are reinvested and that the percentage amounts listed under Annual Fund Operating Expenses remain the same in the years shown. The above tables and the assumption in the Example of a 5% annual return are required by regulations of the Securities and Exchange Commission ("SEC") applicable to all mutual funds; the assumed 5% annual return is not a prediction of, and does not represent, the projected or actual performance of the Class C shares of any Fund.

THE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES, AND A FUND'S ACTUAL EXPENSES MAY BE MORE OR LESS THAN THOSE SHOWN. The actual expenses attributable to a Fund's Class C shares will depend upon, among other things, the level of average net assets and the extent to which the Fund incurs variable expenses, such as transfer agency costs.

FINANCIAL HIGHLIGHTS

The table below provides selected per share data and ratios for one Class C share of each Fund for the periods shown. This information is supplemented by the financial statements and accompanying notes appearing in each Fund's Annual Report to Shareholders for the fiscal year ended August 31, 1994, which are incorporated by reference into the Statement of Additional Information. Further information about the performance of each Fund is also included in the Annual Report to Share holders, which may be obtained without charge. The financial statements and notes, as well as the information in the tables appearing below insofar as they relate to the three years in the period ended August 31, 1994, have been audited by Ernst & Young LLP, independent auditors, whose report thereon is included in the Annual Report to Shareholders. The financial statements and notes and the financial information for Growth and Income Fund in the table below insofar as they relate to the six months ended February 28, 1995 have been taken from the records of Growth and Income Fund without examination by the Fund's independent auditors, who do not express an opinion thereon.

CLASS C				
ATLAS FUND	GROWTH AND INCOME FUND			GROWTH FUND
	FOR THE SIX MONTHS	FOR THE	FOR THE PERIOD	

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	FOR THE YEARS ENDED AUGUST 31,++			ENDED FEBRUARY 28, 1995	YEARS ENDED AUGUST 31,		FEBRUARY 12, 1992+ TO AUGUST 31,	FOR THE YEARS ENDED AUGUST 31,++		
	1994	1993	1992	(UNAUDITED)	1994	1993	1992	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period....	$ 15.64	$ 12.73	$13.62	$ 20.42	$ 20.86	$ 20.48	$ 20.95	$ 20.71	$ 16.83	$ 17.50
Income (loss) from investment operations:										
Net investment income..	0.04	0.09	0.19	0.13	0,33	0.33	0.16	0.03	0.08	0.05
Net realized and unrealized gains (losses) from investment transactions..........	1.49	2.82	(0.86)	(0.05)	(0.40)	0.37	(0.49)	0.55	4.42	(0.11)
Total income (loss) from investment operations..	1.53	2.91	(0.67)	0.08	(0.07)	0.70	(0.33)	0.58	4.50	(0.06)
Less dividends and distributions:										
Dividends from net investment income.....	(0.08)	--	(0.22)	(0.15)	(0.34)	(0.32)	(0.14)	--	--	(0.01)
Distributions from net realized gains on investments and foreign currency transactions..........	(0.68)	--	--	(1.21)	(0.03)	--	--	(1.07)	(0.62)	(0.60)
Total dividends and distributions.........	(0.76)	--	(0.22)	(1.36)	(0.37)	(0.32)	(0.14)	(1.07)	(0.62)	(0.61)
Net asset value, end of period.................	$16.41	$ 15.64	$12.73	$ 19.14	$20.42	$ 20.86	$ 20.48	$20.22	$ 20.71	$ 16.83
Total Return(1).........	9.59%	22.86%	(5.10)%	0.81%	(0.31)%	3.44%	(1.15)%	2.67%	27.26%	(0.52)%
Ratios/Supplemental data:										
Net assets, end of period (000's)........	$38,912	$16,265	$6,327	$14,544	$14,690	$17,005	$10,560	$30,521	$20,706	$11,581
Ratio of expenses to average net assets....	1.13%	1.10%	1.45%	0.90%*	0.90%	0.86%	0.93%*	0.94%	0.95%	1.12%
Ratio of net investment income to average net assets................	0.40%	0.87%	0.93%	1.29%*	1.60%	1.62%	1.56%*	0.40%	0.60%	0.38%
Portfolio turnover.....	176.16%	258.05%	80.14%	65.25%	94.32%	36.52%	15.57%	24.41%	35.81%	32.49%

</TABLE>

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* Annualized.

\+ Commencement of offering of shares.

++ A per share breakdown for Class C shares has been omitted for the period August 25, 1991 (commencement of offering of shares) to August 31, 1991 due to immaterial amounts.

(1) Total return is calculated assuming a $1,000 investment on the first day of each period reported, reinvestment of all dividends and capital gain distributions at net asset value on the payable date, and a sale at net asset value on the last day of each period reported. Total return information for periods less than one year are not annualized.

INVESTMENT OBJECTIVES AND POLICIES

INVESTMENT OBJECTIVES AND PRIMARY INVESTMENTS

The investment objective of ATLAS FUND is to provide long-term capital appreciation. Atlas Fund seeks to achieve this objective by investing primarily in common stocks of issuers based in the United States, Europe, Japan and the Pacific Basin.

The investment objective of GROWTH AND INCOME FUND is to provide current income and capital growth. Growth and Income Fund seeks to achieve this objective by investing primarily in dividend-paying common stocks of medium to large capitalization companies that have relatively low price-to-earnings ratios, based on anticipated earnings for the next 12 months, and have reported earnings in excess of general market expectations.

The investment objective of GROWTH FUND is to provide long-term capital appreciation. Growth Fund seeks to achieve this objective by investing primarily in common stocks issued by companies that, in the judgment of its investment adviser have substantial potential for capital growth.

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Mitchell Hutchins Asset Management Inc. ("Mitchell Hutchins") serves as investment adviser and administrator for each Fund. GE Investment Management Incorporated ("GEIM") serves as sub-adviser for Atlas Fund. See "Management."

There can be no assurance that any Fund will achieve its investment objective. Each Fund's net asset value fluctuates based upon changes in the value of its portfolio securities. Each Fund's investment objective and certain investment limitations as described in the Statement of Additional Information are fundamental policies that may not be changed without shareholder approval. All other investment policies may be changed by each Trust's board of trustees without shareholder approval.

ATLAS FUND

Normally, at least 80% of Atlas Fund's assets is invested in common stocks and securities convertible into common stocks. In managing Atlas Fund's portfolio, GEIM seeks to identify those companies, both in the United States and abroad, likely to benefit from long-term trends and shifting trade patterns as they develop in the global economy. Atlas Fund's investment policies are designed to enable it to capitalize on unique investment opportunities presented throughout the world and in international financial markets influenced by the increasing interdependency of economic cycles and currency exchange rates.

For example, according to Morgan Stanley Capital International, as of November 30, 1994 approximately 63% of the world's equity securities were denominated in a currency other than the U.S. dollar. Over the past ten years, certain foreign equity markets have provided higher investment returns than the U.S. equity market. These returns reflect interest rates and other market conditions prevailing in those countries, particularly gains and losses in the denominated currencies. Year-to-year fluctuations in certain markets have been significant, and returns for various markets have sometimes been negative. Mitchell Hutchins believes that, over time, investing in a combination of U.S. and foreign equity securities is less risky than investing solely in foreign securities and provides more opportunities for high total return than investing solely in U.S. securities.

Atlas Fund's substantial foreign investments involve special risks, including possible expropriation, confiscatory taxation, withholding taxes on dividends and interest, limits on the use or transfer of Fund assets, political or social instability and diplomatic developments. Foreign economies may differ favorably or unfavorably from the U.S. economy in various respects, and many foreign securities are less

liquid and their prices more volatile than comparable U.S. securities. Although Atlas Fund generally invests only in securities traded on recognized exchanges or in over-the-counter markets, foreign securities at times may be difficult to liquidate rapidly without adverse price effects. Legal remedies for defaults and disputes may have to be pursued in foreign courts, whose procedures differ substantially from those of U.S. courts.

Because foreign securities ordinarily are denominated in currencies other than the U.S. dollar (as are some securities of U.S. issuers), changes in foreign currency exchange rates will affect Atlas Fund's net asset value, the value of dividends and interest earned, gains and losses realized on the sale of securities and net investment income and capital gain, if any, to be distributed to shareholders by Atlas Fund. If the value of a foreign currency rises against the U.S. dollar, the value of Atlas Fund's assets denominated in that currency will increase; correspondingly, if the value of a foreign currency declines against the U.S. dollar, the value of Atlas Fund's assets denominated in that currency will decrease. The exchange rates between the U.S. dollar and other currencies are determined by supply and demand in the currency exchange markets, international balances of payments, speculation and other economic and political conditions. In addition, some foreign currency values may be volatile and there is the possibility of governmental controls on currency exchange or governmental intervention in the currency markets. Foreign security trading practices, including those involving securities settlement where Fund assets may be released prior to receipt of payment, may expose the Fund to increased risk in the event of a failed trade or the insolvency of a foreign broker-dealer. Any of these factors could adversely affect Atlas Fund.

The costs attributable to foreign investing that Atlas Fund must bear frequently are higher than those attributable to domestic investing. For example, the costs of maintaining custody of securities in foreign countries exceed custodian costs related to domestic securities.

Atlas Fund may enter into forward currency contracts to set the rate at which currency exchanges will be made for specific contemplated transactions. Atlas Fund might also enter into forward currency contracts for the purchase or sale of a specified currency at a specified future date either with respect to contemplated transactions or with respect to portfolio positions. For exam-

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ple, when GEIM anticipates making a currency exchange transaction in connection with the purchase or sale of a security, Atlas Fund may enter into a forward contract in order to set the exchange rate at which the transaction will be made. Atlas Fund also may enter into a forward contract to sell an amount of a foreign currency approximating the value of some or all of its securities denominated in such currency. Atlas Fund may use forward contracts in one currency or a basket of currencies to hedge against fluctuations in the value of another currency when GEIM anticipates there will be a correlation between the two and may use forward currency contracts to shift the Fund's exposure to foreign currency fluctuations from one country to another. The purpose of entering into these contracts is to minimize the risk to Atlas Fund from adverse changes in the relationship between the U.S. dollar and foreign currencies.

Atlas Fund may also write covered put and call options and purchase put and call options on foreign currencies to hedge against movements in currency exchange rates. For the same purpose, Atlas Fund may purchase and sell foreign currency futures contracts and write covered put and call options and purchase put and call options on such contracts. The risks of these hedging strategies are similar to those of the other hedging strategies in

which Atlas Fund may engage, as described under "Other Investment Policies and Risk Factors--Hedging Strategies." See the Statement of Additional Information for more information on currency hedging strategies.

Atlas Fund may invest up to 20% of its assets in non-convertible debt securities of both domestic and foreign issuers, as well as in obligations issued or guaranteed by the U.S. or foreign governments, their agencies or instrumentalities. Atlas Fund will not invest more than 5% of its assets in debt securities rated lower than investment grade. See "Other Investment Policies and Risk Factors--Debt Securities."

GROWTH AND INCOME FUND

Growth and Income Fund's investment objective is to provide current income and capital growth. The Fund seeks to achieve this objective by investing primarily in dividend-paying equity securities (common and preferred stocks) believed by Mitchell Hutchins to have the potential for rapid earnings growth. Under normal circumstances, the Fund will invest at least 65% of its total assets in such securities. In managing the Fund, Mitchell Hutchins follows a disciplined methodology under which stocks from a universe of approximately 2,000 medium to large capitalization companies are ranked utilizing quantitative measures of value, earnings and price momentum in the context of Mitchell Hutchins' economic forecast. Stocks are selected for the Fund based on fundamental analysis of the highest ranking stocks.

Growth and Income Fund may invest up to 35% of its total assets in equity securities not meeting the above criteria, as well as convertible securities, U.S. government securities, investment grade corporate debt securities and money market instruments. See "Other Investment Policies and Risk Factors--Debt Securities." Growth and Income Fund may invest in instruments other than common stocks when, in the opinion of Mitchell Hutchins, their projected total return is equal to or greater than that of common stocks or when such holdings might reduce the volatility of the Fund's portfolio.

Growth and Income Fund primarily purchases equity securities of issuers with medium to large capitalization. The Fund generally will not invest in stocks of issuers with market capitalization below $300 million. Over the past 65 years, the total return of equity investments, as measured by the Standard & Poor's 500 Composite Stock Price Index ("S&P 500"), has exceeded the inflation rate, as measured by the Consumer Price Index, as well as total return on long-term Treasury bonds, long-term corporate bonds and short-term Treasury bills. However, year-to-year fluctuations in each of these indexes and instruments have been significant, and total return for the S&P 500 for some periods has been negative. There can be no assurance that this trend will continue, and the Fund's performance may be better or worse than that of the S&P 500.

GROWTH FUND

In selecting stocks for investment by Growth Fund, Mitchell Hutchins considers all those factors it believes affect potential capital appreciation, including an issuer's current and projected revenues, earnings, cash flow and assets, as well as general market conditions in relevant industries. Under normal circumstances, at least 65% of Growth Fund's assets is invested in common stocks. Growth Fund may invest up to 35%, and for temporary purposes more than 35%, of its assets in U.S. government securities and convertible and non-convertible corporate debt securities. In seeking capital appreciation, the Fund would invest in debt securities when, for instance, Mitchell Hutchins anticipates that market interest rates may decline or credit fac-

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tors or ratings affecting particular issues may improve. Growth Fund may invest in corporate debt securities rated lower than investment grade. See "Other Investment Policies and Risk Factors--Debt Securities."

OTHER INVESTMENT POLICIES AND RISK FACTORS

DEBT SECURITIES. All the Funds are permitted to purchase investment grade corporate debt securities. Securities rated BBB by Standard & Poor's Ratings Group ("S&P"), Baa by Moody's Investor Services, Inc. ("Moody's") or comparably rated by another nationally recognized statistical rating organization ("NRSRO") are investment grade but Moody's considers securities rated Baa to have speculative characteristics. Changes in economic conditions or other circumstances are more likely to lead to a weakened capacity for such securities to make principal and interest payments than is the case for higher-rated debt securities. Atlas Fund and Growth Fund are also permitted to purchase debt securities rated as low as B+ by S&P, B1 by Moody's or comparably rated by another NRSRO, with Atlas Fund limited in such investments to 5%, and Growth Fund limited to 35%, of total assets. Growth and Income Fund is permitted to invest up to 10% of its total assets in convertible securities rated below investment grade but no lower than B by S&P or Moody's or comparably rated by another NRSRO.These securities are deemed by those NRSROs to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal and may involve major risk exposure to adverse conditions. Such securities are commonly referred to as "junk bonds." Each Fund is also permitted to purchase debt securities that are not rated by S&P, Moody's or another NRSRO but that Mitchell Hutchins (or, for Atlas Fund, GEIM) determines to be of comparable quality to that of rated securities in which the Fund may invest. Such securities are included in the computa-tion of any percentage limitations applicable to the comparable rated securities. See the Statement of Additional Information for more information about S&P and Moody's ratings.

Ratings of debt securities represent the NRSROs' opinions regarding their quality, are not a guarantee of quality and may be reduced after the Fund has acquired the security. Mitchell Hutchins (or, for Atlas Fund, GEIM) will consider such an event in determining whether the Fund should continue to hold the security but is not required to dispose of it. Credit ratings attempt to evaluate the safety of principal and interest payments and do not reflect an assessment of the volatility of the security's market value or the liquidity of an investment in the security. Also, NRSROs may fail to make timely changes in credit ratings in response to subsequent events, so that an issuer's current financial condition may be better or worse than the rating indicates.

Lower rated debt securities generally offer a higher current yield than that available for higher grade issues, but they involve higher risks, in that they are especially subject to adverse changes in general economic conditions and in the industries in which the issuers are engaged, to changes in the financial condition of the issuers and to price fluctuations in response to changes in interest rates. During periods of economic downturn or rising interest rates, highly leveraged issuers may experience financial stress which could adversely affect their ability to make payments of interest and principal and increase the possibility of default. In addition, such issuers may not have more traditional methods of financing available to them, and may be unable to repay debt at maturity by refinancing. The risk of loss due to default by such issuers is significantly greater because such securities frequently are unsecured and subordinated to the prior payment of senior indebtedness.

The market for lower rated debt securities has expanded rapidly in recent years, and its growth paralleled a long economic expansion. In the past, the prices of many lower rated debt securities declined substantially, reflecting an expectation that many issuers of such securities might experience financial difficulties. As a result, the yields on lower rated debt securities rose dramatically. However, such higher yields did not reflect the value of the income stream that holders of such securities expected, but rather the risk that holders of such securities could lose a substantial portion of their value as a result of the issuers' financial restructuring or default. There can be no assurance that such declines will not recur. The market for lower-rated debt issues generally is thinner and less active than that for higher quality securities, which may limit a Fund's ability to sell such securities at fair value in response to changes in the economy or financial markets. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may also decrease the values and liquidity of lower rated securities, especially in a thinly traded market.

U.S. government securities in which the Funds may invest include direct obligations of the U.S. Treasury as well as obligations of U.S. government agencies and instrumentalities backed by the U.S. Treasury or primarily or solely by the credit of the issuer.

DOLLAR-DENOMINATED FOREIGN SECURITIES. Growth and Income Fund and Growth Fund each may invest up to 25% of its total assets in U.S. dollar-denominated securities of foreign issuers that are traded on recognized U.S. exchanges or

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in the U.S. over-the-counter ("OTC") market. Atlas Fund may invest in such securities without limitation. These investments may involve special risks, arising both from political and economic developments abroad and differences between foreign and U.S regulatory systems. Foreign securities may be less liquid and their prices more volatile than comparable U.S. securities. The prices of these securities may also be affected by fluctuations in the values of foreign currencies.

CONVERTIBLE SECURITIES. A convertible security is a bond, debenture, note, preferred stock or other security that may be converted into or exchanged for a prescribed amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. The Funds may convert any convertible securities they may own into common stock, and they may hold the common stock upon conversion.

Investments in convertible securities generally entail less risk than the issuer's common stock, although the extent to which such risk is reduced depends in large measure upon the degree to which the convertible security sells above its value as a fixed income security.

HEDGING STRATEGIES. Each Fund may attempt to reduce the overall risk of its investments (hedge) by using options (both exchange-traded and OTC) and futures contracts. A Fund's ability to use these instruments may be limited by market conditions, regulatory limits and tax considerations. The Appendix to this Prospectus describes the hedging instruments a Fund may use. The Statement of Additional Information contains further information on these strategies.

The Funds may write (sell) covered put and call options or buy put and call options on securities in which they may invest and on stock indices. In addition, the Funds may buy and sell stock index futures contracts and interest rate futures contracts and may write covered put and call options or buy put and call options on such futures contracts. Because each Fund in- tends to use options and futures for hedging purposes, each Fund may enter into options

and futures contracts that approximate (but do not exceed) the full value of its portfolio.

The Funds might not employ any of the strategies described above, and there can be no assurance that any strategy used will succeed. If Mitchell Hutchins incorrectly forecasts interest rates, market values or other economic factors in utilizing a hedging strategy for a Fund, the Fund would be in a better position had it not hedged at all. The use of these strategies involves certain special risks, including (1) the fact that skills needed to use hedging instruments are different from those needed to select a Fund's securities, (2) possible imperfect correlation, or even no correlation, between price movements of hedging instruments and price movements of the investments being hedged, (3) the fact that, while hedging strategies can reduce the risk of loss, they can also reduce the opportunity for gain, or even result in losses, by offsetting favorable price movements in hedged investments and (4) the possible inability of a Fund to purchase or sell a portfolio security at a time that otherwise would be favorable for it to do so, or the possible need for a Fund to sell a portfolio security at a disadvantageous time, due to the need for a Fund to maintain "cover" or to segregate securities in connection with hedging transactions and the possible inability of such Fund to close out or to liquidate its hedged position.

New financial products and risk management techniques continue to be developed. Each Fund may use these instruments and techniques to the extent consistent with its investment objective and regulatory and federal tax considerations.

ILLIQUID SECURITIES. Each Fund may invest up to 10% of its net assets in illiquid securities, including certain cover for OTC options and securities whose disposition is restricted under the federal securities laws (other than "Rule 144A securities" Mitchell Hutchins has determined to be liquid under procedures approved by the Trust's trustees). Rule 144A establishes a "safe harbor" from the registration requirements of the Securities Act of 1933. Institutional markets for restricted securities have developed as a result of Rule 144A, providing both readily ascertainable values for restricted securities and the ability to liquidate an investment to satisfy share redemption orders. An insufficient number of qualified institutional buyers interested in purchasing Rule 144A-eligible restricted securities held by a Fund, however, could affect adversely the marketability of such portfolio securities and the Fund might be unable to dispose of such securities promptly or at favorable prices.

PORTFOLIO TURNOVER. Each Fund's portfolio turnover rate may vary greatly from year to year and will not be a limiting factor when Mitchell Hutchins deems portfolio changes appropriate. A higher turnover rate for (100% or more) a particular Fund will involve correspondingly greater transaction costs, which will be borne directly by that Fund, and may increase the potential for taxable short-term capital gains.

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The portfolio turnover rate is calculated by dividing the lesser of a Fund's annual sales or purchases of portfolio securities (exclusive of purchases or sales of securities whose maturities at the time of acquisition were one year or less) by the monthly average value of securities in the portfolio during the year. For the fiscal years ended August 31, 1994 and August 31, 1993, the respective portfolio turnover rates for the Funds were as follows: Atlas Fund--176.16% and 258.05%; Growth and Income Fund--94.32% and 36.52%; Growth--24.41% and 35.81%. Atlas Fund's high turnover rate in the fiscal year ended August 31, 1993 was attributable to a realignment of its portfolio undertaken by a new portfolio manager.

OTHER INFORMATION. When Mitchell Hutchins believes unusual circumstances warrant a defensive posture, each Fund temporarily may commit all or a portion of its assets to cash or money market instruments, including repurchase agreements. In the case of Atlas Fund, such temporary investments may include foreign currencies and money market instruments issued by U.S. or foreign issuers. The Funds may also engage in short sales of securities "against the box" to defer realization of gains or losses for tax or other purposes. Each Fund may borrow money for temporary purposes, but not in excess of 10% of its total assets.

PURCHASES AND REDEMPTIONS

The Class C shares of the Funds described in this Prospectus currently are offered for sale only to the trustee of the PaineWebber Savings Investment Plan ("PW SIP"), a defined contribution plan sponsored by Paine Webber Group Inc. ("PW Group"). Such shares may be purchased or redeemed only by such trustee on behalf of the PW SIP at net asset value without any sales or redemption charge.

The trustee of the PW SIP purchases and redeems Fund shares to implement the investment choices of individual plan participants with respect to their PW SIP contributions. INDIVIDUAL PLAN PARTICIPANTS SHOULD CONSULT THE PLAN INFORMATION STATEMENT AND SUMMARY PLAN DESCRIPTION OF THE PW SIP (COLLECTIVELY THE "PLAN DOCUMENTS") FOR A DESCRIPTION OF THE PROCEDURES AND LIMITATIONS APPLICABLE TO MAKING AND CHANGING INVESTMENT CHOICES. Copies of the Plan Documents are available from the PaineWebber Incorporated Benefits Department, 1000 Harbor Boulevard, 10th Floor, Weehawken, New Jersey 07087 (telephone 1-201-902-4444).

As described in the Plan Documents, the average net asset value per share at which shares of a Fund are purchased or redeemed by the trustee of the PW SIP for the accounts of individual participants might be more or less than the net asset value per share prevailing at the time that such participants made their investment choices or made their contributions to the PW SIP.

Purchase and redemption orders by the trustee of the PW SIP for shares of a Fund will be effected at the net asset value per share next computed (see "Valuation of Shares") after the order is received by the Funds' transfer agent, PFPC Inc. ("Transfer Agent"). Each Fund and Mitchell Hutchins reserve the right to reject any purchase order and to suspend the offering of Fund shares for a period of time.

DIVIDENDS AND TAXES

DIVIDENDS. Atlas Fund and Growth Fund pay dividends from net investment income annually. Growth and Income Fund pays dividends from net investment income semi-annually. Each Fund distributes annually substantially all of its net capital gain (the excess of net long-term capital gain over net short-term capital loss) and net short-term capital gain, if any. Atlas Fund also distributes any net realized gains from foreign currency transactions with its annual dividend. Each Fund may make additional distributions if necessary to avoid a 4% excise tax on certain undistributed income and capital gain.

Each Fund's dividends and other distributions are paid in additional Fund shares at net asset value unless the Transfer Agent is instructed otherwise.

TAXES. Each Fund intends to continue to qualify for treatment as a regulated investment

company under the Internal Revenue Code so that it will be relieved of federal income tax on that part of its investment company taxable income (consisting generally of net investment income, net short-term capital gain and, for Atlas Fund, net gains from certain foreign currency transactions) and net capital gain that is distributed to its shareholders.

The Class C shares of the Funds described in this Prospectus currently are offered for sale only to the trustee of the PW SIP acting on behalf of such plan. As a qualified profit-sharing plan, the PW SIP generally pays no federal income tax. Individual participants in the PW SIP should consult the Plan Doc-

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uments and their own tax advisers for information on the tax consequences associated with participating in the PW SIP.

VALUATION OF SHARES

The net asset value of each Fund's share fluctuates and is determined as of the close of regular trading on the New York Stock Exchange Inc. ("NYSE") (currently 4:00 p.m., eastern time) each Business Day. A "Business Day" is any day, Monday through Friday, on which the NYSE is open for business. Each Fund's net asset value per share is computed by dividing the value of the securities held by the Fund plus any cash or other assets minus all liabilities by the total number of Fund shares outstanding.

Each Fund values its assets based on their current market value where market quotations are readily available. If such value cannot be established, assets are valued at fair value as determined in good faith by or under the direction of each Trust's board of trustees. The amortized cost method of valuation generally is used to value debt obligations with 60 days or less remaining to maturity, unless the board of trustees determines that this does not represent fair value. Investments of Atlas Fund denominated in a foreign currency are valued daily in U.S. dollars based on the then-prevailing exchange rate. It should be recognized that judgment plays a greater role in valuing lower rated debt securities in which Growth Fund and Atlas Fund may invest, because there is less reliable, objective data available.

MANAGEMENT

The board of trustees for each Trust, as part of its overall management responsibility, oversees various organizations responsible for the Fund's day-to-day management. Mitchell Hutchins, investment adviser and administrator of each Fund, makes and implements all investment decisions and supervises all aspects of the operations of Growth Fund and Growth and Income Fund and supervises the activities of GEIM with respect to Atlas Fund. Brokerage transactions for the Funds may be conducted through PaineWebber or its affiliates in accordance with procedures adopted by each Trust's board of trustees.

Mitchell Hutchins receives a monthly fee for these services, at the annual rate of 0.75% of average daily net assets for Atlas Fund and Growth Fund and 0.70% of average daily net assets for Growth and Income Fund. The advisory fees for Atlas Fund and Growth Fund are higher than those paid by most investment companies to their advisers, but Mitchell Hutchins believes the fees are comparable to the advisory fees paid by other funds with similar investment objectives and policies.

Each Fund incurs other expenses and, for the fiscal year ended August 31, 1994, each Fund's total expenses for its Class C shares, stated as a percentage of net assets, were as follows: 1.13% for Atlas Fund, 0.90% for

Growth and Income Fund and 0.94% for Growth Fund. See "Fund Expenses."

Mitchell Hutchins is located at 1285 Avenue of the Americas, New York, New York 10019. It is a wholly owned subsidiary of PaineWebber Incorporated ("PaineWebber"), which is in turn wholly owned by PW Group, the sponsor of the PW SIP and a publicly owned financial services holding company. As of March 31, 1995, Mitchell Hutchins was adviser or a sub-adviser to 42 investment companies with 77 separate portfolios and aggregate assets of over $26.8 billion.

GEIM serves as sub-adviser for Atlas Fund pursuant to an interim sub-advi-sory agreement ("Interim Agreement") between Mitchell Hutchins Asset Manage-ment Inc. ("Mitchell Hutchins") and GEIM that was approved by the board of trustees of PaineWebber Atlas Fund's. Under the Interim Agreement, GEIM makes and implements all investment decisions with respect to Atlas Fund's portfolio. Under its existing Investment Advisory and Administration Contract with re-spect to Atlas Fund, Mitchell Hutchins supervises the activities of GEIM with respect to Atlas Fund and continues to supervise all other aspects of Atlas Fund's operations. Mitchell Hutchins (not Atlas Fund) pays GEIM for its serv-ices under the Interim Agreement at the annual rate of 0.31% of Atlas Fund's average daily net assets up to $500 million, 0.29% of Atlas Fund's average daily net assets in excess of $500 million to $1 billion and 0.265% of Atlas Fund's average daily net assets in excess of $1 billion. Atlas Fund had ap-proximately $362 million in net assets as of February 28, 1995. The Interim Agreement will continue in effect for the shorter of 120 days from March 23, 1995 (the date of the Interim Agreement) or the date that a new sub-advisory contract is approved by Atlas Fund's shareholders.

GEIM is located at 3003 Summer Street, P.O. Box 7900, Stamford Connecticut 06904 and is a wholly owned subsidiary of General Electric Company. Geim is a registered investment adviser, and its principal officers and directors serve in similar capacities with respect to General Electric Investment Corporation ("GEIC"), also a registered investment adviser and a wholly owned subsidiary of General Electric Company. GEIM and GEIC together provide investment manage-

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ment services to various institutional accounts with total assets of approximately $45.8 billion as of February 28, 1995.

PaineWebber Atlas board of trustees has called a special meeting for July 14, 1995 of the shareholders of Atlas Fund to consider the approval of a sub-advisory contract with GEIM and the Reorganization.

Effective March 23, 1995, Ralph R. Layman became the individual primarily responsible for the day-to-day management of the Fund's portfolio. Mr. Layman is an executive vice president and a senior investment manager of GEIM and GEIC. From 1989 to 1991, Mr. Layman served as executive vice president, partner and portfolio manager of Northern Capital Management Co. and, prior thereto, served as vice president and portfolio manager of Templeton Investment Counsel.

Mark A. Tincher has been responsible for the day-to-day management of the Fund since April 1995. Mr. Tincher is a Managing Director and Chief Investment Officer of Equity Investments of Mitchell Hutchins responsible for overseeing the management of domestic equity investments for Mitchell Hutchins. Prior to joining Mitchell Hutchins in March 1995, Mr. Tincher worked for Chase Manhattan Private Bank where he was Vice President and directed the U.S. Funds Management and Equity Research area. At Chase since 1988, Mr. Tincher oversaw the management of all Chase U.S. equity funds (the Vista Funds and Trust Investment Funds).

Ellen R. Harris has been primarily responsible for the day-to-day portfolio management of Growth Fund since its inception. Ms. Harris is a vice president of PaineWebber Olympus Fund and chief domestic equity strategist, a managing director and chief investment officer--domestic of Mitchell Hutchins. Prior to joining Mitchell Hutchins in 1983 as a portfolio manager, Ms. Harris served as a vice president and portfolio manager at American General Capital Management (now American Capital Management).

Other members of Mitchell Hutchins' international and domestic equities and fixed income groups provide input on market outlook, interest rate forecasts and other considerations pertaining to global and domestic equity and fixed income investments.

DISTRIBUTION ARRANGEMENTS. Mitchell Hutchins is the distributor of shares of the Funds and has appointed PaineWebber as the exclusive dealer for the sale of those shares.

PERFORMANCE INFORMATION

Each Fund performs a standardized computation of annualized total return and may show this return in advertisements or promotional materials. Standardized return shows the change in value of an investment in the Fund as a steady compound annual rate of return. Actual year-by-year returns fluctuate and may be higher or lower than standardized return. One-, five- and ten-year periods will be shown, unless the Class has been in existence for a shorter period. Total return calculations assume reinvestment of dividends and other distributions.

Each Fund may use other total return presentations in conjunction with standardized return. These may cover the same or different periods than those used for standardized return and may include cumulative returns, average annual rates, actual year-by-year rates or any combination thereof.

Each Fund also may use standardized return and, in conjunction therewith, non-standardized return, of its Class A, Class B and Class D shares in performance advertisements. Advertised returns for one Class of a Fund's shares may include periods during which that Class was outstanding but others were not. Standardized returns of the other Classes of Fund shares will reflect the higher ongoing expenses attributable to those Classes, as well as the deduction of any applicable initial or contingent deferred sales charge. Non-standardized return of Class A or Class B shares will reflect such higher ongoing expenses but not the sales charges, and would be lower if the sales charges were included.

Total return information reflects past performance and does not necessarily indicate future results. Investment return and principal values will fluctuate, and proceeds upon redemption may be more or less than a shareholder's cost.

GENERAL INFORMATION

ORGANIZATION. Each Fund is organized as a series of a Massachusetts business trust (each a "Trust"), which is registered with the SEC as an open-end management investment company. The three Trusts were organized under separate Declarations of Trust, each dated October 31, 1986.

The trustees have authority to issue an unlimited number of shares of beneficial interest of separate series, par value $.001 per share, of each Trust. Al-

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though each Fund is offering only its own shares, it is possible that a Fund could become liable for a misstatement in this Prospectus about another Fund. The trustees

of the Trusts have considered this factor in approving the use of a combined Prospectus.

In addition to Growth Fund, shares of one other series of PaineWebber Olympus Fund have been authorized.

The shares of beneficial interest of each Fund are divided into four Classes, designated Class A shares, Class B shares, Class C shares and Class D shares. Each Class represents interests in the same assets of each Fund. The Classes differ as follows: (1) Class A, Class B and Class D shares, unlike Class C shares, bear certain fees under plans of distribution and have exclusive voting rights on matters pertaining to those plans, (2) Class A shares are subject to an initial sales charge, (3) Class B shares bear ongoing distribution fees, are subject to a contingent deferred sales charge upon certain redemptions and will automatically convert to Class A shares approximately six years after issuance, (4) Class D shares are subject to neither an initial nor a contingent deferred sales charge, bear ongoing distribution fees and do not convert into another Class, (5) Class C shares are subject to neither an initial or contingent deferred sales charge nor ongoing service or distribution fees and (6) each Class may bear differing amounts of certain Class-specific expenses. The board of trustees of each Trust does not anticipate that there will be any conflicts among the interests of the holders of each Class of Fund shares. On an ongoing basis, each board of trustees will consider whether any such conflict exists and, if so, take appropriate action.

The Trusts do not hold annual shareholder meetings. There normally will be no meetings of shareholders to elect trustees unless fewer than a majority of the trustees of a Trust holding office have been elected by shareholders. Shareholders of record holding at least two-thirds of the outstanding shares of a Trust may remove a trustee by votes cast in person or by proxy at a meeting called for that purpose. The trustees are required to call a meeting of shareholders for the purpose of voting upon the question of removal of any trustee when so requested in writing by the shareholders of record of not less than 10% of a Trust's outstanding shares. Each share of a Fund has equal voting rights, except as noted above. Each share of a Fund is entitled to participate equally in dividends and distributions and the proceeds of any liquidation, except that, due to the differing expenses borne by the four Classes, these dividends and proceeds for the Class B and Class D shares are likely to be lower for the other Classes than for Class C shares.

To avoid additional operating costs and for investor convenience, share certificates are not issued. Ownership of shares of each Fund is recorded on a stock register by the Transfer Agent and shareholders have the same rights of ownership with respect to such shares as if certificates had been issued.

PROPOSED REORGANIZATION OF ATLAS FUND. The board of trustees of PaineWebber Atlas Fund has approved a proposed Reorganization for submission to Atlas Fund's shareholders at a special meeting to be held on July 14, 1995. If the Reorganization is approved and implemented, Atlas Fund's assets will be acquired and its liabilities assumed by MH/KP Global Equity Fund, a series of Mitchell Hutchins/ Kidder Peabody Investment Trust, another open-end management investment company organized as a business trust under the laws of the Commonwealth of Massachusetts. As a result of the Reorganization, the two funds' assets would be combined and each Atlas Fund shareholder would, on the closing date of the transaction, receive a number of full and fractional shares of the corresponding class of shares of MH/KP Global Equity Fund having an aggregate value equal to the value of the shareholder's holdings in Atlas Fund. Following the Re

organization, the Atlas Fund would have neither assets, liabilities or shareholders, and it would be terminated as soon as practicable.

There can be no assurance that Atlas Fund's shareholders will approve the Reorganization. If the Reorganization is approved, it is expected that Atlas Fund will no longer be available for purchase starting approximately one week prior to the closing date of the reorganization. Further information concerning the Reorganization will be contained in a prospectus/proxy statement that will be filed with the SEC and sent to Atlas Fund's shareholders of record as of May 24, 1995, the record date for the special meeting of the Fund shareholders.

CUSTODIAN AND TRANSFER AGENT. State Street Bank and Trust Company, One Heritage Drive, North Quincy, Massachusetts 02171, is custodian for Growth and Income Fund and Growth Fund. Brown Brothers Harriman & Co., 40 Water Street, Boston, Massachusetts 02109, is custodian for Atlas Fund and employs foreign sub-

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custodians to provide custody of the Fund's foreign assets. PFPC Inc., a subsidiary of PNC Bank, National Association, whose principal address is 400 Bellevue Parkway, Wilmington, Delaware 19809, is the Funds' transfer and dividend disbursing agent.

CONFIRMATIONS AND STATEMENTS. The PW SIP receives confirmations of purchases and redemptions of shares of the Funds and quarterly statements from the Transfer Agent. The PW SIP also receives audited annual and unaudited semi-annual financial statements of the Funds. PW SIP participants receive periodic information about their plan participation from the PW SIP plan administrator.

APPENDIX

The Funds may use the hedging instruments described below except only Atlas Fund may use foreign currency options, futures contracts and forward contracts:

OPTIONS ON EQUITY AND DEBT SECURITIES AND FOREIGN CURRENCIES--A call option is a short-term contract pursuant to which the purchaser of the option, in return for a premium, has the right to buy the security or currency underlying the option at a specified price at any time during the term of the option. The writer of the call option, who receives the premium, has the obligation, upon exercise of the option during the option term, to deliver the underlying security or currency against payment of the exercise price. A put option is a similar contract that gives its purchaser, in return for a premium, the right to sell the underlying security or currency at a specified price during the option term. The writer of the put option, who receives the premium, has the obligation, upon the exercise of the option during the option term, to buy the underlying security or currency at the exercise price.

OPTIONS ON STOCK INDEXES--A stock index assigns relative values to the stocks included in the index and fluctuates with changes in the market values of those stocks. A stock index option operates in the same way as a more traditional stock option, except that exercise of a stock index option is effected with cash payment and does not involve delivery of securities. Thus, upon exercise of a stock index option, the purchaser will realize, and the writer will pay, an amount based on the difference between the exercise price and the closing price of the stock index.

STOCK INDEX FUTURES CONTRACTS--A stock index futures contract is a bilateral agreement pursuant to which one party agrees to accept, and the other party agrees to make, delivery of an amount of cash equal to a specified dollar amount times the difference between the stock index value at the close of trading of the contract and the price at which the futures contract is originally struck. No physical delivery of the stocks comprising the index is made. Generally, contracts are closed out prior to the expiration date of the contract.

INTEREST RATE AND FOREIGN CURRENCY FUTURES CONTRACTS--Interest rate and foreign currency futures contracts are bilateral agreements pursuant to which one party agrees to make, and the other party agrees to accept, delivery of a specified type of debt security or currency at a specified future time and at a specified price. Although such futures contracts by their terms call for actual delivery or acceptance of debt securities or currency, in most cases the contracts are closed out before the settlement date without the making or taking of delivery.

OPTIONS ON FUTURES CONTRACTS--Options on futures contracts are similar to options on securities or currency, except that an option on a futures contract gives the purchaser the right, in return for the premium, to assume a position in a futures contract (a long position if the option is a call and a short position if the option is a put), rather than to purchase or sell a security or currency, at a specified price at any time during the option term. Upon exercise of the option, the delivery of the futures position to the holder of the option will be accompanied by delivery of the accumulated balance that represents the amount by which the market price of the futures contract exceeds, in the case of a call, or is less than, in the case of a put, the exercise

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PAINEWEBBER

ATLAS GLOBAL GROWTH FUND

GROWTH AND INCOME FUND

GROWTH FUND

Class C Shares

PROSPECTUS

May , 1995 with respect to Growth and Income Fund and January 1, 1995 (as revised May , 1995) with respect to Atlas Fund and Growth Fund.

PAINEWEBBER ATLAS GLOBAL GROWTH FUND
PAINEWEBBER GROWTH AND INCOME FUND
PAINEWEBBER GROWTH FUND
CLASS C SHARES
1285 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10019

STATEMENT OF ADDITIONAL INFORMATION

The three funds named above (each a "Fund") are diversified series of PaineWebber Atlas Fund, PaineWebber America Fund and PaineWebber Olympus Fund, respectively (each a "Trust"), professionally managed, open-end investment companies organized as Massachusetts business trusts. PaineWebber Atlas Global Growth Fund ("Atlas Fund") seeks long-term capital appreciation; it invests primarily in common stocks of issuers based in the United States, Europe, Japan and the Pacific Basin. PaineWebber Growth and Income Fund ("Growth and Income Fund") seeks current income and capital growth; it invests primarily in dividend-paying equity securities believed by Mitchell Hutchins to have the potential for rapid earnings growth; stocks are selected through a disciplined methodology that utilizes quantitative measures of value, earnings and price momentum, as well as fundamental analysis. PaineWebber Growth Fund ("Growth Fund") seeks long-term capital appreciation; it invests primarily in common stocks issued by companies deemed by Growth Fund's investment adviser to have substantial potential for capital growth. The Funds' investment adviser, administrator and distributor is Mitchell Hutchins Asset Management Inc. ("Mitchell Hutchins"), a wholly owned subsidiary of PaineWebber Incorporated ("PaineWebber"). GE Investment Management Incorporated ("GEIM") serves as sub-adviser for Atlas Fund. As distributor for the Funds, Mitchell Hutchins has appointed PaineWebber to serve as the exclusive dealer for the sale of Fund shares. The Class C shares described in this Statement of Additional Information are currently offered for sale only to the trustee of the PaineWebber Savings Investment Plan acting on behalf of that Plan. This Statement of Additional Information is not a prospectus and should be read only in conjunction with the Funds' current Prospectus, dated May , 1995 with respect to Growth and Income Fund and January 1, 1995 (as revised May , 1995) with respect to Atlas Fund and Growth Fund. A copy of the Prospectus may be obtained by contacting the PaineWebber Incorporated Benefits Department, 1000 Harbour Boulevard, 10th Floor, Weehawken, New Jersey 07087 or by calling 1-201-902-4444. This Statement of Additional Information is dated May , 1995 with respect to Growth and Income Fund and January 1, 1995 (as revised May , 1995) with respect to Atlas Fund and Growth Fund.

INVESTMENT POLICIES AND RESTRICTIONS

The following supplements the information contained in the Prospectus concerning the Funds' investment policies and limitations.

YIELD FACTORS AND RATINGS. Moody's Investors Service, Inc. ("Moody's") Standard & Poor's Ratings Group ("S&P") and other nationally recognized statistical rating organizations ("NRSROs") are private services that provide ratings of the credit quality of debt obligations. A description of the ratings

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assigned to corporate debt obligations by Moody's and S&P is included in the Appendix to this

Statement of Additional Information. The Funds may use these ratings in determining whether to purchase, sell or hold a security. It should be emphasized, however, that ratings are general and are not absolute standards of quality. Consequently, securities with the same maturity, interest rate and rating may have different market prices.

As noted in the Prospectus, the Funds may invest in non-investment grade debt securities--that is, debt securities that are not rated at the time of purchase within one of the four highest grades assigned by S&P or Moody's, comparably rated by another NRSRO or determined by Mitchell Hutchins (or, for Atlas Fund, GEIM) to be of comparable quality.

SPECIAL CONSIDERATIONS RELATING TO FOREIGN SECURITIES. Many of the foreign securities held by the Funds are not registered with the Securities and Exchange Commission ("SEC"), nor are the issuers thereof subject to its reporting requirements. Accordingly, there may be less publicly available information concerning foreign issuers of securities held by the Funds than is available concerning U.S. companies. Foreign companies are not generally subject to uniform accounting, auditing and financial reporting standards or to other regulatory requirements comparable to those applicable to U.S. companies.

All the Funds may invest in foreign securities by purchasing American Depository Receipts ("ADRs"). Atlas Fund also may purchase securities of foreign issuers in foreign markets and purchase European Depository Receipts ("EDRs") or other securities convertible into securities of issuers based in foreign countries. These securities may not necessarily be denominated in the same currency as the securities into which they may be converted. Generally, ADRs, in registered form, are denominated in U.S. dollars and are designed for use in the U.S. securities markets, while EDRs, in bearer form, may be denominated in other currencies and are designed for use in European securities markets. ADRs are receipts typically issued by a U.S. bank or trust company evidencing ownership of the underlying securities. EDRs are European receipts evidencing a similar arrangement. For purposes of the Funds' investment policies, ADRs and EDRs are deemed to have the same classification as the underlying securities they represent. Thus, an ADR or EDR representing ownership of common stock will be treated as common stock.

Atlas Fund anticipates that its brokerage transactions involving securities of companies headquartered in countries other than the United States will be conducted primarily on the principal exchanges of such countries. Foreign security trading practices, including those involving securities settlement where Fund assets may be released prior to receipt of payment, may expose the Fund to increased risk in the event of a failed trade or the insolvency of a foreign broker-dealer. Transactions on foreign exchanges are usually subject to fixed commissions that are generally higher than negotiated commissions on U.S. transactions, although Atlas Fund will endeavor to achieve the best net results in effecting its portfolio transactions. There is generally less government supervision and regulation of exchanges and brokers in foreign countries than in the United States.

Investment income on certain foreign securities in which the Funds may invest may be subject to foreign withholding or other taxes that could reduce the return on these securities. Tax treaties between the United States and foreign countries, however, may reduce or eliminate the amount of foreign taxes to which the Funds would be subject.

FOREIGN CURRENCY TRANSACTIONS. Although Atlas Fund values its assets daily in U.S. dollars, it does not intend to convert its holdings of foreign currencies to U.S. dollars on a daily basis. Atlas

Fund's foreign currencies generally will be held as "foreign currency call accounts" at foreign branches of foreign or domestic banks. These accounts bear interest at negotiated rates and are payable upon relatively short demand periods. If a bank became insolvent, Atlas Fund could suffer a loss of some or all of the amounts deposited. Atlas Fund may convert foreign currency to U.S. dollars from time to time. Although foreign exchange dealers generally do not charge a stated commission or fee for conversion, the prices posted generally include a "spread," which is the difference between the prices at which the dealers are buying and selling foreign currencies.

CONVERTIBLE SECURITIES. A convertible security entitles the holder to receive interest paid or accrued on debt or the dividend paid on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities have characteristics similar to non-convertible debt securities in that they ordinarily provide a stable stream of income with generally higher yields than those of common stocks of the same or similar issuers. Convertible securities rank senior to common stock in a corporation's capital structure but are usually subordinated to comparable non-

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convertible securities.

Convertible securities have unique investment characteristics in that they generally (1) have higher yields than common stocks, but lower yields than comparable non-convertible securities, (2) are less subject to fluctuation in value than the underlying stock since they have fixed income characteristics and (3) provide the potential for capital appreciation if the market price of the underlying common stock increases. The value of a convertible security is a function of its "investment value" (determined by its yield comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors also may have an effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value, and generally the conversion value decreases as the convertible security approaches maturity. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. In addition, a convertible security generally will sell at a premium over its conversion value determined by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed income security.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Fund is called for redemption, the Fund will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party.

ILLIQUID SECURITIES. Each Fund may invest up to 10% of its net assets in illiquid securities. The term "illiquid securities" for this purpose means securities that cannot be disposed of within seven days in the ordinary course of business at approximately the amount at which a Fund has valued the securities and includes, among other things, purchased over-the-counter ("OTC") options,

repurchase agreements maturing in more than seven days and restricted securities other than those Mitchell Hutchins (or, for Atlas Fund, GEIM) has determined are liquid pursuant to guidelines established by the Trusts' boards of trustees. The assets used as cover for OTC options written by a Fund will be considered illiquid unless the OTC options are sold to qualified dealers who agree that the Fund may repurchase any OTC option it writes at a maximum price to be calculated by a formula set forth in the option agreement. The cover for an OTC option written subject to this procedure would be considered illiquid only to the extent that the maximum repurchase price under the formula exceeds the intrinsic value of the option. Illiquid restricted securities may be sold only in privately negotiated transactions or in public offerings with respect to which a registration statement is in effect under the Securities Act of 1933 ("1933 Act"). In the case of Atlas Fund, illiquid securities include those that are subject to restrictions contained in the securities laws of other countries. However, securities that are freely marketable in the country where they are principally traded, but would not be freely marketable in the United States, will not be subject to this 10% limit for Atlas Fund. Where registration is required, a Fund may be obligated to pay all or part of the registration expenses and a considerable period may elapse between the time of the decision to sell and the time the Fund may be permitted to sell a security under an effective registration statement. If, during such a period, adverse market conditions were to develop, the Fund might obtain a less favorable price than prevailed when it decided to sell.

Not all restricted securities are illiquid. In recent years a large institutional market has developed for certain securities that are not registered under the 1933 Act, including private placements, repurchase agreements, commercial paper, foreign securities and corporate bonds and notes. These instruments are often restricted securities because the securities are sold in transactions not requiring registration. Institutional investors generally will not seek to sell these instruments to the general public, but instead will often depend either on an efficient institutional market in which such unregistered securities can be readily resold or on an issuer's ability to honor a demand for repayment. Therefore, the fact that there are contractual or legal restrictions on resale to the general public or certain institutions is not dispositive of the liquidity of such investments.

Rule 144A under the 1933 Act establishes a "safe harbor" from the registration requirements of the 1933 Act for resales of certain securities to

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qualified institutional buyers. Institutional markets for restricted securities have developed as a result of Rule 144A, providing both readily ascertainable values for restricted securities and the ability to liquidate an investment to satisfy share redemption orders. Such markets include automated systems for the trading, clearance and settlement of unregistered securities of domestic and foreign issuers, such as the PORTAL System sponsored by the National Association of Securities Dealers, Inc. An insufficient number of qualified institutional buyers interested in purchasing Rule 144A-eligible restricted securities held by a Fund, however, could affect adversely the marketability of such portfolio securities and a Fund might be unable to dispose of such securities promptly or at favorable prices.

The board of trustees for each Trust has delegated the function of making day-to-day determinations of liquidity to Mitchell Hutchins, pursuant to guidelines approved by the board. Mitchell Hutchins (or, for Atlas Fund, GEIM) takes into account a number of factors in reaching liquidity decisions, including (1) the frequency of trades for the security, (2) the number of dealers that make quotes for the security, (3) the number of dealers that have undertaken to make a market in the security, (4) the number of other potential purchasers and (5) the nature of the security and

how trading is effected (e.g., the time needed to sell the security, how offers are solicited and the mechanics of transfer). Mitchell Hutchins (or, for Atlas Fund, GEIM) will monitor the liquidity of restricted securities in each Fund's portfolio and report periodically on such decisions to the board of trustees.

REPURCHASE AGREEMENTS. Repurchase agreements are transactions in which a Fund purchases securities from a bank or recognized securities dealer and simultaneously commits to resell the securities to the bank or dealer at an agreed-upon date and price reflecting a market rate of interest unrelated to the coupon rate or maturity of the purchased securities. A Fund maintains custody of the underlying securities prior to their repurchase; thus, the obligation of the bank or dealer to pay the repurchase price on the date agreed to is, in effect, secured by such securities. If the value of these securities is less than the repurchase price, plus any agreed-upon additional amount, the other party to the agreement must provide additional collateral so that at all times the collateral is at least equal to the repurchase price, plus any agreed-upon additional amount. The difference between the total amount to be received upon repurchase of the securities and the price which was paid by a Fund upon acquisition is accrued as interest and included in that Fund's net investment income. Repurchase agreements carry certain risks not associated with direct investments in securities, including possible declines in the market value of the underlying securities and delays and costs to a Fund if the other party to a repurchase agreement becomes insolvent.

Each Fund intends to enter into repurchase agreements only with banks and dealers in transactions believed by Mitchell Hutchins (or, for Atlas Fund, GEIM) to present minimal credit risks in accordance with guidelines established by the Trusts' boards of trustees. Mitchell Hutchins (or, for Atlas Fund, GEIM) reviews and monitors the creditworthiness of those institutions under the boards' general supervision.

REVERSE REPURCHASE AGREEMENTS. Each Fund may enter into reverse repurchase agreements with banks and securities dealers up to an aggregate value of not more than 5% of the Fund's total assets. Such agreements involve the sale of securities held by a Fund subject to the Fund's agreement to repurchase the securities at an agreed-upon date and price reflecting a market rate of interest. Such agreements are considered to be borrowings and may be entered into only for temporary purposes. While a reverse repurchase agreement is outstanding, a Fund's custodian segregates assets to cover the Fund's obligations under the reverse repurchase agreement. See "Investment Policies and Restrictions--Segregated Accounts."

LENDING OF PORTFOLIO SECURITIES. Although the Funds have no intention of doing so during the coming year, each Fund is authorized to lend up to 10% of the total value of its portfolio securities to broker-dealers or institutional investors that Mitchell Hutchins (or, for Atlas Fund, GEIM) deems qualified, but only when the borrower maintains with the Fund's custodian bank collateral either in cash or money market instruments in an amount, marked to market daily, at least equal to the market value of the securities loaned, plus accrued interest and dividends. In determining whether to lend securities to a particular broker-dealer or institutional investor, Mitchell Hutchins (or, for Atlas Fund, GEIM) will consider, and during the period of the loan will monitor, all relevant facts and circumstances, including the creditworthiness of the borrower. Each Fund will retain authority to terminate any loans at any time. A Fund may pay reasonable administrative and custodial fees in connection with a loan and may pay a negotiated portion of the interest earned on the cash or

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money market instruments held as collateral to the borrower or placing broker. A Fund will receive reasonable interest on the loan or a flat fee from the borrower and amounts equivalent to any dividends, interest or other distributions on the securities loaned. A Fund will regain record ownership of loaned securities to exercise beneficial rights, such as voting and subscription rights and rights to dividends, interest or other distributions, when regaining such rights is considered to be in the Fund's interest.

SHORT SALES "AGAINST THE BOX". As indicated in the prospectus, each Fund may engage in short sales of securities it owns or has the right to acquire at no added cost through conversion or exchange of other securities it owns (short sales "against the box") to defer realization of gains or losses for tax or other purposes. To make delivery to the purchaser in a short sale, the executing broker borrows the securities being sold short on behalf of the Fund, and the Fund is obligated to replace the securities borrowed at a date in the future. When a Fund sells short, it will establish a margin account with the broker effecting the short sale, and will deposit collateral with the broker. In addition, the Fund will maintain with its custodian, in a segregated account, the securities that could be used to cover the short sale. A Fund will incur transaction costs, including interest expense, in connection with opening, maintaining and closing short sales against the box. None of the Funds currently intend to have obligations under short-sales that at any time during the coming year exceed 5% of the Fund's total assets.

A Fund might make a short sale "against the box" in order to hedge against market risks when Mitchell Hutchins believes that the price of a security may decline, thereby causing a decline in the value of a security owned by the Fund or a security convertible into or exchangeable for a security owned by the Fund, or when Mitchell Hutchins wants to sell a security that the Fund owns at a current price, but also wishes to defer recognition of gain or loss for federal income tax purposes. In such case, any loss in the Fund's long position after the short sale should be reduced by a gain in the short position. Conversely, any gain in the long position should be reduced by a loss in the short position. The extent to which gains or losses in the long position are reduced will depend upon the amount of the securities sold short relative to the amount of the securities the Fund owns, either directly or indirectly, and in the case where the Fund owns convertible securities, changes in the investment values or conversion premiums of such securities.

SEGREGATED ACCOUNTS. When a Fund enters into certain transactions to make future payments to third parties, including reverse repurchase agreements, the Fund will maintain with an approved custodian in a segregated cash account, U.S. government securities or other liquid high-grade debt securities, marked to market daily, in an amount at least equal to the Fund's obligation or commitment under such transactions. As described below under "Hedging Strategies," segregated accounts may also be required in connection with certain transactions involving options, futures contracts and forward currency contracts.

INVESTMENT LIMITATIONS OF THE FUNDS

ATLAS FUND. Atlas Fund may not (1) purchase any securities other than those its investment objective permits it to purchase; (2) purchase securities of any one issuer (except U.S. government securities) if as a result more than 5% of Atlas Fund's total assets would be invested in such issuer or Atlas Fund would own or hold more than 10% of the outstanding voting securities of that issuer, provided, however, that up to 25% of the value of Atlas Fund's total assets may be invested without

regard to these limitations; (3) purchase securities on margin, except for short-term credit necessary for clearance of portfolio transactions, and except that Atlas Fund may make margin deposits in connection with its use of options, futures contracts and options on futures contracts; (4) underwrite securities of other issuers, except to the extent that, in connection with the disposition of portfolio securities, Atlas Fund may be deemed an underwriter under federal securities laws; (5) make short sales of securities or maintain a short position, except that Atlas Fund may (a) make short sales and may maintain short positions in connection with its use of options, futures contracts and options on futures contracts and (b) sell short "against the box"; (6) purchase or sell real estate, provided that Atlas Fund may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein; (7) purchase or sell commodities or commodity contracts, provided that Atlas Fund may engage in forward currency contracts and provided that Atlas Fund may purchase or sell stock index futures, foreign currency futures, interest rate futures and options thereon; (8) invest in oil, gas or mineral-related programs or leases; (9) make loans, except through loans of portfolio securities and except through repurchase agreements; provided that for purposes of this restriction the acquisition of bonds, debentures, or other corporate debt securities and investment in government obligations, short-term commercial paper, certificates of deposit and bankers' acceptances shall not be deemed to be the making of loans; (10) issue senior securities or borrow money,

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except from banks for temporary purposes and except for reverse repurchase agreements, and then in an aggregate amount not in excess of 10% of Atlas Fund's total assets; provided further that Atlas Fund will not purchase securities while borrowings in excess of 5% of its total assets are outstanding; (11) make an investment in any one industry if the investment would cause the aggregate value of Atlas Fund's investments in such industry to exceed 25% of Atlas Fund's total assets; or (12) purchase any securities issued by any other investment company, except by purchase in the open market where no commission or profit, other than a customary brokers' commission, is earned by any sponsor or dealer associated with the investment company whose shares are acquired as a result of such purchase, provided that such securities in the aggregate do not represent more than 10% of Atlas Fund's total assets, and except in connection with the merger, consolidation or acquisition of all the securities or assets of such an issuer.

The foregoing fundamental investment limitations cannot be changed without the affirmative vote of the lesser of (a) more than 50% of the outstanding shares of Atlas Fund or (b) 67% or more of the shares present at a shareholders' meeting if more than 50% of the outstanding shares are represented at the meeting in person or by proxy. If a percentage restriction is adhered to at the time of an investment or transaction, a later increase or decrease in percentage resulting from a change in values of portfolio securities or amount of total assets will not be considered a violation of any of the foregoing limitations.

The following investment restrictions may be changed by the Trust's board of trustees without shareholder approval: Atlas Fund may not (1) purchase or retain the securities of any issuer if, to the knowledge of Atlas Fund's management, the officers and trustees of the Trust and the officers and directors of Mitchell Hutchins or GEIM (each owning beneficially more than 0.5% of the outstanding securities of an issuer) own in the aggregate more than 5% of the securities of the issuer; (2) except under unusual circumstances, purchase securities issued by investment companies unless they are issued by companies that follow a policy of investing primarily in the capital markets of a single foreign country; (3) purchase any security if as a result more than 5% of it's total assets would be invested in securities of companies that together with any predecessors have been in continuous

operation for less than three years; (4) invest more than 10% of its net assets in illiquid securities, a term which means securities that cannot be disposed of within seven days in the ordinary course of business at approximately the amount at which it has valued the securities and includes, among other things, repurchase agreements maturing in more than seven days; (5) make investments in warrants if such investments, valued at the lower of cost or market, exceed 5% of the value of its net assets, which amount may include warrants that are not listed on the New York Stock Exchange, Inc. ("NYSE") or the American Stock Exchange, Inc. ("Amex"), provided that such unlisted warrants, valued at the lower of cost or market, do not exceed 2% of it's net assets, and further provided that this restriction does not apply to warrants attached to, or sold as a unit with, other securities. For purposes of this restriction, the term "warrants" does not include options on securities, stock or bond indices, foreign currencies or futures contracts; or (6) invest more than 35% of its total assets in debt securities rated Ba or lower by Moody's or BB or lower by S&P, comparably rated by another NRSRO or determined by Mitchell Hutchins or GEIM to be of comparable quality. This non-fundamental policy (6) can be changed only upon 30 days' advance notice to shareholders. The Fund will continue to interpret fundamental investment limitation (6) to prohibit investment in real estate limited partnerships.

GROWTH AND INCOME FUND. Growth and Income Fund may not (1) purchase any securities other than those its investment objective permits it to purchase; (2) purchase securities of any one issuer (except U.S. government securities) if as a result more than 5% of Growth and Income Fund's total assets would be invested in such issuer or Growth and Income Fund would own or hold more than 10% of the outstanding voting securities of that issuer, provided, however, that up to 25% of the value of Growth and Income Fund's total assets may be invested without regard to these limitations; (3) purchase securities on margin, except for short-term credit necessary for clearance of portfolio transactions and except that Growth and Income Fund may make margin deposits in connection with its use of options, futures contracts and options on futures contracts; (4) underwrite securities of other issuers, except to the extent that, in connection with the disposition of portfolio securities, Growth and Income Fund may be deemed an underwriter under the federal securities laws; (5) make short sales of securities or maintain a short position, except that Growth and Income Fund may (a) make short sales and may maintain short positions in connection with its use of options, futures contracts and options on futures contracts and (b) sell short "against the box"; (6) purchase or sell real estate, provided that Growth and Income Fund may invest in securities secured by real estate or interests therein or issued by companies which invest in real estate or interest therein; (7) purchase or sell commodities or commodity contracts, except that Growth and Income Fund may purchase or sell stock index

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futures, interest rate futures and options thereon; (8) invest in oil, gas or mineral-related programs or leases; (9) make loans, except through loans of portfolio securities as described herein and except through repurchase agreements; provided that for purposes of this restriction the acquisition of bonds, debentures, or other corporate debt securities and investment in government obligations, short-term commercial paper, certificates of deposit and bankers' acceptances shall not be deemed to be the making of loans; (10) purchase any securities issued by any other investment company, except in connection with the merger, consolidation or acquisition of all the securities or assets of such an issuer; (11) issue senior securities or borrow money, except from banks for temporary purposes and except for reverse repurchase agreements, and then in an aggregate amount not in excess of 10% of Growth and Income Fund's total assets; provided further that Growth and Income Fund will not purchase securities while borrowings in excess of 5% of

Growth and Income Fund's total assets are outstanding; or (12) make an investment in any one industry if the investment would cause the aggregate value of Growth and Income Fund's investments in such industry to exceed 25% of Growth and Income Fund's total assets.

The foregoing fundamental investment limitations cannot be changed without the affirmative vote of the lesser of (a) more than 50% of the outstanding shares of Growth and Income Fund or (b) 67% or more of the shares present at a shareholders' meeting if more than 50% of the outstanding shares are represented at the meeting in person or by proxy. If a percentage restriction is adhered to at the time of an investment or transaction, a later increase or decrease in percentage resulting from a change in values of portfolio securities or amount of total assets will not be considered a violation of any of the foregoing limitations.

The following investment restrictions may be changed by the Trust's board of trustees without shareholder approval: Growth and Income Fund may not (1) purchase or retain the securities of any issuer if, to the knowledge of Growth and Income Fund's management, the officers and trustees of the Trust and the officers and directors of Mitchell Hutchins (each owning beneficially more than 0.5% of the outstanding securities of an issuer) own in the aggregate more than 5% of the securities of the issuer; (2) purchase any security if as a result more than 5% of it's total assets would be invested in securities of companies that together with any predecessors have been in continuous operation for less than three years; (3) invest more than 10% of its net assets in illiquid securities, a term which means securities that cannot be disposed of within seven days in the ordinary course of business at approximately the amount at which it has valued the securities and includes, among other things, repurchase agreements maturing in more than seven days; or (4) make investments in warrants if such investments, valued at the lower of cost or market, exceed 5% of the value of its net assets, which amount may include warrants that are not listed on the NYSE or Amex, provided that such unlisted warrants, valued at the lower of cost or market, do not exceed 2% of the it's net assets, and further provided that this restriction does not apply to warrants attached to, or sold as a unit with, other securities. For purposes of this restriction, the term "warrants" does not include options on securities, stock or bond indices or futures contracts; or (5) invest more than 35% of its total assets in debt securities rated Ba or lower by Moody's or BB or lower by S&P, comparably rated by another NRSRO or determined by Mitchell Hutchins to be of comparable quality. This non-fundamental policy (5) can be changed only upon 30 days' advance notice to shareholders.

The Fund will continue to interpret fundamental investment limitation (6) to prohibit investment in real estate limited partnerships.

GROWTH FUND. Growth Fund may not (1) issue senior securities or borrow money, except from banks for temporary purposes and except for reverse repurchase agreements, and then in an aggregate amount not in excess of 10% of Growth Fund's total assets; provided further that Growth Fund will not purchase securities while borrowings (including reverse repurchase agreements) in excess of 5% of Growth Fund's total assets are outstanding; (2) make an investment in any one industry if the investment would cause the aggregate value of Growth Fund's investments in such industry to exceed 25% of Growth Fund's total assets; (3) purchase securities of any one issuer (except U.S. government securities) if as a result more than 5% of Growth Fund's total assets would be invested in such issuer or Growth Fund would own or hold more than 10% of the outstanding voting securities of that issuer, provided, however, that up to 25% of the value of Growth Fund's

total assets may be invested without regard to these limitations; (4) purchase securities on margin, except for short-term credit necessary for clearance of portfolio transactions and except that Growth Fund may make margin deposits in connection with its use of options, futures contracts and options on futures contracts; (5) underwrite securities of other issuers, except to the extent

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that, in connection with the disposition of portfolio securities, Growth Fund may be deemed an underwriter under federal securities laws; (6) make short sales of securities or maintain a short position, except that Growth Fund may (a) make short sales and may maintain short positions in connection with its use of options, futures contracts and options on future contracts and (b) sell short "against the box"; (7) purchase or sell real estate, provided that Growth Fund may invest in securities secured by real estate or interests therein or issued by companies that invest in real estate or interests therein; (8) purchase or sell commodities or commodity contracts, except that Growth Fund may purchase or sell stock index futures and interest rate futures and options thereon; (9) invest in oil, gas or mineral-related programs or leases; (10) make loans, except through loans of portfolio securities as described herein and except through repurchase agreements; provided that for purposes of this restriction the acquisition of bonds, debentures, or other corporate debt securities and investments in government obligations, short-term commercial paper, certificates of deposit and bankers' acceptances shall not be deemed to be the making of loans; or (11) purchase any securities issued by any other investment company, except by purchase in the open market where no commission or profit, other than a customary brokers' commission, is earned by any sponsor or dealer associated with the investment company whose shares are acquired as a result of such purchase, provided that such securities in the aggregate do not represent more than 10% of Growth Fund's total assets, and except in connection with the merger, consolidation or acquisition of all the securities or assets of such an issuer.

The foregoing fundamental investment limitations cannot be changed without the affirmative vote of the lesser of (a) more than 50% of the outstanding shares of Growth Fund or (b) 67% or more of the shares present at a shareholders' meeting if more than 50% of the outstanding shares are represented at the meeting in person or by proxy. If a percentage restriction is adhered to at the time of an investment or transaction, a later increase or decrease in percentage resulting from a change in values of portfolio securities or amount of total assets will not be considered a violation of any of the foregoing limitations.

The following investment restrictions may be changed by the Trust's board of trustees without shareholder approval: Growth Fund may not (1) purchase or retain the securities of any issuer if, to the knowledge of Growth Fund's management, the officers and trustees of the Trust and the officers and directors of Mitchell Hutchins (each owning beneficially more than 0.5% of the outstanding securities of an issuer) own in the aggregate more than 5% of the securities of the issuer; (2) purchase any security if as a result more than 5% of its total assets would be invested in securities of companies that together with any predecessors have been in continuous operation for less than three years; (3) invest more than 10% of its net assets in illiquid securities, a term which means securities that cannot be disposed of within seven days in the ordinary course of business at approximately the amount at which it has valued the securities and includes, among other things, repurchase agreements maturing in more than seven days; (4) make investments in warrants if such investments, valued at the lower of cost or market, exceed 5% of the value of its net assets, which amount may include warrants that are not listed on the NYSE on Amex, provided that such unlisted warrants, valued at the lower of cost or market, do not exceed 2% of its net assets, and further

provided that this restriction does not apply to warrants attached to, or sold as a unit with, other securities. For purposes of this restriction, the term "warrants" does not include options on securities, stock or bond indices or futures contracts; or (5) invest more than 35% of its total assets in debt securities rated Ba or lower by Moody's or BB or lower by S&P, comparably rated by another NRSRO or determined by Mitchell Hutchins to be of comparable quality. This non-fundamental policy (5) can be changed only upon 30 days' advance notice to shareholders. The Fund will continue to interpret fundamental investment limitation (7) to prohibit investment in real estate limited partnerships.

HEDGING STRATEGIES

GENERAL DESCRIPTION OF HEDGING STRATEGIES. As discussed in the Prospectus, Mitchell Hutchins (or, for Atlas Fund, GEIM) may use a variety of financial instruments ("Hedging Instruments"), including certain options, futures contracts (sometimes referred to as "futures"), options on futures contracts and, in the case of Atlas Fund, forward currency contracts, to attempt to hedge the Funds' portfolios. The particular Hedging Instruments are described in the Appendix to the Prospectus.

Hedging strategies can be broadly categorized as "short hedges" and "long hedges." A short hedge is a purchase or sale of a Hedging Instrument intended to partially or fully offset potential declines in the value of one or more investments held in a Fund's portfolio. Thus, in a short hedge a Fund takes a position in a Hedging Instrument whose price is expected to move in the opposite direction of the price of the investment being hedged. For example, a Fund might purchase a put option on a security to hedge against a potential

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decline in the value of that security. If the price of the security declined below the exercise price of the put, the Fund could exercise the put and thus limit its loss below the exercise price to the premium paid plus transactions costs. In the alternative, because the value of the put option can be expected to increase as the value of the underlying security declines, the Fund might be able to close out the put option and realize a gain to offset the decline in the value of the security.

Conversely, a long hedge is a purchase or sale of a Hedging Instrument intended partially or fully to offset potential increases in the acquisition cost of one or more investments that a Fund intends to acquire. Thus, in a long hedge a Fund takes a position in a Hedging Instrument whose price is expected to move in the same direction as the price of the prospective investment being hedged. For example, a Fund might purchase a call option on a security it intends to purchase in order to hedge against an increase in the cost of the security. If the price of the security increased above the exercise price of the call, the Fund could exercise the call and thus limit its acquisition cost to the exercise price plus the premium paid and transactions costs. Alternatively, the Fund might be able to offset the price increase by closing out an appreciated call option and realizing a gain.

Hedging Instruments on securities generally are used to hedge against price movements in one or more particular securities positions that a Fund owns or intends to acquire. Hedging Instruments on stock indices, in contrast, generally are used to hedge against price movements in broad equity market sectors in which a Fund has invested or expects to invest. Hedging Instruments on debt securities may be used to hedge either individual securities or broad fixed income market sectors.

The use of Hedging Instruments is subject to applicable regulations of the SEC, the several options and futures exchanges upon which they are traded, the Commodity Futures Trading Commission ("CFTC") and various state regulatory authorities. In addition, a Fund's ability to use Hedging Instruments will be limited by tax considerations. See "Taxes."

In addition to the products, strategies and risks described below and in the Prospectus, Mitchell Hutchins and GEIM expect to discover additional opportunities in connection with options, futures contracts, forward currency contracts and other hedging techniques. These new opportunities may become available as Mitchell Hutchins and GEIM develop new techniques, as regulatory authorities broaden the range of permitted transactions and as new options, futures contracts or other techniques are developed. Mitchell Hutchins or GEIM may utilize these opportunities to the extent that they are consistent with the Funds' investment objectives and permitted by the Funds' investment limitations and applicable regulatory authorities. The Funds' Prospectus or Statement of Additional Information will be supplemented to the extent that new products or techniques involve materially different risks than those described below or in the Prospectus.

SPECIAL RISKS OF HEDGING STRATEGIES. The use of Hedging Instruments involves special considerations and risks, as described below. Risks pertaining to particular Hedging Instruments are described in the sections that follow.

(1) Successful use of most Hedging Instruments depends upon the ability of Mitchell Hutchins or GEIM to predict movements of the overall securities, currency and interest rate markets, which requires different skills than predicting changes in the prices of individual securities. While Mitchell Hutchins and GEIM are experienced in the use of Hedging Instruments, there can be no assurance that any particular hedging strategy adopted will succeed.

(2) There might be imperfect correlation, or even no correlation, between price movements of a Hedging Instrument and price movements of the investments being hedged. For example, if the value of a Hedging Instrument used in a short hedge increased by less than the decline in value of the hedged investment, the hedge would not be fully successful. Such a lack of correlation might occur due to factors unrelated to the value of the investments being hedged, such as speculative or other pressures on the markets in which Hedging Instruments are traded.

The effectiveness of hedges using Hedging Instruments on indices will depend on the degree of correlation between price movements in the index and price movements in the securities being hedged. Because Growth and Income Fund invests primarily in common stocks of issuers meeting the specific criteria described in the Prospectus, there might be a significant lack of correlation between the portfolio and the stock indices underlying any such Hedging Instruments used by that Fund.

(3) Hedging strategies, if successful, can reduce risk of loss by wholly or partially offsetting the negative effect of unfavorable price movements in the investments being hedged. However, hedging strategies can also reduce opportunity for gain by offsetting the positive effect of favorable price movements in the hedged investments. For example, if a Fund entered into a

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short hedge because Mitchell Hutchins or GEIM projected a decline in the price of a security in the Fund's portfolio, and the price of that security increased instead, the gain from that increase might be

wholly or partially offset by a decline in the price of the Hedging Instrument. Moreover, if the price of the Hedging Instrument declined by more than the increase in the price of the security, the Fund could suffer a loss. In either such case, the Fund would have been in a better position had it not hedged at all.

(4) As described below, a Fund might be required to maintain assets as "cover," maintain segregated accounts or make margin payments when it takes positions in Hedging Instruments involving obligations to third parties (i.e., Hedging Instruments other than purchased options). If a Fund were unable to close out its positions in such Hedging Instruments, it might be required to continue to maintain such assets or accounts or make such payments until the positions expired or matured. These requirements might impair a Fund's ability to sell a portfolio security or make an investment at a time when it would otherwise be favorable to do so, or require that a Fund sell a portfolio security at a disadvantageous time. A Fund's ability to close out a position in a Hedging Instrument prior to expiration or maturity depends on the existence of a liquid secondary market or, in the absence of such a market, the ability and willingness of a contra party to enter into a transaction closing out the position. Therefore, there is no assurance that any hedging position can be closed out at a time and price that is favorable to the Fund.

COVER FOR HEDGING STRATEGIES. The Funds will not use Hedging Instruments for speculative purposes or for purposes of leverage. Transactions using Hedging Instruments, other than purchased options, expose a Fund to an obligation to another party. A Fund will not enter into any such transactions unless it owns either (1) an offsetting ("covered") position in securities, other options or futures contracts or (in the case of Atlas Fund) currencies or forward currency contracts or (2) cash and short-term liquid debt securities, with a value sufficient at all times to cover its potential obligations to the extent not covered as provided in (1) above. Each Fund will comply with SEC guidelines regarding cover for hedging transactions and will, if the guidelines so require, set aside cash, U.S. government securities or other liquid, high-grade debt securities in a segregated account with its custodian in the prescribed amount.

Assets used as cover or held in a segregated account cannot be sold while the position in the corresponding Hedging Instrument is open, unless they are replaced with similar assets. As a result, the commitment of a large portion of a Fund's assets to cover or segregated accounts could impede portfolio management or the Fund's ability to meet redemption requests or other current obligations.

OPTIONS. The Funds may purchase put and call options, and write (sell) covered put or call options, on equity and debt securities and stock indices and, in the case of Atlas Fund, foreign currencies. The purchase of call options serves as a long hedge, and the purchase of put options serves as a short hedge. Writing covered call options serves as a limited short hedge, because declines in the value of the hedged investment would be offset to the extent of the premium received for writing the option. However, if the security appreciates to a price higher than the exercise price of the call option, it can be expected that the option will be exercised and the Fund will be obligated to sell the security at less than its market value. Writing covered put options serves as a limited long hedge because increases in the value of the hedged investment would be offset to the extent of the premium received for writing the option. However, if the security depreciates to a price lower than the exercise price of the put option, it can be expected that the put option will be exercised and the

Fund will be obligated to purchase the security at more than its market value. The securities or other assets used as cover for OTC options written by the Funds would be considered illiquid to the extent described under "Investment Policies and Limitations--Illiquid Securities."

The value of an option position will reflect, among other things, the current market value of the underlying investment, the time remaining until expiration, the relationship of the exercise price to the market price of the underlying investment, the historical price volatility of the underlying investment and general market conditions. Options normally have expiration dates of up to nine months. Options that expire unexercised have no value.

A Fund may effectively terminate its right or obligation under an option by entering into a closing transaction. For example, a Fund may terminate its obligation under a call or put option that it had written by purchasing an identical call or put option; this is known as a closing purchase transaction.

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Conversely, a Fund may terminate a position in a put or call option it had purchased by writing an identical put or call option; this is known as a closing sale transaction. Closing transactions permit a Fund to realize profits or limit losses on an option position prior to its exercise or expiration.

The Funds may purchase and write both exchange-traded and OTC options. Currently, many options on equity securities are exchange-traded. Exchange markets for options on debt securities and foreign currencies exist but are relatively new, and these instruments are primarily traded on the OTC market. Exchange-traded options in the United States are issued by a clearing organization affiliated with the exchange on which the option is listed which, in effect, guarantees completion of every exchange-traded option transaction. In contrast, OTC options are contracts between a Fund and its contra party (usually a securities dealer or a bank) with no clearing organization guarantee. Thus, when a Fund purchases or writes an OTC option, it relies on the contra party to make or take delivery of the underlying investment upon exercise of the option. Failure by the contra party to do so would result in the loss of any premium paid by the Fund as well as the loss of any expected benefit of the transaction. The Funds will enter into OTC option transactions only with contra parties that have a net worth of at least $20 million.

Generally, the OTC debt options or foreign currency options (in the case of Atlas Fund) used by the Funds are European style options. This means that the option is only exercisable immediately prior to its expiration. This is in contrast to American-style options, which are exercisable at any time prior to the expiration date of the option.

A Fund's ability to establish and close out positions in exchange-listed options depends on the existence of a liquid market. Each Fund intends to purchase or write only those exchange-traded options for which there appears to be a liquid secondary market. However, there can be no assurance that such a market will exist at any particular time. Closing transactions can be made for OTC options only by negotiating directly with the contra party, or by a transaction in the secondary market if any such market exists. Although a Fund will enter into OTC options only with contra parties that are expected to be capable of entering into closing transactions with the Fund, there is no assurance that the Fund will in fact be able to close out an OTC option position at a favorable price prior to expiration. In the event of insolvency of the contra party, the Fund might be unable to close out an OTC option position at any time prior to its expiration.

If a Fund were unable to effect a closing transaction for an option it had purchased, it would have to exercise the option to realize any profit. The inability to enter into a closing purchase transaction for a covered put or call option written by a Fund could cause material losses because the Fund would be unable to sell the investment used as cover for the written option until the option expires or is exercised.

Limitations on the Use of Options. A Fund's use of options is governed by the following guidelines, which can be changed by its Trust's board of trustees without shareholder vote:

(1) A Fund may purchase a put or call option, including any straddles or spreads, only if the value of its premium, when aggregated with the premiums on all other options held by the Fund, does not exceed 5% of the Fund's total assets.

(2) The aggregate value of securities underlying put options written by a Fund, determined as of the date the put options are written, will not exceed 50% of the Fund's net assets.

(3) The aggregate premiums paid on all options (including options on securities, foreign currencies and stock or bond indices and options on futures contracts) purchased by the Fund that are held at any time will not exceed 20% of the Fund's net assets.

FUTURES. The Funds may purchase and sell stock index futures contracts and interest rate futures contracts and, in the case of Atlas Fund, foreign currency futures contracts. The Funds may also purchase put and call options, and write covered put and call options, on futures in which they are allowed to invest. The purchase of futures or call options thereon can serve as a long hedge, and the sale of futures or the purchase of put options thereon can serve as a short hedge. Writing covered call options on futures contracts can serve as a limited short hedge, and writing covered put options on futures contracts can serve as a limited long hedge, using strategies similar to those used for writing covered options on securities or indices.

No price is paid upon entering into a futures contract. Instead, at the inception of a futures contract the Fund is required to deposit in a segregated account with its custodian, in the name of the futures broker through whom the transaction was effected, "initial margin" consisting of cash, U.S. government securities or other liquid, high-grade debt securities, in an amount generally

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equal to 10% or less of the contract value. Margin must also be deposited when writing a call option on a futures contract, in accordance with applicable exchange rules. Unlike margin in securities transactions, initial margin on futures contracts does not represent a borrowing, but rather is in the nature of a performance bond or good-faith deposit that is returned to the Fund at the termination of the transaction if all contractual obligations have been satisfied. Under certain circumstances, such as periods of high volatility, a Fund may be required by an exchange to increase the level of its initial margin payment, and initial margin requirements might be increased generally in the future by regulatory action.

Subsequent "variation margin" payments are made to and from the futures broker daily as the value of the futures position varies, a process known as "marking to market." Variation margin does not involve borrowing, but rather represents a daily settlement of the Fund's obligations to or from a futures broker. When a Fund purchases an option on a future, the premium paid plus transaction

costs is all that is at risk. In contrast, when a Fund purchases or sells a futures contract or writes a call option thereon, it is subject to daily variation margin calls that could be substantial in the event of adverse price movements. If the Fund has insufficient cash to meet daily variation margin requirements, it might need to sell securities at a time when such sales are disadvantageous.

Holders and writers of futures positions and options on futures can enter into offsetting closing transactions, similar to closing transactions on options, by selling or purchasing, respectively, an instrument identical to the instrument held or written. Positions in futures and options on futures may be closed only on an exchange or board of trade that provides a secondary market. Each Fund intends to enter into futures transactions only on exchanges or boards of trade where there appears to be a liquid secondary market. However, there can be no assurance that such a market will exist for a particular contract at a particular time.

Under certain circumstances, futures exchanges may establish daily limits on the amount that the price of a future or related option can vary from the previous day's settlement price; once that limit is reached, no trades may be made that day at a price beyond the limit. Daily price limits do not limit potential losses because prices could move to the daily limit for several consecutive days with little or no trading, thereby preventing liquidation of unfavorable positions.

If a Fund were unable to liquidate a futures or related options position due to the absence of a liquid secondary market or the imposition of price limits, it could incur substantial losses. The Fund would continue to be subject to market risk with respect to the position. In addition, except in the case of purchased options, the Fund would continue to be required to make daily variation margin payments and might be required to maintain the position being hedged by the future or option or to maintain cash or securities in a segregated account.

Certain characteristics of the futures market might increase the risk that movements in the prices of futures contracts or related options might not correlate perfectly with movements in the prices of the investments being hedged. For example, all participants in the futures and related options markets are subject to daily variation margin calls and might be compelled to liquidate futures or related options positions whose prices are moving unfavorably to avoid being subject to further calls. These liquidations could increase price volatility of the instruments and distort the normal price relationship between the futures or options and the investments being hedged. Also, because initial margin deposit requirements in the futures market are less onerous than margin requirements in the securities markets, there might be increased participation by speculators in the futures markets. This participation also might cause temporary price distortions. In addition, activities of large traders in both the futures and securities markets involving arbitrage, "program trading" and other investment strategies might result in temporary price distortions.

LIMITATIONS ON THE USE OF FUTURES. A Fund's use of futures is governed by the following guidelines, which can be changed by its Trust's board of trustees without shareholder vote:

(1) To the extent a Fund enters into futures contracts, options on futures positions and options on foreign currencies traded on a commodities exchange that are not for bona fide hedging purposes (as defined by the CFTC), the aggregate initial margin and premiums on those positions (excluding the amount by which options are "in-the-money") may not exceed 5% of the Fund's net assets.

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(2) The aggregate premiums paid on all options (including options on securities, foreign currencies and stock or bond indices and options on futures contracts) purchased by a Fund that are held at any time will not exceed 20% of the Fund's net assets.

(3) The aggregate margin deposits on all futures contracts and options thereon held at any time by a Fund will not exceed 5% of the Fund's net assets.

FOREIGN CURRENCY HEDGING STRATEGIES SPECIAL CONSIDERATIONS. Atlas Fund may use options and futures on foreign currencies, as described above, and forward currency forward contracts, as described below, to hedge against movements in the values of the foreign currencies in which that Fund's securities are denominated. Such currency hedges can protect against price movements in a security Atlas Fund owns or intends to acquire that are attributable to changes in the value of the currency in which it is denominated. Such hedges do not, however, protect against price movements in the securities that are attributable to other causes.

Atlas Fund might seek to hedge against changes in the value of a particular currency when no Hedging Instruments on that currency are available or such Hedging Instruments are more expensive than certain other Hedging Instruments. In such cases, Atlas Fund may hedge against price movements in that currency by entering into transactions using Hedging Instruments on another currency or a basket of currencies, the value of which GEIM believes will have a positive correlation to the value of the currency being hedged. The risk that movements in the price of the Hedging Instrument will not correlate perfectly with movements in the price of the currency being hedged is magnified when this strategy is used.

The value of Hedging Instruments on foreign currencies depends on the value of the underlying currency relative to the U.S. dollar. Because foreign currency transactions occurring in the interbank market might involve substantially larger amounts than those involved in the use of such Hedging Instruments, Atlas Fund could be disadvantaged by having to deal in the odd lot market (generally consisting of transactions of less than $1 million) for the underlying foreign currencies at prices that are less favorable than for round lots.

There is no systematic reporting of last sale information for foreign currencies or any regulatory requirement that quotations available through dealers or other market sources be firm or revised on a timely basis. Quotation information generally is representative of very large transactions in the interbank market and thus might not reflect odd-lot transactions where rates might be less favorable. The interbank market in foreign currencies is a global, round-the-clock market. To the extent the U.S. options or futures markets are closed while the markets for the underlying currencies remain open, significant price and rate movements might take place in the underlying markets that cannot be reflected in the markets for the Hedging Instruments until they reopen.

Settlement of hedging transactions involving foreign currencies might be required to take place within the country issuing the underlying currency. Thus, Atlas Fund might be required to accept or make delivery of the underlying foreign currency in accordance with any U.S. or foreign regulations regarding the maintenance of foreign banking arrangements by U.S. residents and might be required to pay any fees, taxes and charges associated with such delivery assessed in the issuing country.

FORWARD CURRENCY CONTRACTS. Atlas Fund may enter into forward currency contracts to purchase or sell foreign currencies for a fixed amount of U.S. dollars or another foreign currency. Such transactions may serve as long hedges--for example, Atlas Fund may purchase a forward currency contract to lock in the U.S. dollar price of a security denominated in a foreign currency that the Fund intends to acquire. Forward currency contract transactions may also serve as short hedges--for example, Atlas Fund may sell a forward currency contract to lock in the U.S. dollar equivalent of the proceeds from the anticipated sale of a security denominated in a foreign currency.

As noted above, Atlas Fund also may seek to hedge against changes in the value of a particular currency by using forward contracts on another foreign currency or a basket of currencies, the value of which GEIM believes will have a positive correlation to the values of the currency being hedged. In addition, Atlas Fund may use forward currency contracts to shift its exposure to foreign currency fluctuations from one country to another. For example, if Atlas Fund owned securities denominated in a foreign currency and GEIM believed that currency would decline relative to another currency, it might enter into a forward contract to sell an appropriate amount of the first foreign currency, with payment to be made in the second foreign currency. Transactions that use two foreign currencies are sometimes referred to as "cross hedging." Use of a different foreign currency magnifies the risk that movements in the price of

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the Hedging Instrument will not correlate or will correlate unfavorably with the foreign currency being hedged.

The cost to Atlas Fund of engaging in forward currency contracts varies with factors such as the currency involved, the length of the contract period and the market conditions then prevailing. Because forward currency contracts are usually entered into on a principal basis, no fees or commissions are involved. When Atlas Fund enters into a forward currency contract, it relies on the contra party to make or take delivery of the underlying currency at the maturity of the contract. Failure by the contra party to do so would result in the loss of any expected benefit of the transaction.

As is the case with futures contracts, holders and writers of forward currency contracts can enter into offsetting closing transactions, similar to closing transactions on futures, by selling or purchasing, respectively, an instrument identical to the instrument purchased or sold. Secondary markets generally do not exist for forward currency contracts, with the result that closing transactions generally can be made for forward currency contracts only by negotiating directly with the contra party. Thus, there can be no assurance that the Fund will in fact be able to close out a forward currency contract at a favorable price prior to maturity. In addition, in the event of insolvency of the contra party, the Fund might be unable to close out a forward currency contract at any time prior to maturity. In either event, the Fund would continue to be subject to market risk with respect to the position, and would continue to be required to maintain a position in the securities or currencies that are the subject of the hedge or to maintain cash or securities in a segregated account.

The precise matching of forward currency contract amounts and the value of the securities involved generally will not be possible because the value of such securities, measured in the foreign currency, will change after the foreign currency contract has been established. Thus, Atlas Fund might need to purchase or sell foreign currencies in the spot (cash) market to the extent such foreign

currencies are not covered by forward contracts. The projection of short-term currency market movements is extremely difficult, and the successful execution of a short-term hedging strategy is highly uncertain.

Limitations on the Use of Forward Currency Contracts. Atlas Fund may enter into forward currency contracts or maintain a net exposure to such contracts only if (1) the consummation of the contracts would not obligate the Fund to deliver an amount of foreign currency in excess of the value of the position being hedged by such contracts or (2) the Fund maintains cash, U.S. government securities or other liquid, high-grade debt securities in a segregated account in an amount not less than the value of its total assets committed to the consummation of the contract and not covered as provided in (1) above, as marked to market daily.

TRUSTEES AND OFFICERS

The trustees and executive officers of each Trust (except as indicated), their business addresses and principal occupations during the past five years are:

<TABLE>
<CAPTION>

NAME AND ADDRESS*	POSITION WITH EACH TRUST	BUSINESS EXPERIENCE; OTHER DIRECTORSHIPS
<S>	<C>	<C>
E. Garrett Bewkes, Jr.**; 68	Trustee and Chairman of the Board of Trustees	Mr. Bewkes is a director of PaineWebber Group Inc. ("PW Group") (holding company of PaineWebber and Mitchell Hutchins) and a consultant to PW Group. Prior to 1988, he was chairman of the board, president and chief executive officer of American Bakeries Company. Mr. Bewkes is also a director of Interstate Bakeries Corporation and a director or trustee of 26 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Meyer Feldberg; 52 Columbia University 101 Uris Hall New York, New York 10027	Trustee	Mr. Feldberg is Dean and Professor of Management of the Graduate School of Business, Columbia University. Prior to July 1989, he was president of the Illinois Institute of Technology. Dean Feldberg is also a director of AMSCO International Inc., Federated Department Stores, Inc., Inco Homes Corporation and New World Communications Group Incorporated and a di-

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		rector or trustee of 18 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.

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NAME AND ADDRESS*	POSITION WITH EACH TRUST	BUSINESS EXPERIENCE; OTHER DIRECTORSHIPS
<S>	<C>	<C>
George W. Gowen; 65 666 Third Avenue New York, New York 10017	Trustee	Mr. Gowen is a partner in the law firm of Dunnington, Bartholow & Miller. Prior to May 1994, he was a partner in the law firm of Fryer, Ross & Gowen. Mr. Gowen is also a director of Columbia Real Estate Investments, Inc. and a director or trustee of 16 other investment companies for which Mitchell Hutchins or PaineWebber serves as an investment adviser.
Frederic V. Malek; 58 901 15th Street, N.W. Suite 300 Washington, D.C. 20005	Trustee	Mr. Malek is chairman of Thayer Capital Partners (investment bank) and a co-chairman and director of CB Commercial Group Inc. (real estate). From January 1992 to November 1992, he was campaign manager of Bush-Quayle '92. From 1990 to 1992, he was vice chairman, and from 1989 to 1990, he was president of Northwest Airlines Inc., NWA Inc. (holding company of Northwest Airlines Inc.) and Wings Holdings Inc. (holding company of NWA Inc.). Prior to 1989, he was employed by the Marriott Corporation (hotels, restaurants, airline catering and contract feeding), where he most recently was an executive vice president and president of Marriott Hotels and Resorts. Mr. Malek is also a director of American Management Systems, Inc., Automatic Data Processing, Inc., Avis, Inc., FPL Group, Inc., ICF International, Manor Care, Inc. and National Education Corporation and a director or trustee of 16 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Frank P. L. Minard**; 49	Trustee	Mr. Minard is chairman and a director of Mitchell Hutchins, chairman of the board of Mitchell Hutchins Institutional Investors Inc. and a director of PaineWebber. Prior to 1993, Mr. Minard was managing director of Oppenheimer Capital in New York and Director of Oppenheimer Capital Ltd. in London. Mr. Minard is also a director or trustee of 30 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.

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NAME AND ADDRESS*	POSITION WITH EACH TRUST	BUSINESS EXPERIENCE; OTHER DIRECTORSHIPS
<S>	<C>	<C>
Judith Davidson Moyers; 59 Public Affairs Television 356 W. 58th Street New York, New York 10019	Trustee	Mrs. Moyers is president of Public Affairs Television, Inc., an educational consultant and a home economist. Mrs. Moyers is also a director of Columbia Real Estate Investments, Inc. and Ogden Corporation and a director or trustee of 16 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Thomas F. Murray; 89 400 Park Avenue New York, New York 10022	Trustee	Mr. Murray is a real estate and financial consultant. Mr. Murray is also a director and chairman of American Continental Properties, Inc., a trustee of Prudential Realty Trust and a director or trustee of 16 other investment companies for which

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		Mitchell Hutchins or PaineWebber serves as investment adviser.
Margo N. Alexander; 48	President	Ms. Alexander is president, chief executive officer and a director of Mitchell Hutchins. Prior to January 1995, Ms. Alexander was an executive vice president of PaineWebber. Ms. Alexander is also president of 26 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Teresa M. Boyle; 36	Vice President	Ms. Boyle is a first vice president and manager--advisory administration of Mitchell Hutchins. Prior to November 1993, she was Compliance Manager of Hyperion Capital Management, Inc., an investment advisory firm. Prior to April 1993, Ms. Boyle was a vice president and manager--legal administration of Mitchell Hutchins. Ms. Boyle is also a vice president of 39 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Joan L. Cohen; 30	Vice President and Assistant Secretary	Ms. Cohen is a vice president and attorney of Mitchell Hutchins. Prior to December 1993, she was an associate at the law firm of Seward & Kissel. Ms. Cohen is also a vice president and assistant secretary of 26 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.

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NAME AND ADDRESS*	POSITION WITH EACH TRUST	BUSINESS EXPERIENCE; OTHER DIRECTORSHIPS
Ellen R. Harris; 48	Vice President	Ms. Harris is chief domestic equity strategist and a managing director and chief investment officer--domestic of Mitchell Hutchins. Ms. Harris is also a vice president of 19 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Ann E. Moran; 37	Vice President and Assistant Treasurer	Ms. Moran is a vice president of Mitchell Hutchins. Ms. Moran is also a vice president and assistant treasurer of 39 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Dianne E. O'Donnell; 42	Vice President and Secretary	Ms. O'Donnell is a senior vice president and senior associate general counsel of Mitchell Hutchins. Ms. O'Donnell is also a vice president and secretary of 39 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Victoria E. Schonfeld; 43	Vice President	Ms. Schonfeld is a managing director and general counsel of Mitchell Hutchins. From April 1990 to May 1994, she was a partner in the law firm of Arnold & Porter. Prior to April 1990, she was a partner in the law firm of Shereff, Friedman, Hoffman & Goodman. Ms. Schonfeld is also a vice president of 39 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Paul H. Schubert; 32	Vice President and Assistant Treasurer	Mr. Schubert is a vice president of Mitchell Hutchins. From August 1992 to August 1994, he was a vice president at BlackRock Financial Management, L.P. Prior to August 1992, he was an audit manager with Ernst & Young LLP. Mr. Schubert is also a vice president and assistant treasurer of 39 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.

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NAME AND ADDRESS*	POSITION WITH EACH TRUST	BUSINESS EXPERIENCE; OTHER DIRECTORSHIPS
Martha J. Slezak; 32	Vice President and Assistant Treasurer	Ms. Slezak is a vice president of Mitchell Hutchins. From September 1991 to April 1992, she was a fund-raising director for a U.S. Senate campaign. Prior to September 1991, she was a tax manager with Arthur Andersen & Co. Ms. Slezak is also a vice president and assistant treasurer of 39 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Julian F. Sluyters; 34	Vice President and Treasurer	Mr. Sluyters is a senior vice president and the director of the mutual fund finance division of Mitchell Hutchins. Prior to 1991, he was an audit senior manager with Ernst & Young LLP. Mr. Sluyters is also a vice president and treasurer of 39 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Gregory K. Todd; 38	Vice President and Assistant Secretary	Mr. Todd is a first vice president and associate general counsel of Mitchell Hutchins. Prior to 1993, he was a partner in the law firm of Shereff, Friedman, Hoffman & Goodman. Mr. Todd is also a vice president and assistant secretary of 39 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.

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* Unless otherwise indicated, the business address of each listed person is 1285 Avenue of Americas, New York, New York 10019.

** Messrs. Bewkes, Guenther and Minard are "interested persons" of each Trust as defined in the Investment Company Act of 1940 ("1940 Act") by virtue of their positions with PW Group, PaineWebber and/or Mitchell Hutchins.

Each Trust pays trustees who are not "interested persons" of the Trust $250 per meeting of the board or any committee thereof; the Trusts also pay each such trustee the following annual compensation; $3,000 for PaineWebber Atlas Fund, $1,500 for PaineWebber America Fund and $2,000 for PaineWebber Olympus Fund. Trustees also are reimbursed for any expenses incurred in attending meetings. Trustees and officers of the Trusts own in the aggregate less than 1% of the shares of each Fund. Because Mitchell Hutchins and PaineWebber perform substantially all of the services necessary for the operation of the Trusts and the Funds, the Trusts require no employees. No officer, director or employee of Mitchell Hutchins or PaineWebber presently receives any compensation from the Trusts for acting as a trustee or officer.

COMPENSATION TABLE

<TABLE>
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NAME OF PERSON, POSITION	AGGREGATE COMPENSATION FROM PAINEWEBBER AMERICA FUND*	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF A FUND'S EXPENSES	ESTIMATED ANNUAL BENEFITS UPON RETIREMENT	TOTAL COMPENSATION FROM THE TRUST AND THE FUND COMPLEX PAID TO TRUSTEES**
E. Garrett Bewkes, Jr. Trustee and chairman of the board of trustees.....	--	--	--	--
Meyer Feldberg, Trustee..................	$2,750	--	--	$86,050
George W. Gowen, Trustee..................	2,750	--	--	71,425
Frederic V. Malek, Trustee..................	3,000	--	--	77,875

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Frank P.L. Minard, Trustee...................	--	--	--	--
Judith Davidson Moyers, Trustee...................	2,750	--	--	71,125
Thomas F. Murray, Trustee...................	2,750	--	--	71,925

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* Represents fees paid to each trustee during the fiscal year ended August 31, 1994.

** Represents total compensation paid to each trustee during the calendar year ended December 31, 1994.

INVESTMENT ADVISORY AND DISTRIBUTION ARRANGEMENTS

INVESTMENT ADVISORY ARRANGEMENTS. Mitchell Hutchins acts as the investment adviser and administrator of each Fund pursuant to separate contracts dated March 1, 1989 with the respective Trusts (each an "Advisory Contract"). Under the Advisory Contracts, each Fund pays Mitchell Hutchins a fee, computed daily and paid monthly at the annual rates set forth in the Prospectus.

For the fiscal years ended August 31, 1994, August 31, 1993 and August 31, 1992, the Funds paid (or accrued) to Mitchell Hutchins the following investment advisory and administration fees: Atlas Fund--$3,143,778, $1,307,641 and $1,492,499; Growth and Income Fund--$4,892,163, $6,413,944 and $3,852,408; and Growth Fund--$2,069,033, $1,402,141 and $1,017,798.

On May 19, 1994, Mitchell Hutchins entered into a sub-advisory contract with its wholly-owned subsidiary, Mitchell Hutchins Institutional Investors Inc. ("MHII"), in order to enable Growth and Income Fund to utilize the services of Mr. Gyandera (Joe) Joshi, MHII's Managing Director of Equity Investments as portfolio manager. In February, 1995, Mr. Joshi became an officer and employee of Mitchell Hutchins, and therefore, the sub-advisory contract with MHII was terminated. Under the sub-advisory contract, MHII determined what securities would be purchased, sold or held by the Fund, and Mitchell Hutchins (not the Fund) paid MHII a fee in the annual amount of

0.25% of the Fund's average daily net assets. During the period from May 19, 1994 to August 31, 1994, Mitchell Hutchins paid or accrued to MHII sub-advisory fees of $405,821.

Under a service agreement with each Trust pursuant to which PaineWebber provides certain services not otherwise provided by the Fund's transfer agent, which agreements are reviewed by each Trust's board of trustees annually, during the fiscal years ended August 31, 1994, August 31, 1993 and August 31, 1992, the Funds paid (or accrued) the following respective fees: Atlas Fund--$169,521, $90,347 and $102,907; Growth and Income Fund--$303,496, $355,724 and $224,546; Growth Fund--$103,435, $75,713 and $59,969.

Under the terms of the applicable Advisory Contract, each Fund bears all expenses incurred in its operation that are not specifically assumed by Mitchell Hutchins. Expenses borne by each Fund include the following: (1) the cost (including brokerage commissions) of securities purchased or sold by the Fund and any losses incurred in connection therewith; (2) fees payable to and expenses incurred on behalf of the Fund by Mitchell Hutchins; (3) organizational expenses; (4) filing fees and expenses relating to the registration and qualification of the Fund's shares under federal and state securities laws and maintenance of such registrations and qualifications; (5) fees and salaries payable to trustees and officers who are not interested persons (as defined in the 1940 Act) of the Fund or Mitchell Hutchins; (6) all expenses incurred in connection with the trustees' services, including travel expenses; (7) taxes (including any income or franchise taxes) and governmental fees; (8) costs of any liability, uncollectable items of deposit and other insurance or fidelity bonds; (9) any costs, expenses or losses arising out of a liability of or claim for damages or other relief asserted against the Trust or Fund for violation of any law; (10) legal, accounting and auditing expenses, including legal fees of special counsel for the independent trustees; (11) charges of custodians, transfer agents and other agents; (12) costs of preparing share certificates; (13) expenses of setting in type and printing prospectuses, statements of additional information and supplements thereto, reports and proxy materials for existing shareholders, and costs of mailing such materials to shareholders; (14) any extraordinary expenses (including fees and disbursements of counsel) incurred by the Fund; (15) fee, voluntary assessments and other expenses incurred in connection with membership in investment company organizations; (16) costs of mailing and tabulating proxies and costs of meetings of shareholders, the board and any committees thereof; (17) the cost of investment company literature and other publications provided to trustees and officers; and (18) costs of mailing, stationery and communications equipment.

As required by state regulation, Mitchell Hutchins will reimburse a Fund if and to the extent that the aggregate operating expenses of the Fund in any

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fiscal year exceed applicable limits. Currently, the most restrictive such limit applicable to a Fund is 2.5% of the first $30 million of the Fund's average daily net assets, 2.0% of the next $70 million of its average daily net assets and 1.5% of its average daily net assets in excess of $100 million. Certain expenses, such as brokerage commissions, taxes, interest, distribution fees, certain expenses attributable to investing outside the United States and extraordinary items, are excluded from this limitation. For the fiscal years ended August 31, 1994, August 31, 1993 and August 31, 1992, no reimbursements were made pursuant to such limitation for any Fund.

Under each Advisory Contract, Mitchell Hutchins will not be liable for any error of judgment or mistake of law or for any loss suffered by a Fund in connection with the performance of the

Advisory Contract, except a loss resulting from willful misfeasance, bad faith or gross negligence on the part of Mitchell Hutchins in the performance of its duties or from reckless disregard of its duties and obligations thereunder. Each Advisory Contract terminates automatically upon assignment and is terminable at any time without penalty by the board of trustees or by vote of the holders of a majority of a Fund's outstanding voting securities on 60 days' written notice to Mitchell Hutchins, or by Mitchell Hutchins on 60 days' written notice to a Fund.

The following table shows the approximate net assets as of March 31, 1995, sorted by category of investment objective, of the investment companies as to which Mitchell Hutchins serves as adviser or sub-adviser. An investment company may fall into more than one of the categories below.

<TABLE>
<CAPTION>

INVESTMENT CATEGORY	NET ASSETS ($ MIL)
<S>	<C>
Domestic (excluding Money Market)	$5,730.7
Global	3,392.5
Equity/Balanced	2,773.2
Fixed Income (excluding Money Market)	6,350.0
Taxable Fixed Income	4,565.0
Tax-Free Fixed Income	1,785.0
Money Market Funds	17,769.0

</TABLE>

Mitchell Hutchins personnel may invest in securities for their own accounts pursuant to a code of ethics that describes the fiduciary duty owed to shareholders of the PaineWebber and Mitchell Hutchins/Kidder, Peabody ("MH/KP") mutual funds and other Mitchell Hutchins' advisory accounts by all Mitchell Hutchins' directors, officers and employees, establishes procedures for personal investing and restricts certain transactions. For example, employee accounts generally must be maintained at PaineWebber, personal trades in most securities require pre-clearance and short-term trading and participation in initial public offerings generally are prohibited. In addition, the code of ethics puts restrictions on the timing of personal investing in relation to trades by PaineWebber and MH/KP funds and other Mitchell Hutchins advisory clients.

DISTRIBUTION ARRANGEMENTS. Mitchell Hutchins acts as the distributor of the Class C shares of each Fund under separate distribution contracts with each Trust dated July 1, 1991 that require Mitchell Hutchins to use its best efforts, consistent with its other business, to sell shares of the Funds. Class C shares of the Funds are offered continuously. Under exclusive dealer agreements between Mitchell Hutchins and PaineWebber dated July 1, 1991, PaineWebber and its correspondent firms sell each Fund's Class C shares.

PORTFOLIO TRANSACTIONS

Subject to policies established by the board of trustees of each Trust, Mitchell Hutchins is responsible for the execution of each Fund's portfolio transactions and the allocation of brokerage transactions. In executing portfolio transactions, Mitchell Hutchins seeks to obtain the best net results for a Fund, taking into account such factors as the price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the

firm involved. Prices paid to dealers in principal transactions, through which most debt securities and some equity securities are traded, generally include a "spread," which is the difference between the prices at which the dealer is willing to purchase and sell a specific security at the time. Each Fund may

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invest in securities traded in the OTC market and will engage primarily in transactions directly with the dealers who make markets in such securities, unless a better price or execution could be obtained by using a broker. While Mitchell Hutchins generally seeks reasonably competitive commission rates and dealer spreads, payment of the lowest commission or spread is not necessarily consistent with obtaining the best net results. During the fiscal years ended August 31, 1994, August 31, 1993 and August 31, 1992, respectively, the Funds paid approximately the following amounts in brokerage commissions: Atlas Fund--$4,545,604, $3,041,882 and $339,112; Growth and Income Fund--$1,901,499, $1,131,909 and $1,095,795; and Growth Fund--$222,490, $150,432 and $804,066.

No Fund has any obligation to deal with any broker or group of brokers in the execution of portfolio transactions. The Funds contemplate that, consistent with the policy of obtaining the best net results, brokerage transactions may be conducted through Mitchell Hutchins or its affiliates, including PaineWebber. Each Trust's board of trustees has adopted procedures in conformity with Rule 17e-1 under the 1940 Act to ensure that all brokerage commissions paid to Mitchell Hutchins or its affiliates are reasonable and fair. Specific provisions in each Advisory Contract authorize Mitchell Hutchins and any of its affiliates that is a member of a national securities exchange to effect portfolio transactions for the Fund on such exchange and to retain compensation in connection with such transactions. Any such transactions will be effected and related compensation paid only in accordance with applicable SEC regulations. For the fiscal year ended August 31, 1994, Growth and Income Fund paid $47,142 and Growth Fund paid $9,326 to PaineWebber in brokerage commissions which represented 2.48% and 4.19%, respectively, of the total brokerage commissions paid by the Funds and 2.81% and 2.04%, respectively, of all portfolio transactions involving payment of commissions. For the fiscal year ended August 31, 1993, Atlas Fund paid $4,000, Growth and Income Fund paid $108,080 and Growth Fund paid $3,500 to PaineWebber in brokerage commissions. For the fiscal year ended August 31, 1992, Growth and Income Fund paid $5,040 and Growth Fund paid $5,260 to PaineWebber in brokerage commissions.

Transactions in futures contracts are executed through futures commission merchants ("FCMs"). Each Fund's procedures in selecting FCMs to execute the Fund's transactions in futures contracts, including procedures permitting the use of Mitchell Hutchins and its affiliates, are similar to those in effect with respect to brokerage transactions in securities.

Consistent with the interests of each Fund and subject to the review of the board of trustees of each Trust, Mitchell Hutchins may cause a Fund to purchase and sell portfolio securities through brokers who provide the Fund with research, analysis, advice and similar services. In return for such services, the Fund may pay to those brokers a higher commission than may be charged by other brokers, provided that Mitchell Hutchins determines in good faith that such commission is reasonable in terms either of that particular transaction or of the overall responsibility of Mitchell Hutchins to the Fund and its other clients and that the total commissions paid by the Fund will be reasonable in relation to the benefits to the Fund over the long term. Research services furnished by brokers through which a Fund effects securities transactions may be used by Mitchell Hutchins in advising other funds or accounts it advises and, conversely, research services furnished to Mitchell

Hutchins in connection with other funds or accounts Mitchell Hutchins advises may be used by Mitchell Hutchins in advising a Fund. Information and research received from brokers will be in addition to, and not in lieu of, the services required to be performed by Mitchell Hutchins under the Advisory Contracts. For Atlas Fund, Growth and Income Fund and Growth Fund, for the fiscal year ended August 31, 1994, Mitchell Hutchins (and, for Growth and Income Fund, MHII) directed $67,049,373, $223,552,118 and $3,459,145, respectively, in portfolio transactions to brokers chosen because they provided research services, for which the Funds paid $297,369, $259,192 and $13,789, respectively, in commissions. The Funds may purchase and sell portfolio securities to and from dealers who provide the Funds with research services. Portfolio transactions will not be directed by the Funds to dealers solely on the basis of research services provided. The Funds will not purchase portfolio securities at a higher price or sell such securities at a lower price in connection with transactions effected with a dealer, acting as principal, who furnishes research services to Mitchell Hutchins than would be the case if no weight were given by Mitchell Hutchins to the dealer's furnishing of such services. Research services furnished by the dealers through which or with which the Funds effect securities transactions may be used by Mitchell Hutchins in advising other funds or accounts they advise and, conversely, research services furnished to Mitchell Hutchins in connection with other funds or accounts that Mitchell Hutchins advises may be used in advising the Funds.

Investment decisions for the Funds and for other investment accounts managed by Mitchell Hutchins are made independently of each other in light of differing considerations for the various accounts. However, the same investment decision may occasionally be made for a Fund and one or more of such accounts. In such cases, simultaneous transactions are inevitable. Purchases or sales are then averaged as to price and allocated between the Fund involved and such other

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account(s) as to amount according to a formula deemed equitable to the Fund and such account(s). While in some cases this practice could have a detrimental effect upon the price or value of the security as far as a Fund is concerned, or upon its ability to complete its entire order, in other cases it is believed that coordination and the ability to participate in volume transactions will be beneficial to the Fund.

No Fund will purchase securities that are offered in underwritings in which Mitchell Hutchins or any of its affiliates is a member of the underwriting or selling group, except pursuant to procedures adopted by the board of trustees of each Trust pursuant to Rule 10f-3 under the 1940 Act. Among other things, these procedures require that the spread or commission paid in connection with such a purchase be reasonable and fair, the purchase be at not more than the public offering price prior to the end of the first business day after the date of the public offering and that Mitchell Hutchins or any affiliate thereof not participate in or benefit from the sale to a Fund.

VALUATION OF SHARES

Each Fund determines the net asset value per share separately for each Class of shares as of the close of regular trading (currently 4:00 p.m., eastern time) on the NYSE on each Business Day, which is defined as each Monday through Friday when the NYSE is open. Currently the NYSE is closed on the observance of the following holidays: New Year's Day, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Securities that are listed on U.S. and, in the case of Atlas Fund, foreign stock exchanges are valued at the last sale price on the day the securities are valued or, lacking any sales on such day, at the last available bid price. In cases where securities are traded on more than one exchange, the securities are generally valued on the exchange considered by Mitchell Hutchins as the primary market. Securities traded in the OTC market and listed on Nasdaq are valued at the last trade price on Nasdaq at 4:00 p.m., eastern time; other OTC securities are valued at the last bid price available prior to valuation. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of each Trust's board of trustees. In valuing lower rated corporate debt securities it should be recognized that judgment often plays a greater role than is the case with respect to securities for which a broader range of dealer quotations and last-sale information is available. All investments of Atlas Fund quoted in foreign currency will be valued daily in U.S. dollars on the basis of the foreign currency exchange rate prevailing at the time such valuation is determined by the Fund's custodian.

Foreign currency exchange rates are generally determined prior to the close of trading on the NYSE. Occasionally events affecting the value of foreign investments and such exchange rates occur between the time at which they are determined and the close of trading on the NYSE, which events would not be reflected in a computation of Atlas Fund's net asset value on that day. If events materially affecting the value of such investments or currency exchange rates occur during such time period, the investments will be valued at their fair value as determined in good faith by or under the direction of the applicable board of trustees. The foreign currency exchange transactions of Atlas Fund conducted on a spot (that is, cash) basis are valued at the spot rate for purchasing or selling currency prevailing on the foreign exchange market. This rate under normal market conditions differs from the prevailing exchange rate in an amount generally less than one-tenth of one percent due to the costs of converting from one currency to another.

PERFORMANCE INFORMATION

Each Fund's performance data quoted in advertising and other promotional materials ("Performance Advertisements") represents past performance and is not intended to indicate future performance. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost.

Total Return Calculations. Average annual total return quotes ("Standardized Return") used in a Fund's Performance Advertisements are calculated according to the following formula:

$$P(1 + T)^n = ERV$$

where:

<TABLE>
<C> <C> <S>

P	=	a hypothetical initial payment of $1,000 to purchase shares of a specified Class
T	=	average annual total return of shares of that Class
n	=	number of years
ERV	=	ending redeemable value of a hypothetical $1,000 payment at the

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beginning of that period.
</TABLE>

Under the foregoing formula, the time periods used in Performance Advertisements will be based on rolling calendar quarters, updated to the last day of the most recent quarter prior to submission of the advertisement for publication. Total return, or "T" in the formula above, is computed by finding the average annual change in the value of an initial $1,000 investment over the period. In calculating the ending redeemable value, for Class A shares, the maximum 4.5% sales charge is deducted from the initial $1,000 payment and, for Class B shares, the applicable contingent deferred sales charge imposed on a redemption of Class B shares held for the period is deducted. All dividends and other distributions are assumed to have been reinvested at net asset value.

Each Fund also may refer in Performance Advertisements to total return performance data that are not calculated according to the formula set forth above ("Non-Standardized Return"). A Fund calculates Non-Standardized Return for specified periods of time by assuming an investment of $1,000 in Fund shares and assuming the reinvestment of all dividends and other distributions. The rate of return is determined by subtracting the initial value of the investment from the ending value and by dividing the remainder by the initial value. Neither initial nor contingent deferred sales charges are taken into account in calculating Non-Standardized Return; the inclusion of those charges would reduce the return.

Both Standardized Return and Non-Standardized Return for Class B shares for periods of over six years will reflect conversion of the Class B shares to Class A shares at the end of the sixth year.

The following table shows performance information for the Class A, Class B, Class C and Class D shares of the Funds for the periods indicated. All returns for periods of more than one year are expressed as an average return.
<TABLE>
<CAPTION>

	ATLAS FUND			
	CLASS A	CLASS B	CLASS C	CLASS D
<S>	<C>	<C>	<C>	<C>
Fiscal year ended August 31, 1994:				
Standardized Return*......................	4.44%	3.48%	9.59%	8.54%
Non-Standardized Return....................	9.34%	8.48%	9.59%	8.54%
Five years ended August 31, 1994:				
Standardized Return*......................	5.02%	NA	NA	NA
Non-Standardized Return....................	5.98%	NA	NA	NA
Ten years ended August 31, 1994:				
Standardized Return*......................	15.40%	NA	NA	NA
Non-Standardized Return....................	15.94%	NA	NA	NA
Inception** to August 31, 1994:				
Standardized Return*......................	13.71%	7.22%	8.68%	10.45%
Non-Standardized Return....................	14.20%	8.29%	8.68%	10.45%

<CAPTION>

	GROWTH AND INCOME FUND			
	CLASS A	CLASS B	CLASS C	CLASS D
<S>	<C>	<C>	<C>	<C>
Fiscal year ended August 31, 1994:				
Standardized Return*......................	(5.04)%	(6.31)%	(0.31)%	(1.29)%
Non-Standardized Return....................	(0.58)%	(1.31)%	(0.31)%	(1.29)%
Five years ended August 31, 1994:				
Standardized Return*......................	5.32%	NA	NA	NA
Non-Standardized Return....................	6.30%	NA	NA	NA
Ten years ended August 31, 1994:				
Standardized Return*......................	10.25%	NA	NA	NA
Non-Standardized Return....................	10.76%	NA	NA	NA
Inception** to August 31, 1994:				
Standardized Return*......................	10.26%	3.40%	0.58%	1.79%
Non-Standardized Return....................	10.74%	4.56%	0.58%	1.79%

</TABLE>

<TABLE>
<CAPTION>

	GROWTH FUND			
	CLASS A	CLASS B	CLASS C	CLASS D
<S>	<C>	<C>	<C>	<C>
Fiscal year ended August 31, 1994:				

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Standardized Return*..........................	(2.27)%	(3.45)%	2.67%	1.59%
Non-Standardized Return.......................	2.33%	1.55%	2.67%	1.59%
Five years ended August 31, 1994:				
Standardized Return*.........................	9.40%	NA	NA	NA
Non-Standardized Return......................	10.40%	NA	NA	NA
Inception** to August 31, 1994:				
Standardized Return*.........................	13.42%	10.37%	9.92%	11.13%
Non-Standardized Return......................	13.98%	11.38%	9.92%	11.13%

</TABLE>

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*All Standardized Return figures for Class A shares reflect deduction of the current maximum sales charge of 4.5%. Until December 2, 1988, the maximum sales charge imposed on purchases of Class A shares of the Funds was 8.5%. This higher sales charge is not reflected in the Standardized Return set forth above. All Standardized Return figures for Class B shares reflect deduction of the applicable contingent deferred sales charges imposed on a redemption of shares held for the period. Class C and Class D shares do not impose an initial or contingent deferred sales charge; therefore, Non-Standardized Return is identical to Standardized Return.

**The inception dates for the Class A shares of the Funds are as follows: Atlas Fund--December 30, 1983; Growth and Income Fund--December 20, 1983; Growth Fund--March 18, 1985. The inception date for the Class B shares of each Fund is July 1, 1991. The inception dates for the Class C shares of the Funds are as follows: Atlas Fund--August 26, 1991; Growth and Income Fund--February 12, 1992; Growth Fund--August 26, 1991. The inception date for Class D shares of each Fund is July 2, 1992.

Other Information. In Performance Advertisements, each Fund may compare its Standardized Return and/or its Non-Standardized Return with data published by Lipper Analytical Services, Inc. ("Lipper"), CDA Investment Technologies, Inc. ("CDA"), Wiesenberger Investment Companies Services ("Wiesenberger"), Investment Company Data, Inc. ("ICD") or Morningstar Mutual Funds ("Morningstar"), with the performance of recognized stock and other indices, including (but not limited to) the Standard & Poor's 500 Composite Stock Price Index ("S&P 500"), the Dow Jones Industrial Average, the Nasdaq Composite Index, the Russell 2000 Index, the Wilshire 5000 Index, the Lehman Bond Index, 30-year and 10-year U.S. Treasury bonds, the Morgan Stanley Capital International World Index and changes in the Consumer Price Index as published by the U.S. Department of Commerce. Each Fund also may refer in such materials to mutual fund performance rankings and other data, such as comparative asset, expense and fee levels, published by Lipper, CDA, Wiesenberger, ICD or Morningstar. Performance Advertisements also may refer to discussions of a Fund and comparative mutual fund data and ratings reported in independent periodicals, including (but not limited to) THE WALL STREET JOURNAL, MONEY Magazine, FORBES, BUSINESS WEEK, FINANCIAL WORLD, BARRON'S, FORTUNE, THE NEW YORK TIMES, THE CHICAGO TRIBUNE, THE WASHINGTON POST and THE KIPLINGER LETTERS. Comparisons in Performance Advertisements may be in graphic form.

Each Fund may include discussions or illustrations of the effects of compounding in Performance Advertisements. "Compounding" refers to the fact that, if dividends or other distributions on a Fund investment are reinvested in additional Fund shares, any future income or capital appreciation of the Fund would increase the value, not only of the original Fund investment, but also of the additional Fund shares received through reinvestment. As a result, the value of the Fund investment would increase more quickly than if dividends or other distributions had been paid in cash.

Each Fund may also compare its performance with the performance of bank certificates of deposit (CDs) as measured by the CDA Investment Technologies, Inc. Certificate of Deposit Index and the Bank Rate Monitor National Index and the averages of yields of CDs of major banks published by Banxquote(R) Money Markets. In comparing a Fund's performance to CD performance, investors should keep in mind that bank CDs are insured in whole or in part by an agency of the U.S. government and offer fixed principal and fixed or variable rates of interest, and that bank CD yields may vary depending on the financial institution offering the CD and prevailing interest rates. Shares of the Funds are not insured or guaranteed by the U.S. government and returns and net asset value will fluctuate. The securities held by the Funds generally have longer maturities than most CDs and may reflect interest rate fluctuations for longer term securities. An investment in a Fund involves greater risks than an investment in either a money market fund or a CD.

A Fund may also compare its performance to general trends in the stock and bond markets, as illustrated by the following graph prepared by Ibbotson Associates, Chicago.

[CHART TO COME]

Over time, stocks have outperformed all other investments by a wide margin, offering a solid hedge against inflation. From 1926 to 1993, stocks beat all

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other traditional asset classes. A $10 investment in the S&P 500 grew to $8,001, significantly more than any other investment.

The chart shown is for illustrative purposes only and does not represent any Fund's performance and should not be considered an indication or guarantee of future results. Year-to-year fluctuations of the S&P 500 have been significant, and total return for some periods has been negative. The S&P 500 includes companies with larger market capitalizations than those in which the Funds invest. Unlike investors in bonds and Treasury bills, common stock investors do not receive fixed income payments and are not entitled to repayment of principal. These differences contribute to investment risk. Returns shown for long-term government bonds are based on Treasury bonds with 20-year maturities.

TAXES

In order to continue to qualify for treatment as a regulated investment company ("RIC") under the Internal Revenue Code, each Fund must distribute to its shareholders for each taxable year at least 90% of its investment company taxable income (consisting generally of net investment income, net short-term capital gain and, for Atlas Fund, net gains from certain foreign currency transactions) ("Distribution Requirement") and must meet several additional requirements. Among these requirements are the following: (1) a Fund must derive at least 90% of its gross income each taxable year from dividends, interest, payments with respect to securities loans and gains from the sale or other disposition of securities or foreign currencies, or other income (including gains from options, futures or forward contracts) derived with respect to its business of investing in securities or those currencies ("Income Requirement"); (2) a Fund must derive less than 30% of its gross income each taxable year from the sale or other disposition of securities, or any of the following, that were held for less than three months--options, futures or forward contracts (other than those on foreign currencies), or foreign currencies (or options, futures or forward contracts thereon) that are not directly related to the Fund's principal business of investing in securities (or options and futures with respect to securities) ("Short-Short Limitation"); (3) at the close of each quarter of a Fund's taxable year, at least 50% of the value of its total assets must be represented by cash and cash items, U.S. government securities, securities of other RICs and other securities, with these other securities limited, in respect of any one issuer, to an amount that does not exceed 5% of the value of the Fund's total assets and that does not represent more than 10% of the issuer's outstanding voting securities; and (4) at the close of each quarter of a Fund's taxable year, not more than 25% of the value of its total assets may be invested in securities (other than U.S. government securities or the securities of other RICs) of any one issuer.

Dividends and other distributions declared by a Fund in October, November or December of any year and payable to shareholders of record on a date in any of those months will be deemed to have been paid by the Fund and received by the shareholders on December 31 of that year if the distributions are paid by the Fund during the following January.

Dividends and interest received by Atlas Fund may be subject to income, withholding or other taxes imposed by foreign countries and U.S. possessions that would reduce the yield on its securities. Tax conventions between certain countries and the United States may reduce or eliminate these foreign taxes, however, and many foreign countries do not impose taxes on capital gains in respect of investments by foreign investors.

Each Fund will be subject to a nondeductible 4% excise tax ("Excise Tax") to the extent it fails to distribute by the end of any calendar year substantially all of its ordinary income for that year and capital gain net income for the one-year period ending on October 31 of that year, plus certain other amounts.

Atlas Fund has invested, and may continue to invest, in the stock of "passive foreign investment companies" ("PFICs") and Growth and Income Fund and Growth Fund may invest in the stock of PFICs if such stock is denominated in U.S. dollars and otherwise is a permissible investment. A PFIC is a foreign corporation that, in general, meets either of the following tests: (1) at least 75% of its gross income is passive or (2) an average of at least 50% of its assets produce, or are held for the production of, passive income. Under certain circumstances, a Fund will be subject to federal

income tax on a portion of any "excess distribution" received on the stock of a PFIC or of any gain from disposition of such stock (collectively "PFIC income"), plus interest thereon, even if the Fund distributes the PFIC income as a taxable dividend to its shareholders. The balance of the PFIC income will be included in the Fund's investment company taxable income and, accordingly, will not be taxable to it to the extent that income is distributed to its shareholders. If a Fund invests in a PFIC and elects to treat the PFIC as a "qualified electing fund," then in lieu of the foregoing tax and interest

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obligation, the Fund will be required to include in income each year its pro rata share of the qualified electing fund's annual ordinary earnings and net capital gain (the excess of net long-term capital gain over net short-term capital loss)--which would have to be distributed to satisfy the Distribution Requirement and avoid imposition of the Excise Tax--even if those earnings and gain are not distributed to the Fund. In most instances it will be very difficult, if not impossible, to make this election because of certain requirements thereof.

The "Tax Simplification and Technical Corrections Bill of 1993," passed in May 1994 by the House of Representatives, would substantially modify the taxation of U.S. shareholders of foreign corporations, including eliminating the provisions described above dealing with PFICs and replacing them (and other provisions) with a regulatory scheme involving entities called "passive foreign corporations." Three similar bills were passed by Congress in 1991 and 1992 and vetoed. It is unclear at this time whether, and in what form, the proposed modifications may be enacted into law.

Pursuant to proposed regulations, open-end RICs, such as the Funds, would be entitled to elect to "mark-to-market" their stock in certain PFICs. "Marking-to-market," in this context, means recognizing as gain for each taxable year the excess, as of the end of that year, of the fair market value of each such PFIC's stock over the owner's adjusted basis in that stock (including mark-to-market gain for each prior year for which an election was in effect).

The use of hedging strategies, such as writing ("selling") and purchasing options and futures contracts and entering into forward currency contracts, involves complex rules that will determine for income tax purposes the character and timing of recognition of the gains and losses a Fund realizes in connection therewith. Income from foreign currencies (except certain gains therefrom that may be excluded by future regulations), and income from transactions in options, futures and forward currency contracts derived by a Fund with respect to its business of investing in securities or foreign currencies, will qualify as permissible income under the Income Requirement. However, income from the disposition of options and futures contracts (other than those on foreign currencies) will be subject to the Short-Short Limitation if they are held for less than three months. Income from the disposition of foreign currencies, and options, futures and forward contracts on foreign currencies, that are not directly related to a Fund's principal business of investing in securities (or options and futures with respect to securities) also will be subject to the Short-Short Limitation if they are held for less than three months.

If a Fund satisfies certain requirements, any increase in value of a position that is part of a "designated hedge" will be offset by any decrease in value (whether realized or not) of the offsetting hedging position during the period of the hedge for purposes of determining whether the Fund satisfies the Short-Short Limitation. Thus, only the net gain (if any) from the designated hedge will be included in gross income for purposes of that limitation. Each Fund will consider whether it should seek to qualify for this treatment for its hedging transactions. To the extent a Fund does not qualify for this treatment, it may be forced to defer the closing out of certain options, futures and

forward currency contracts beyond the time when it otherwise would be advantageous to do so, in order for the Fund to continue to qualify as a RIC.

OTHER INFORMATION

Effective July 1, 1991, the names of Atlas Fund and Growth Fund were changed from "PaineWebber Classic Atlas Fund" and "PaineWebber Classic Growth Fund" to their current names. Growth and Income Fund's name was changed from "PaineWebber Classic Growth and Income Fund" to PaineWebber Dividend Growth Fund effective May 17, 1991 and to its current name effective April 3, 1995. Effective on May 17, 1991, the fund currently referred to as PaineWebber Growth and Income Fund was combined in a tax-free reorganization with PaineWebber Classic Dividend Growth Fund, which was at that time another series of PaineWebber America Fund. As a result of the reorganization, each shareholder of PaineWebber Classic Dividend Growth Fund became a shareholder of PaineWebber Growth and Income Fund.

Each Trust is an entity of the type commonly known as a "Massachusetts business trust." Under Massachusetts law, shareholders of a Fund could, under certain circumstances, be held personally liable for the obligations of the Trust or Fund. However, each Declaration of Trust disclaims shareholder liability for acts or obligations of the Trust or its Funds and requires that notice of such disclaimer be given in each note, bond, contract, instrument, certificate or undertaking made or issued by the trustees or by any officers or officer by or on behalf of the Trust or the Fund, the trustees or any of them in connection with the Trust. Each Declaration of Trust provides for indemnification from a Fund's property for all losses and expenses of any shareholder held personally liable for the obligations of the Fund. Thus, the risk of a shareholder's incurring financial loss on account of shareholder

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liability is limited to circumstances in which a Fund itself would be unable to meet its obligations, a possibility that Mitchell Hutchins believes is remote and not material. Upon payment of any liability incurred by a shareholder solely by reason of being or having been a shareholder, the shareholder paying such liability will be entitled to reimbursement from the general assets of a Fund. The trustees intend to conduct the operations of each Fund in such a way as to avoid, as far as possible, ultimate liability of the shareholders for liabilities of the Fund.

COUNSEL. The law firm of Kirkpatrick & Lockhart LLP, 1800 M Street, N.W., Washington, D.C., 20036-5891, counsel to each Fund, has passed upon the legality of the shares offered by the Prospectus. Kirkpatrick & Lockhart LLP also acts as counsel to PaineWebber and Mitchell Hutchins in connection with other matters.

Auditors. Ernst & Young LLP, 787 Seventh Avenue, New York, New York 10019, serves as independent auditors for each Fund.

FINANCIAL STATEMENTS

The Funds' Annual Report to Shareholders for the fiscal year ended August 31, 1994 and Growth and Income Fund's Semi-Annual Report to Shareholders for the six months ended February 28, 1995 are separate documents supplied with this Statement of Additional Information, and the financial statements, accompanying notes and (with respect to the Annual Report to Shareholders) reports of independent auditors appearing therein are incorporated by reference in this Statement of Additional Information.

APPENDIX

DESCRIPTION OF MOODY'S INVESTORS SERVICE, INC.'S ("MOODY'S") CORPORATE BOND RATINGS

Aaa. Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues; Aa. Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long term risks appear somewhat larger than in Aaa securities; A. Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment some time in the future; Baa. Bonds which are rated Baa are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well; Ba. Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class; B. Bonds which are rated B generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small; Caa. Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest; Ca. Bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings; C. Bonds which are rated C are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Note: Moody's apply numerical modifiers, 1, 2 and 3 in each generic rating classification from Aa through B in its corporate bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category, the modifier 2 indicates a mid-range ranking, and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

DESCRIPTION OF STANDARD & POOR'S RATINGS GROUP ("S&P") CORPORATE DEBT RATINGS

AAA. Debt rated AAA has the highest rating assigned by S&P. Capacity to pay interest and repay principal is extremely strong; AA. Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the higher

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rated issues only in small degree; A. Debt rated A has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher

rated categories; BBB. Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories; BB, B, CCC, CC, C. Debt rated BB, B, CCC, CC and C is regarded, on balance, as predominantly speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation. BB indicates the lowest degree of speculation and C the highest degree of speculation. While such debt will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions; C1. The rating C1 is reserved for income bonds on which no interest is being paid; D. Debt rated D is in default, and payment of interest and/or repayment of principal is in arrears.

Plus (+) or Minus (-): The ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

PAINEWEBBER
DIVIDEND GROWTH FUND
PORTFOLIO OF INVESTMENTS AUGUST 31, 1994

<TABLE>
<CAPTION>

NUMBER OF SHARES		VALUE
COMMON STOCKS - 96.91%		
<C>	<S>	<C>
Aerospace - 3.09%		
169,500	Martin Marietta Corporation	$ 8,623,313
27,000	McDonnell Douglas Corporation	3,192,750
134,100	Loral Corporation	5,598,675
		17,414,738
Auto - Truck - 0.25%		
38,200	General Motors Corporation	1,432,500
Banking - 13.18%		
166,600	Ahmanson H.F. and Co	3,727,675
184,912	Banc One Corporation	6,425,692
97,900	BankAmerica	4,833,813
53,900	Bank of New York	1,751,750
152,700	Central Fidelity Banks, Inc	5,077,275
55,300	The Chase Manhattan Corporation	2,087,575
282,000	Comerica Incorporated	8,565,750
26,100	First Empire State Corporation	4,110,750
87,200	First Union Corporation	4,022,100
162,330	KeyCorp	5,336,599
495,900	Marshall and Ilsley Corporation	10,041,975
24,500	Michigan National Corporation	1,911,000
153,600	NationsBank Corporation	8,563,200
56,800	Norwest Corporation	1,512,300
24,600	Old Kent Financial Corporation	867,150
26,900	Shawmut National Corporation	605,250
93,100	State Street Boston Corporation	3,724,000
39,200	UJB Financial Corporation	1,136,800
		74,300,654
Chemical - 1.01%		
335,200	Methanex Corporation	5,698,400
Computer - 6.04%		
184,200	COMPAQ Computer Corporation*+	6,884,475
179,600	Computer Associates International Incorporated	7,206,450
167,400	Informix Corporation	3,954,825
126,100	International Business Machines Corporation+	8,653,613
77,200	Micron Technology Inc	3,107,300
99,300	Oracle Systems Corporation*	4,238,869

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		34,045,532
Conglomerates - 1.33%		
24,500	E.I. dupont de Nemours and Company+	1,482,250
97,200	General Electric Company	4,835,700
19,800	Proctor & Gamble Co.+	1,205,325
		7,523,275

</TABLE>

<TABLE>
<CAPTION>

NUMBER OF SHARES		VALUE
COMMON STOCKS - (CONTINUED)		
<C>	<S>	<C>
Conglomerates - Diversified - 0.29%		
198,000	Laidlaw Inc.	$ 1,608,750
Construction & Engineering - 1.96%		
80,500	Fluor Corporation	4,266,500
190,900	Louisiana Pacific Corporation	6,776,950
		11,043,450
Drugs & Medical Products - 5.49%		
192,200	Abbott Laboratories	5,766,000
110,300	American Cyanamid	10,643,950
76,000	American Home Products Corporation	4,512,500
200,000	Johnson & Johnson	10,025,000
		30,947,450
Electronics & Instrumentation - 4.91%		
39,200	Altera Corporation	1,195,600
126,900	Circuit City Stores Inc	3,013,875
28,900	Texas Instruments Incorporated	2,250,588
140,700	Raytheon Company	9,514,838
102,600	Reliance Electric Co	2,629,125
185,900	Reynolds & Reynolds Co	4,903,113
294,000	Westinghouse Electric Corporation	4,152,750
		27,659,889
Environmental Services - 2.70%		
73,500	Molten Metal Technology Inc	1,855,875
107,900	Safety Kleen Corporation	1,820,813
385,300	WMX Technologies, Inc	11,559,000
		15,235,688
Financial Services - 2.83%		
39,500	Beneficial Corporation	1,698,500
160,200	Federal National Mortgage Association	14,237,775
		15,936,275
Foods - 1.37%		
236,500	ConAgra, Inc	7,745,375
Healthcare - 2.93%		
76,500	Foundation Health Corporation	2,897,438
90,800	Humana Inc	1,929,500
317,100	National Medical Enterprises Inc	5,787,075
136,900	U.S. Healthcare, Inc	5,920,925
		16,534,938

</TABLE>

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<TABLE>
<CAPTION>

NUMBER OF SHARES		VALUE
COMMON STOCKS - (CONTINUED)		
<C>	<S>	<C>
Household & Consumer Products - 3.50%		
63,700	The Gillette Company	$ 4,610,288
70,966	Lancaster Colony Corporation	2,572,518
117,100	Nike Inc.	7,538,313
243,800	Rite Aid Corporation	5,028,375
		19,749,494
Industrial & Electronic Products - 12.29%		
20,600	AMP Incorporated	1,496,075
111,700	Atmel Corporation	3,071,750
77,500	Corning Inc.	2,392,813
186,800	Donaldson Inc.	4,786,750
125,000	Dover Corporation	7,234,375
117,600	Emerson Electric Co.	7,305,900
161,100	Federal Signal Corporation	3,201,863
46,800	Foster Wheeler Corporation	1,907,100
57,900	General Dynamics Corporation	2,612,738
50,000	Genuine Parts Co.	1,837,500
107,200	Inland Steel Industries	4,435,400
168,500	Integrated Device Technology	3,938,688
39,200	Molex Inc.	1,675,800
91,800	Nucor Corporation	6,334,200
129,600	Pentair Inc.	5,281,200
44,100	Symbol Technologies	1,311,975
485,250	Worthington Industries, Inc.	10,432,875
		69,257,002
Insurance - 6.99%		
112,600	AFLAC Incorporated	4,039,525
63,700	American International Group Inc.	5,987,800
90,800	Equitable of Iowa Companies	3,541,200
35,600	General Re Corporation	3,973,850
85,800	Lincoln National Corporation	3,303,300
78,700	NWNL Companies	2,479,050
230,700	Providian Corporation	7,757,288
103,400	St. Paul Companies, Inc.	4,472,050
62,800	The Progressive Corporation	2,370,700
41,200	U.S. Life Corporation	1,478,050
		39,402,813
Machinery - Machine Tools - 1.03%		
34,000	Illinois Tool Works Inc.	1,470,500
67,100	W.W. Grainger, Inc.	4,361,500
		5,832,000

</TABLE>

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NUMBER OF SHARES		VALUE
COMMON STOCKS - (CONTINUED)		
<C>	<S>	<C>
Medical Equipment - 0.98%		
56,100	Medtronic, Inc.	$ 5,539,875
Metals & Mining - 0.63%		
228,400	Echo Bay Mines Ltd.	2,912,100

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50,000	Hecla Mining	612,500
		3,524,600
Oil & Gas - 4.57%		
78,200	Amoco Corporation	4,525,825
114,700	Chevron Corporation	4,860,413
131,700	Duke Power Co	5,103,375
67,500	Mobil Corporation	5,686,875
29,400	Texaco Inc	1,815,450
311,700	Weatherford International	3,779,363
		25,771,301
Printing & Publishing - 2.07%		
197,000	Banta Corporation	6,648,750
100,100	Gannett Company Inc	5,005,000
		11,653,750
Retail - 2.01%		
235,700	American Stores Co	5,951,425
52,900	Caldor Corporation*	1,686,188
198,600	Waban Inc	3,674,100
		11,311,713
Retail Food Chains - 1.30%		
176,300	Albertson's, Inc	5,090,663
79,200	McDonald's Corporation	2,237,400
		7,328,063
Security Services - 0.36%		
73,000	Pittson Services Group	2,034,875
Specialty Chemicals - 2.79%		
200,000	Hanna M.A. Co	5,425,000
166,800	Lubrizol Corporation	5,212,500
245,900	Pall Corporation	4,426,200
30,000	Praxair Inc	682,500
		15,746,200

</TABLE>

<TABLE>
<CAPTION>

NUMBER OF SHARES		VALUE
COMMON STOCKS - (CONCLUDED)		
<C>	<S>	<C>
Specialty Retail - 6.91%		
90,100	Dayton Hudson Corporation	$ 7,635,975
107,100	Diebold Incorporated	4,618,688
72,800	Leggett & Platt Inc	2,693,600
80,400	Loctite Corporation	3,648,150
23,900	Lowes Companies, Inc	863,388
107,700	Nordstrom Inc	5,061,900
286,100	The Pep Boys--Manny, Moe & Jack	9,977,738
72,800	The Sherwin-Williams Company	2,411,500
92,900	United States Shoe Corporation	2,043,800
		38,954,739
Telecommunications - Services - 1.02%		
101,900	Sprint Corporation	4,037,788
41,100	Tellabs	1,731,338
		5,769,126
Telephone Companies - 1.16%		
138,100	Century Telephone Enterprises Incorporated	4,160,263
38,000	Telefonos de Mexico, S.A. de C.V., ADS+	2,384,500

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		6,544,763
Tobacco - 1.55%		
142,800	Philip Morris Companies Inc..........................	8,710,800
Transportation - 0.37%		
32,100	Norfolk Southern Corporation.........................	2,062,425
Total Common Stocks (cost - $520,423,286).......................		546,320,453

</TABLE>

<TABLE>
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PRINCIPAL AMOUNT (000)		MATURITY DATES	INTEREST RATES	
CORPORATE BOND - 0.42%				
$2,400	Developers Diversified Realty Corporation (cost - $2,396,496)....	08/15/99	7.000%	2,370,000
U.S. GOVERNMENT OBLIGATIONS - 4.43%				
25,000	U.S. Treasury Bills (cost - $24,971,417)...	09/08/94 to 09/22/94	4.125 to 4.300	24,971,417
REPURCHASE AGREEMENT - 1.47%				
8,265	Repurchase Agreement dated 08/31/94 with State Street Bank & Trust Co., collateralized by $8,334,000 U.S. Treasury Notes, 5.875%, due 05/31/96; proceeds: $8,266,079 (cost - $8,265,000)..........	09/01/94	4.700	8,265,000
Total Investments (cost - $556,056,199)-103.23%............				581,926,870
Liabilities in excess of other assets-(3.23%)....................				(18,227,407)
Net Assets-100.00%................				$563,699,463

</TABLE>

WRITTEN OPTIONS OPEN (SEE OPTIONS NOTE TO FINANCIAL STATEMENTS)

<TABLE>
<CAPTION>

NUMBER OF OPTIONS	UNDERLYING CONTRACT	EXPIRATION DATE	EXERCISE PRICE	UNREALIZED GAIN/LOSS
Call: 750	Compaq Computer Corporation........	Sep 94	$35	$(124,128)
Call: 97	Dover Corporation.................	Sep 94	60	1,654
Call: 245	E.I. dupont de Nemours and Company.	Sep 94	60	(675)
Call: 120	International Business Machines Corporation........................	Sep 94	65	(35,610)
Call: 23	Nucor Corporation.................	Sep 94	75	2,518
Call: 198	Proctor & Gamble Co...............	Sep 94	60	(10,495)
Call: 290	Telefonos de Mexico, S.A. de C.V., ADS...............................	Sep 94	65	36,284
Call: 28	Texas Instruments Incorporated.....	Sep 94	85	4,529
				$(125,923)

</TABLE>

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* Non-income producing security
ADS - American Depository Shares
+ A portion of these securities are held in a segregated account in order to cover the written call options.

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See accompanying notes to financial statements

PAINEWEBBER

STATEMENT OF ASSETS AND LIABILITIES AUGUST 31, 1994

<TABLE>
<CAPTION>

<S>	ATLAS GLOBAL GROWTH FUND <C>	DIVIDEND GROWTH FUND <C>	GROWTH FUND <C>
Assets			
Investments at value (cost - $451,946,512, $556,056,199 and $245,453,003, respectively)	$486,225,696	$581,926,870	$301,683,466
Cash	1,696,130	--	--
Cash denominated in foreign currencies (cost - $2,157,820)	2,162,243	--	--
Receivable for investments sold	78,708,726	39,197,307	630,713
Receivable for shares of beneficial interest sold	2,034,218	523,469	778,016
Dividends and interest receivable	987,591	1,381,695	285,853
Other assets	86,207	83,215	49,267
Total assets	571,900,811	623,112,556	303,427,315
Liabilities			
Payable for investments purchased	73,463,410	54,104,047	3,791,573
Payable for shares of beneficial interest repurchased	2,102,868	3,939,157	1,407,278
Payable to affiliates	551,392	670,109	327,942
Payable to custodian	--	13,210	--
Outstanding options written, at value (premium received-$240,683)	--	366,606	--
Accrued expenses and other liabilities	283,382	319,964	203,827
Total liabilities	76,401,052	59,413,093	5,730,620
Net Assets			
Beneficial interest shares of $0.001 par value outstanding (unlimited amount authorized)	450,623,732	514,398,491	241,366,969
Accumulated undistributed (overdistributed) net investment income (loss)	(39,139)	816,845	--
Accumulated net realized gains from investments, futures contracts and other assets and liabilities denominated in foreign currencies	10,713,772	22,739,394	99,263
Net unrealized appreciation of investments, other assets, liabilities and forward contracts denominated in foreign currencies	34,201,394	25,744,733	56,230,463
Net assets	$495,499,759	$563,699,463	$297,696,695
Class A:			
Net assets	$213,412,735	$222,432,020	$141,341,994
Shares outstanding	13,067,673	10,886,403	7,051,464
Net asset value and redemption value per share	$16.33	$20.43	$20.04
Maximum offering price per share (net asset value plus sales charge of 4.50% of offering price)	$17.10	$21.39	$20.99
Class B:			
Net assets	$166,038,652	$289,290,474	$ 97,272,378
Shares outstanding	10,374,074	14,200,805	4,980,331
Net asset value and offering price per share	$16.01	$20.37	$19.53
Class C:			
Net assets	$ 38,912,003	$ 14,690,138	$ 30,520,964
Shares outstanding	2,371,031	719,186	1,509,546

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Net asset value, offering price and redemption value per share	$16.41	$20.43	$20.22
Class D:			
Net assets	$ 77,136,369	$ 37,286,831	$ 28,561,359
Shares outstanding	4,792,503	1,825,598	1,452,038
Net asset value, offering price and redemption value per share	$16.10	$20.42	$19.67

</TABLE>

See accompanying notes to financial statements

PAINEWEBBER

STATEMENT OF OPERATIONS FOR THE YEAR ENDED AUGUST 31, 1994

<TABLE>
<CAPTION>

	ATLAS GLOBAL GROWTH FUND	DIVIDEND GROWTH FUND	GROWTH FUND
<S>	<C>	<C>	<C>
Investment income:			
Interest and dividends (net of foreign withholding taxes)	$ 6,361,747	$ 17,328,492	$3,596,961
Expenses:			
Investment advisory and administration fees	3,143,778	4,892,163	2,069,033
Distribution fees--Class A	398,327	637,190	294,533
Distribution fees--Class B	1,271,219	3,590,435	837,161
Distribution fees--Class D	631,019	476,859	259,279
Custody fees	938,623	189,428	132,881
Transfer agency and service fees	441,359	911,264	274,152
Legal and audit fees	141,975	158,567	93,806
Reports and notices to shareholders	105,508	467,045	79,070
Federal and state registration fees	91,469	82,534	59,658
Trustees' fees	23,013	21,513	8,125
Other expenses	80,935	16,243	23,234
	7,267,225	11,443,241	4,130,932
Net investment income (loss)	(905,478)	5,885,251	(533,971)
Realized and unrealized gains (losses) from investment activities:			
Net realized gains (losses) from:			
Investment transactions	46,878,125	39,114,080	5,195,790
Foreign currency transactions	(26,960,620)	--	--
Net change in unrealized appreciation/depreciation on:			
Investments	100,618	(55,515,214)	(2,125,984)
Other assets, liabilities and forward contracts denominated in foreign currencies	1,495,014	--	--
Net realized and unrealized gains (losses) from investment activities	21,513,137	(16,401,134)	3,069,806
Net increase (decrease) in net assets resulting from operations	$20,607,659	$(10,515,883)	$2,535,835

</TABLE>

See accompanying notes to financial statements

PAINEWEBBER
DIVIDEND GROWTH FUND
STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

FOR THE YEARS ENDED AUGUST 31,

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	1994	1993
<S>	<C>	<C>
From operations:		
Net investment income............................	$ 5,885,251	$ 8,312,022
Net realized gains (losses) from investment transactions..................................	39,114,080	(4,504,035)
Net change in unrealized appreciation (depreciation) of investments..................	(55,515,214)	12,485,667
Net increase (decrease) in net assets resulting from operations................................	(10,515,883)	16,293,654
Dividends and distributions to shareholders from:		
Net investment income--Class A...................	(3,856,398)	(4,917,875)
Net investment income--Class B...................	(1,961,819)	(2,409,908)
Net investment income--Class C...................	(252,881)	(216,900)
Net investment income--Class D...................	(271,483)	(287,189)
Net realized gains from investment transactions--Class A..	(465,992)	--
Net realized gains from investment transactions--Class B..	(609,981)	--
Net realized gains from investment transactions--Class C..	(23,298)	--
Net realized gains from investment transactions--Class D..	(82,066)	--
	(7,523,918)	(7,831,872)
From beneficial interest transactions:		
Net proceeds from the sale of shares............	42,483,056	357,184,036
Cost of shares repurchased.......................	(367,026,971)	(242,079,223)
Proceeds from dividends reinvested..............	6,947,309	7,272,418
Net increase (decrease) in net assets derived from beneficial interest transactions...........	(317,596,606)	122,377,231
Net increase (decrease) in net assets............	(335,636,407)	130,839,013
Net assets:		
Beginning of period.............................	899,335,870	768,496,857
End of period (including undistributed net investment income of $816,845 and $1,272,598 respectively)..................................	$ 563,699,463	$ 899,335,870

</TABLE>

See accompanying notes to financial statements

PAINEWEBBER
NOTES TO FINANCIAL STATEMENTS
ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

PaineWebber Atlas Global Growth Fund ("Atlas Global Growth Fund"), PaineWebber Dividend Growth Fund ("Dividend Growth Fund") and PaineWebber Growth Fund ("Growth Fund") (collectively, the "Funds") are diversified series of PaineWebber Atlas Fund, PaineWebber America Fund and PaineWebber Olympus Fund (the "Trusts"), respectively. PaineWebber Olympus Fund also includes PaineWebber Communications & Technology Growth Fund of which the financial statements are not included herein. The three Trusts were organized under separate Declarations of Trust registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended ("1940 Act"), as diversified open-end investment companies. The trustees have authority to issue an unlimited number of shares of beneficial interest of separate series par value $0.001.

Prior to July 1, 1991, each Fund issued only Class A shares. Subsequent to that date each Fund issued Class A and Class B shares. On August 25, 1991, Growth Fund and Atlas Global Growth Fund and on February 12, 1992, Dividend Growth Fund commenced issuing Class C Shares. Class C shares are available only to the trustee of the PaineWebber Savings Investment Plan on behalf of that Plan. On July 2, 1992, each Fund commenced issuing Class D shares. Each class represents interests in the same assets of the applicable Fund and the classes are identical except for differences in their sales charge structure, ongoing distribution charges and transfer agency expenses. In addition, Class B shares, along with their pro-rata reinvested dividends shares, automatically convert to Class A shares approximately six years after initial issuance. All classes of shares have equal rights as to voting privileges, except that each class has exclusive voting rights with respect to its distribution plan.

Valuation of Investments - Securities which are listed on U.S. and foreign stock exchanges are valued at the last sales price on the day the securities

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are being valued or, lacking any sales on such day, at the last available bid price. In cases where securities are traded on more than one exchange, the securities are generally valued on the exchange designated by Mitchell Hutchins Asset Management Inc. ("Mitchell Hutchins"), an affiliate and wholly owned subsidiary of PaineWebber Incorporated ("PaineWebber") and investment adviser, administrator and distributor of the Funds, and Mitchell Hutchins Institutional Investors Inc., ("MHII") the Sub-Adviser to Dividend Growth Fund, as the primary market. Securities traded in the over-the-counter ("OTC") market and listed on the National Association of Securities Dealers Quotation System ("NASDAQ") are valued at the last trade price on NASDAQ prior to the time of valuation; other OTC securities are valued at the last bid price available in the OTC market prior to the time of valuation. The amortized cost method of valuation is used to value short term debt instruments with sixty days or less remaining to maturity. Securities and assets for which market quotations are not

readily available (including restricted securities subject to limitations as to their sale) are valued at fair value as determined in good faith by or under the direction of each Trust's Board of Trustees. All investments quoted in foreign currencies will be valued daily in U.S. dollars on the basis of the foreign currency exchange rates prevailing at the time such valuation is determined by each Fund's custodian.

Foreign currency exchange rates are generally determined prior to the close of the New York Stock Exchange, Inc. ("NYSE"). Occasionally events affecting the value of foreign investments and such exchange rates occur between the time at which they are determined and the close of the NYSE, which in the case of Atlas Global Growth Fund, would not be reflected in a computation of the Funds' net asset value. If events materially affecting the value of such securities or currency exchange rates occurred during such time period, the securities will be valued at their fair value as determined in good faith by or under the direction of the Trust's Board of Trustees.

Investment Transactions and Investment Income - Investment transactions are recorded on the trade date. Realized gains and losses on sales of investments, futures contracts and foreign exchange transactions are calculated using the identified cost method. Interest income is recorded on an accrual basis and dividend income is recorded on the ex-dividend date (except in the case of Atlas Global Growth Fund, for certain foreign securities which are recorded as soon after the ex-date as the Fund becomes aware of such dividend).

Income, expenses (excluding class-specific expenses) and realized/unrealized gains (losses) are allocated proportionately to each class of shares based upon the relative net asset value of outstanding shares (or the value of dividend-eligible shares, as appropriate) of each class at the beginning of the day (after adjusting for current capital share activity of the respective classes). Class specific expenses are charged directly to the applicable class of shares.

Foreign Currency Translation - The books and records of Atlas Global Growth Fund are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars on the following basis:

(1) market value of investment securities, other assets and liabilities--at the exchange rates prevailing at the end of the period.

(2) purchases and sales of investment securities, income and expenses--at the rates of exchange prevailing on the respective dates of such transactions.

Although the net assets and the market value of Atlas Global Growth Fund are presented at the foreign exchange rates at the end of the period, Atlas Global Growth Fund does not generally isolate the effect of unrealized fluctuations in foreign exchange rates from the effect of the changes in market prices of securities. However, Atlas Global Growth Fund does isolate the effect of realized

fluctuations in foreign exchange rates when determining the realized gain or loss upon the sale or maturity of foreign currency-denominated debt obligations pursuant to federal income tax regulations. Foreign security and currency transactions may involve certain considerations and risks not typically associated with investing in U.S. companies and the U.S. Government. These risks include re-evaluation of currencies and future adverse political and economic developments, which could cause securities and their markets to be

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less liquid and prices more volatile than those of comparable U.S. companies and the U.S. Government.

Forward Foreign Currency Contracts - Atlas Global Growth Fund may enter into forward foreign currency exchange contracts ("forward contracts") in connection with planned purchases or sales of securities or to hedge the U.S. dollar value of portfolio securities denominated in a particular currency.

Atlas Global Growth Fund has no specific limitation on the percentage of assets which may be committed to such contracts. Atlas Global Growth Fund may enter into forward contracts or maintain a net exposure to forward contracts only if (1) the consummation of the contracts would not obligate Atlas Global Growth Fund to deliver an amount of foreign currency in excess of the value of the positions being hedged by such contracts or (2) Atlas Global Growth Fund maintains cash, U.S. Government securities or liquid, high-grade debt securities in a segregated account in an amount not less than the value of its total assets committed to the consummation of the forward contracts.

Risks may arise upon entering into forward contracts from the potential inability of counterparties to meet the terms of their forward contracts and from unanticipated movements in the value of foreign currencies relative to the U.S. dollar.

Futures Contracts - Each of the Funds is permitted to use financial futures contracts to hedge its portfolio. Upon entering into a financial futures contract, the Fund is required to pledge to the broker an amount of cash and/or U.S. Government securities equal to a certain percentage of the contract amount. This amount is known as the "initial margin." Subsequent payments, known as "variation margin," are made or received by the Fund each day, depending on the daily fluctuations in the value of the underlying financial futures contract. Such variation margin is recorded for financial statement purposes on a daily basis as unrealized gain or loss, until the financial futures contract is closed, at which time the gain or loss is reclassified to realized.

Using financial futures contracts involves various market risks. The Fund is subject to a number of guidelines which reduce this risk by seeking to ensure that financial futures contracts are used solely for hedging purposes and not for leverage. However, imperfect correlations between financial futures and the instruments being hedged or market disruptions do not normally permit full control of these risks at all times. Financial futures contracts in which the Fund invests does not represent exposure to default or other credit risk.

Option Writing - When a Fund writes a call or a put option, an amount equal to the premium received by the Fund is included in the Fund's Statements of Assets and Liabilities as an asset and as an equivalent liability. The amount of the liability is subsequently marked-to-market to reflect the current market value of the option written. If an option which the Fund has written either expires on its stipulated expiration date or the Fund enters into a closing purchase transaction, the Fund realizes a gain (or loss if the cost of a closing purchase transaction exceeds the premium received when the option was written) without regard to any unrealized gain or loss on the underlying security, and the liability related to such option is extinguished. If a call option which the Fund has written is exercised, the Fund realizes a capital gain or loss (long-term or short-term, depending on the holding period of the underlying security) from the sale of the underlying security and the proceeds from the sale are increased by the premium originally received. If a put option which the Fund has written is exercised, the amount of the premium originally received reduces the cost of the security which the Fund purchases upon exercise of the option.

Certain characteristics of the futures market might increase the risk that movements in the prices of futures contracts or related options might not correlate perfectly with movements in the prices of the investments being hedged. For example, all participants in the futures and related options markets are subject to daily variation margin calls and might be compelled to liquidate futures or related options positions whose prices are moving unfavorably to avoid being subject to further calls. These liquidations could increase price volatility of the instruments and distort the normal price relationship between the futures or options and the investments being hedged. Also, because initial margin deposit requirements in the futures market are less onerous than margin requirements in the securities markets, there might be increased participation by speculators in the futures markets. This participation also might cause temporary price distortions. In addition, activities of large traders in both the futures and securities markets involving arbitrage, "program trading" and other investment strategies might result in temporary price distortions.

Repurchase Agreements - Each Fund's custodian takes possession of the

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collateral pledged for investments in repurchase agreements. The underlying collateral is valued daily on a mark-to-market basis to ensure that the value, including accrued interest, is at least equal to the repurchase price. In the event of default of the obligation to repurchase, the Fund has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. Under certain circumstances, in the event of default or bankruptcy by the other party to the agreement, realization and/or retention of the collateral may be subject to legal proceedings. Each Fund occasionally participates in joint repurchase agreement transactions with other funds managed by Mitchell Hutchins.

Federal Tax Status - Each Fund intends to distribute all of its taxable income and to comply with the other requirements of the Internal Revenue Code applicable to regulated investment companies. Accordingly, no provision for federal income taxes is required. In addition, by distributing during each calendar year substantially all of its net investment income, capital gains and certain other amounts, if any, each Fund intends not to be subject to any federal excise tax.

During the fiscal year ended August 31, 1994, Dividend Growth Fund utilized all prior fiscal year's carryover losses of $11,391,318 to offset a portion of net realized gains during the year.

Dividends - The Funds record dividends and distributions to their shareholders on the ex-date.

Change in Accounting for Distributions to Shareholders - During the year ended August 31, 1994, the Funds adopted Statement of Position 93-2, Determination, Disclosure, and Financial Statement Presentation of Income, Capital Gain, and Return of Capital Distributions by Investment Companies.

The amount of dividends and distributions from net investment income and net realized capital gains are determined in accordance with federal income tax regulations, which may differ from generally accepted accounting principles. These "book/tax" differences are either considered temporary or permanent in nature. To the extent these differences are permanent in nature, such amounts are reclassified within the capital accounts based on their federal tax-basis treatment; temporary differences do not require reclassifications. Dividends and distributions which exceed net investment income and net realized capital gains for financial reporting purposes but not for tax purposes are reported as dividends in excess of net investment income or distributions in excess of net realized capital gains. To the extent they exceed net investment income and net realized capital gains for tax purposes, they are reported as distributions of paid-in-capital. For the year ended August 31, 1994 the effects of such permanent differences totalled $1,126,972, $10,625 and $304,392 for the Atlas Global Growth Fund, Dividend Growth Fund and Growth Fund, respectively.

INVESTMENT ADVISER AND ADMINISTRATOR

Each of the Funds has entered into an Investment Advisory and Administration Contract ("Advisory Contract") with Mitchell Hutchins. In accordance with the Advisory Contract each Fund pays Mitchell Hutchins an investment advisory and administration fee, which is accrued daily and paid monthly, in accordance with the following schedule:

<TABLE>
<CAPTION>

<S>	ATLAS GLOBAL GROWTH FUND <C>	DIVIDEND GROWTH FUND <C>	GROWTH FUND <C>
As a % of Average Daily Net Assets..........	0.750%	0.700%	0.750%

</TABLE>

At August 31, 1994, Atlas Global Growth Fund, Dividend Growth Fund and Growth Fund owed Mitchell Hutchins $302,957, $331,372 and $186,949, respectively, in investment advisory and administration fees.

For the year ended August 31, 1994, Atlas Global Growth Fund paid $22,858, Dividend Growth Fund paid $47,142 and Growth Fund paid $9,326 in brokerage commissions to PaineWebber for transactions executed on behalf of the Funds.

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Under a separate contract Mitchell Hutchins (not the Fund) pays MHII, the Sub-Adviser, a monthly fee, at an annual rate of 0.25% of the average daily net assets.

In compliance with applicable state securities laws, Mitchell Hutchins will reimburse the Funds if and to the extent that the aggregate operating expenses in any fiscal year, exclusive of taxes, distribution fees, interest, brokerage fees and extraordinary expenses, exceed limitations imposed by various state regulations. Currently, the most restrictive limitation applicable to the Funds is 2.5% of the first $30 million of average daily net assets, 2.0% of the next $70 million and 1.5% of any excess over $100 million. For the year ended August 31, 1994, no reimbursements were required pursuant to the above limitation for any of the Funds.

DISTRIBUTION PLANS

Mitchell Hutchins is the distributor of each Fund's shares and has appointed PaineWebber as the exclusive dealer for the sale of those shares. Under separate plans of distribution pertaining to the Class A, Class B and Class D shares ("Class A Plan", "Class B Plan" and "Class D Plan", collectively "Plans"), each class of shares of each Fund pays Mitchell Hutchins monthly service fees at the annual rate of up to 0.25% of the average daily net assets of Class A, Class B and Class D shares and monthly distribution fees at the annual rate of up to 0.75% of the average daily net assets on Class B and Class D shares. At August 31, 1994, Atlas Global Growth Fund, Dividend Growth Fund and Growth Fund owed Mitchell Hutchins $232,142, $317,151 and $131,464, respectively, in service and distribution fees.

Mitchell Hutchins also receives the proceeds of the initial sales charges paid upon the purchase of Class A shares and the contingent deferred sales charges paid upon certain redemptions of Class B shares. Mitchell Hutchins has informed each Fund that for the year ended August 31, 1994, it earned the following amounts in sales charges:

<TABLE>
<CAPTION>

	ATLAS GLOBAL GROWTH FUND	DIVIDEND GROWTH FUND	GROWTH FUND
<S>	<C>	<C>	<C>
Initial sales charges--Class A...........	$900,089	$ 186,333	$367,454
	========	==========	========
Contingent deferred sales charges--Class B.......................................	$345,680	$2,384,664	$235,285
	========	==========	========

</TABLE>

TRANSFER AGENCY SERVICE FEES

Each Fund pays PaineWebber an annual fee of $4.00 per active PaineWebber shareholder account for certain services not provided by the Fund's transfer agent. For these services during the year ended August 31, 1994, PaineWebber earned $169,521, $303,496 and $103,435 from Atlas Global Growth Fund, Dividend

Growth Fund and Growth Fund, respectively. At August 31, 1994, PaineWebber was owed $16,293, $21,586 and $9,529 by Atlas Global Growth Fund, Dividend Growth Fund and Growth Fund, respectively, for transfer agency service fees.

TRANSACTION WITH AFFILIATED COMPANY

An affiliated company represents ownership of at least 5% of the voting securities of the issuer during the period, as defined in the Investment Company Act of 1940.

At August 31, 1994, Growth Fund owned 330,000 shares of common stock of The Right Start, Inc. with an original cost of $1,679,943 and a market value of $1,237,500. Additionally, Growth Fund owned 280,000 shares of common stock of TDX Corporation with an original cost of $1,429,375 and a market value of $630,000 at August 31, 1994.

INVESTMENTS IN SECURITIES

For federal income tax purposes, the cost of securities owned at August 31, 1994, was substantially the same as the cost of securities for financial statement purposes.

At August 31, 1994, the components of net unrealized appreciation of investments were as follows:

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<TABLE>
<CAPTION>

<S>	ATLAS GLOBAL GROWTH FUND <C>	DIVIDEND GROWTH FUND <C>	GROWTH FUND <C>
Gross appreciation (investments having an excess of value over cost)...............................	$ 61,827,954	$32,579,873	$68,719,273
Gross depreciation (investments having an excess of cost over value)..............................	(27,548,770)	(6,835,140)	(12,488,810)
Net unrealized appreciation of investments.........................	$ 34,279,184	$25,744,733	$56,230,463

For the year ended August 31, 1994, total aggregate purchases and sales of portfolio securities, excluding short-term securities, were as follows:

<CAPTION>

<S>	ATLAS GLOBAL GROWTH FUND <C>	DIVIDEND GROWTH FUND <C>	GROWTH FUND <C>
Purchases...........................	$885,073,201	$615,827,471	$115,515,291
Sales...............................	$720,924,925	$884,095,619	$ 55,057,720

</TABLE>

WRITTEN OPTION ACTIVITY

Written option activity for the year ended August 31, 1994 for the Dividend Growth Portfolio were as follows:

<TABLE>
<CAPTION>

<S>	NUMBER OF OPTIONS <C>	AMOUNT OF PREMIUMS <C>
Options outstanding at August 31, 1993....................	--	--
Options written during the year ended August 31, 1994......	3,419	$(447,072)
Options cancelled in closing purchase transactions.........	(794)	38,659
Options expired prior to exercise..........................	(52)	30,431
Options exercised..	(822)	137,299
Options outstanding at August 31, 1994....................	1,751	$(240,683)

</TABLE>

SHARES OF BENEFICIAL INTEREST

There is an unlimited amount $.001 par value shares of beneficial interest authorized. Transactions in shares of beneficial interest were as follows:

<TABLE>
<CAPTION>

	CLASS A		CLASS B		CLASS C		CLASS D	
	FOR THE YEARS ENDED AUGUST 31,							
<S>	1994 <C>	1993 <C>	1994 <C>	1993 <C>	1994 <C>	1993 <C>	1994 <C>	1993 <C>
Atlas Global Growth Fund								
Shares sold............	4,374,615	2,062,053	8,462,152	3,368,472	1,277,510	558,621	5,544,502	2,476,773
Shares repurchased......	(2,546,254)	(3,252,930)	(2,070,066)	(354,428)	(16,493)	(15,300)	(2,942,263)	(446,313)
Shares converted from Class B to Class A.....	234,710	73,207	(238,599)	(73,969)	--	--	--	--
Dividends reinvested resulting in sale of Fund shares...........	447,367	--	233,092	--	69,872	--	121,480	--
Net increase (decrease) in shares outstanding..	2,510,438	(1,117,670)	6,386,579	2,940,075	1,330,889	543,321	2,723,719	2,030,460
Dividend Growth Fund								
Shares sold............	484,780	3,649,956	1,075,994	9,598,413	165,180	349,190	355,387	3,363,139

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Shares repurchased......	(7,207,269)	(5,129,795)	(8,992,340)	(5,457,981)	(274,997)	(59,757)	(1,515,548)	(1,042,586)
Shares converted from Class B to Class A.....	199,102	969,178	(199,711)	(972,092)	--	--	--	--
Dividends reinvested resulting in sale of Fund shares............	193,794	216,385	116,857	107,714	13,616	10,374	16,282	12,903
Net increase (decrease) in shares outstanding..	(6,329,593)	(294,276)	(7,999,200)	3,276,054	(96,201)	299,807	(1,143,879)	2,333,456
Growth Fund								
Shares sold.............	1,549,566	1,057,760	2,917,179	1,676,649	461,518	339,355	1,795,537	888,972
Shares repurchased......	(1,255,407)	(1,274,682)	(985,658)	(700,517)	(8,765)	(53,240)	(1,207,404)	(226,889)
Shares converted from Class B to Class A.....	106,274	227,587	(108,639)	(230,281)	--	--	--	--
Dividends reinvested resulting in sale of Fund shares............	322,249	201,137	180,416	75,417	57,056	25,434	55,665	10,332
Net increase in shares outstanding............	722,682	211,802	2,003,298	821,268	509,809	311,549	643,798	672,415

</TABLE>

PAINEWEBBER
DIVIDEND GROWTH FUND
FINANCIAL HIGHLIGHTS

SELECTED DATA FOR A SHARE OF BENEFICIAL INTEREST OUTSTANDING THROUGHOUT EACH PERIOD IS PRESENTED BELOW:

<TABLE>
<CAPTION>

	CLASS A				
	FOR THE YEARS ENDED AUGUST 31,				
	1994	1993	1992	1991	1990
<S>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period..................	$20.86	$20.48	$19.26	$15.87	$16.50
Income (loss) from investment operations:					
Net investment income.......	0.28	0.28	0.24	0.19	0.51
Net realized and unrealized gains (losses) from investment transactions....	(0.41)	0.37	1.25	3.50	(0.61)
Total income (loss) from investment operations......	(0.13)	0.65	1.49	3.69	(0.10)
Less dividends and distributions:					
Dividends from net investment income..........	(0.27)	(0.27)	(0.27)	(0.30)	(0.53)
Distributions from net realized gains on investments...............	(0.03)	--	--	--	--
Total dividends and distributions..............	(0.30)	(0.27)	(0.27)	(0.30)	(0.53)
Net asset value, end of period.....................	$20.43	$20.86	$20.48	$19.26	$15.87
Total return(1).............	(0.58)%	3.15%	7.78%	23.62%	(0.72)%
Ratios/Supplemental Data:					
Net assets, end of period (000's)....................	$222,432	$359,073	$358,643	$232,555	$58,649
Ratio of expenses to average net assets.................	1.20%	1.13%	1.22%	1.42%	1.41%
Ratio of net investment income to average net assets.....................	1.29%	1.33%	1.26%	1.79%	3.11%
Portfolio turnover..........	94.32%	36.52%	15.57%	52.00%	32.10%

</TABLE>

- -------

* Annualized.

\+ Commencement of offering of shares.

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(1) Total return is calculated assuming a $1,000 investment on the first day of each period reported, reinvestment of all dividends and capital gain distributions at net asset value on the payable date, and a sale at net asset value on the last day of each period reported. The figures do not include sales charges; results for Class A and Class B shares would be lower if sales charges were included. Total return information for periods less than one year is not annualized.

PAINEWEBBER
DIVIDEND GROWTH FUND

<TABLE>
<CAPTION>

CLASS B				CLASS C			CLASS D		
FOR THE YEARS ENDED AUGUST 31,			FOR THE PERIOD JULY 1, 1991+ TO AUGUST 31,	FOR THE YEARS ENDED AUGUST 31,		FOR THE PERIOD FEBRUARY 12, 1992+ TO AUGUST 31,	FOR THE YEARS ENDED AUGUST 31,		FOR THE PERIOD JULY 2, 1992+ TO AUGUST 31,
1994	1993	1992	1991	1994	1993	1992	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
$20.78	$20.41	$19.23	$18.04	$20.86	$20.48	$20.95	$20.83	$20.47	$20.95
0.10	0.12	0.13	0.02	0.33	0.33	0.16	0.11	0.11	0.02
(0.37)	0.36	1.20	1.17	(0.40)	0.37	(0.49)	(0.38)	0.37	(0.44)
(0.27)	0.48	1.33	1.19	(0.07)	0.70	(0.33)	(0.27)	0.48	(0.42)
(0.11)	(0.11)	(0.15)	--	(0.34)	(0.32)	(0.14)	(0.11)	(0.12)	(0.06)
(0.03)	--	--	--	(0.03)	--	--	(0.03)	--	--
(0.14)	(0.11)	(0.15)	--	(0.37)	(0.32)	(0.14)	(0.14)	(0.12)	(0.06)
$20.37	$20.78	$20.41	$19.23	$20.42	$20.86	$20.48	$20.42	$20.83	$20.47
(1.31)%	2.34%	6.99%	6.60%	(0.31)%	3.44%	(1.15)%	(1.29)%	2.35%	2.85%
$289,290	$461,389	$386,275	$57,539	$ 14,690	$ 17,005	$10,560	$ 37,287	$ 61,869	$13,019
1.97%	1.90%	1.97%	2.10%*	0.90%	0.86%	0.93%*	1.94%	1.87%	1.73%*
0.51%	0.57%	4.90%	1.18%*	1.60%	1.62%	1.56%*	0.54%	0.61%	0.94%*
94.32%	36.52%	15.57%	52.00%	94.32%	36.52%	15.57%	94.32%	36.52%	15.57%

</TABLE>

PAINEWEBBER
REPORT OF INDEPENDENT AUDITORS

The Board of Trustees and Shareholders
PaineWebber Atlas Global Growth Fund
PaineWebber Dividend Growth Fund
PaineWebber Growth Fund

We have audited the accompanying statement of assets and liabilities, including the portfolios of investments, of the PaineWebber Atlas Global Growth Fund, PaineWebber Dividend Growth Fund and PaineWebber Growth Fund as of August 31, 1994, and the related statements of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the periods indicated therein. These financial statements and financial highlights are the responsibility of each Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned at August 31, 1994, by correspondence with the custodians and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the PaineWebber Atlas Global Growth Fund, PaineWebber Dividend Growth Fund and PaineWebber Growth Fund as of August 31, 1994 and the results of their

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operations for the year then ended, the changes in their net assets for each of the two years in the period then ended, and the financial highlights for each of the indicated periods, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

New York, New York
October 26, 1994

PART C. OTHER INFORMATION

Item 24. Financial Statements and Exhibits

(a) Financial Statements

PaineWebber Growth and Income Fund (Formerly PaineWebber Dividend Growth Fund)

Included in Part A of the Registration Statement:

Selected per share data and ratios for one Class A share of the Fund for each of the ten years in the period ended August 31, 1994.

Selected per share data and ratios for one Class B share of the Fund for each of the three years in the period ended August 31, 1994 and for the period July 1, 1991 (commencement of offering) to August 31, 1991.

Selected per share data and ratios for one Class C share of the Fund for each of the two years in the period ended August 31, 1994 and for the period February 12, 1992 (commencement of offering) to August 31, 1992.

Selected per share data and ratios for one Class D share of the Fund for each of the two years in the period ended August 31, 1994 and for the period July 2, 1992 (commencement of offering) to August 31, 1992.

Selected per share data and ratios for one Class A share of the Fund for the six months ended February 28, 1995 (unaudited).

Selected per share data and ratios for one Class B share of the Fund for the six months ended February 28, 1995 (unaudited).

Selected per share data and ratios for one Class C share of the Fund for the six months ended February 28, 1995 (unaudited).

Selected per share data and ratios for one Class D share of the Fund for the six months ended February 28, 1995 (unaudited).

Included in Part B of the Registration Statement through incorporation by reference from the Annual Report to Shareholders filed with the Securities and Exchange Commission on November 7, 1994 [File No. 811-3502] and included as an attachment:

Portfolio of Investments at August 31, 1994
Statement of Assets and Liabilities at August 31, 1994
Statement of Operations for the year ended August 31, 1994
Statement of Changes in Net Assets for the years ended August 31, 1994 and August 31, 1993
Notes to Financial Statements
Selected Per Share Data and Ratios for one Class A share of the Fund for each of the five years in the period ended August 31, 1994
Selected Per Share Data and Ratios for one Class B share of the Fund for each of the three years in the period ended August 31, 1994 and for the period July 1, 1991 (commencement of offering) through August 31, 1991
Selected Per Share Data and Ratios for one Class C share of the Fund for each of the two years in the period ended August 31, 1994 and for the period February 12, 1992 (commencement of offering) through August 31, 1992

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Selected Per Share Data and Ratios for one Class D share of the Fund for each of the two years in the period ended August 31, 1994 and for the period July 2, 1992 (commencement of offering) through August 31, 1992

Report of Ernst & Young LLP, Independent Auditors, dated October 26, 1994

Included in Part B of the Registration Statement through incorporation by reference from the Semi-Annual Report to Shareholders filed with the Securities and Exchange Commission on April 28, 1995 [File No. 811-03502][Accession No. 0000703887-95000001]:

- Portfolio of Investments at February 28, 1995 (unaudited)
- Statement of Assets and Liabilities at February 28, 1995 (unaudited)
- Statement of Operations for the six months ended February 28, 1995 (unaudited)
- Statement of Changes in Net Assets for the six months ended February 28, 1995 (unaudited) and the years ended August 31, 1994 and August 31, 1993
- Notes to Financial Statements
- Selected Per Share Data and Ratios for one Class A share of the Fund for the six months ended February 28, 1995 (unaudited), and for each of the five years in the period ended August 31, 1994
- Selected Per Share Data and Ratios for one Class B share of the Fund for the six months ended February 28, 1995 (unaudited), for each of the three years in the period ended August 31, 1994 and for the period July 1, 1991 (commencement of offering) through August 31, 1991
- Selected Per Share Data and Ratios for one Class C share of the Fund for the six months ended February 28, 1995 (unaudited), for each of the two years in the period ended August 31, 1994 and for the period February 12, 1992 (commencement of offering) through August 31, 1992

- Selected Per Share Data and Ratios for one Class D share of the Fund for the six months ended February 28, 1995 (unaudited), for each of the two years in the period ended August 31, 1994 and for the period July 2, 1992 (commencement of offering) through August 31, 1992
- Report of Ernst & Young LLP, Independent Auditors, dated October 26, 1994

(b) Exhibits:

(1) (a) Declaration of Trust 1/
    (b) Amendment effective January 28, 1988 4/
    (c) Amendment effective January 23, 1990 6/
    (d) Amendment effective December 21, 1990 8/
    (e) Amendment effective May 17, 1991 9/
    (f) Amendment effective July 1, 1991 9/
    (g) Amendment effective August 31, 1991 9/
    (h) Amendment effective July 1, 1992 12/

(2) (a) By-laws 1/
    (b) Amendment to By-Laws dated March 19, 1991 8/
    (c) Amendment to By-Laws dated September 28, 1994 15/

(3) Voting trust agreement - none
(4) Specimen Security - none
(5) (a) Investment Advisory and Administration Contract 5/
    (b) Sub-Advisory Contract 14/
(6) (a) Distribution Contract with respect to Class A shares 13/
    (b) Distribution Contract with respect to Class B shares 13/
    (c) Distribution Contract with respect to Class C shares 9/
    (d) Distribution Contract with respect to Class D shares 13/
    (e) Exclusive Dealer Agreement with respect to Class A shares 13/
    (f) Exclusive Dealer Agreement with respect to Class B shares 13/
    (g) Exclusive Dealer Agreement with respect to Class C shares 9/
    (h) Exclusive Dealer Agreement with respect to Class D shares 13/

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(7) Bonus, profit sharing or pension plans - none
(8) Custodian Agreement 2/
(9) (a) Transfer Agency and Service Contract 7/
    (b) Service Contract 5/
(10) (a) Opinion and consent of Kirkpatrick & Lockhart with respect to Class A and Class B shares 8/
    (b) Opinion and consent of Kirkpatrick & Lockhart with respect to Class C shares 9/

    (c) Opinion and consent of Kirkpatrick & Lockhart with respect to Class D shares 11/
(11) Other opinions, appraisals, rulings and consents: Independent Auditor's Consent (filed herewith)
(12) Financial statements omitted from prospectus-none
(13) Letter of investment intent 3/
(14) Prototype Retirement Plan 10/
(15) (a) Plan of Distribution pursuant to Rule 12b-1 with respect to Class A shares 9/
    (b) Plan of Distribution pursuant to Rule 12b-1 with respect to Class B shares 9/
    (c) Plan of Distribution pursuant to Rule 12b-1 with respect to Class D shares12/
(16) (a) Schedule for Computation of Performance Quotations with respect to Class A and Class B Shares 9/
    (b) Schedule for Computation of Performance Quotations with respect to Class C and Class D Shares 12/

1/ Incorporated by reference from Post-Effective Amendment No. 10 to the registration statement, SEC File No. 2-78626, filed February 25, 1987.

2/ Incorporated by reference from Post-Effective Amendment No. 11 to the registration statement, SEC File No. 2-78626, filed December 22, 1987.

3/ Incorporated by reference from Pre-Effective Amendment No. 2 to the registration statement, SEC File No. 2-78626, filed September 26, 1983.

4/ Incorporated by reference from Post-Effective Amendment No. 12 to the registration statement, SEC File No. 2-78626, filed November 3, 1988.

5/ Incorporated by reference from Post-Effective Amendment No. 16 to the registration statement, SEC File No. 2-78626, filed December 29, 1989.

6/ Incorporated by reference from Post-Effective Amendment No. 18 to the registration statement, SEC File No. 2-78626, filed August 30, 1990.

7/ Incorporated by reference from Post-Effective Amendment No. 19 to the registration statement, SEC File No. 2-78626, filed November 2, 1990.

8/ Incorporated by reference from Post-Effective Amendment No. 21 to the registration statement, SEC File No. 2-78626, filed May 3, 1991.

9/ Incorporated by reference from Post-Effective Amendment No. 23 to the registration statement, SEC File No. 2-78626, filed December 24, 1991.

10/ Incorporated by reference from Post-Effective Amendment No. 20 to the registration statement of PaineWebber Managed Investments Trust, SEC File No. 2-91362, filed April 1, 1992.

11/ Incorporated by reference from Post-Effective Amendment No. 25 to the registration statement, SEC File No. 2-78626, filed June 23, 1992.

12/ Incorporated by reference from Post-Effective Amendment No. 27 to the registration statement, SEC File No. 2-78626, filed December 21, 1992.

13/ Incorporated by reference from Post-Effective Amendment No. 28 to the registration statement, SEC File No. 2-78626, filed December 29, 1993.

14/ Incorporated by reference from Post-Effective Amendment No. 29 to the registration statement, SEC File No. 2-78626, filed

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November 2, 1994.

15/ Incorporated by reference from Post-Effective Amendment No. 31 to the registration statement, SEC File No. 2-78626, filed December 28, 1994.

Item 25. Persons Controlled by or under Common Control with Registrant

None.

Item 26. Number of Holders of Securities

Title of Class	Number of Record Shareholders as of April 28, 1995
Shares of Beneficial Interest, par value $0.001 per share	
PaineWebber Growth and Income Fund (Formerly PaineWebber Dividend Growth Fund)	
Class A shares	20,982
Class B shares	28,098
Class C shares	1
Class D shares	4,013

Item 27. Indemnification

Section 2 of "Indemnification" in Article X of the Declaration of Trust provides that the appropriate series of the Registrant will indemnify its Trustees and officers to the fullest extent permitted by law

against claims and expenses asserted against or incurred by them by virtue of being or having been a Trustee or officer; provided that no such person shall be indemnified where there has been an adjudication or other determination, as described in Article X, that such person is liable to the Registrant or its shareholders by reason of willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her office or did not act in good faith in the reasonable belief that his or her action was in the best interest of the Registrant. Section 2 of "Indemnification" in Article X also provides that the Registrant may maintain insurance policies covering such rights of indemnification.

Additionally, "Limitation of Liability" in Article X of the Declaration of Trust provides that the Trustees or officers of the Registrant shall not be personally liable to any person extending credit to, contracting with or having a claim against the Trust or a particular series thereof; and that, provided they have exercised reasonable care and have acted under the reasonable belief that their actions are in the best interest of the Registrant, the Trustees and officers shall not be liable for neglect or wrongdoing by them or any officer, agent, employee or investment adviser of the Registrant.

Section 2 of Article XI of the Declaration of Trust additionally provides that, subject to the provisions of Section 1 of Article XI and to Article X, Trustees shall not be liable for errors of judgment or mistakes of fact or law, or for any act or omission in accordance with advice of counsel or other experts, or failing to follow such advice, with respect to the meaning and operation of the Declaration of Trust.

Article IX of the By-laws provides that the Registrant may purchase and maintain insurance on behalf of any person who is or was a Trustee, officer or employee of the Trust, or is or was serving at the request of the Trust as a Trustee, officer or employee of a corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the Registrant would have the power to indemnify him or her against such liability, provided that the Registrant may not acquire insurance protecting any Trustee or officer against liability to the Registrant or its shareholders to which he or she would otherwise be subject by reason of willful

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misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of his or her office.

Section 9 of the Investment Advisory and Administration Contract with Mitchell Hutchins Asset Management Inc. ("Mitchell Hutchins") provides that Mitchell Hutchins shall not be liable for any error of judgment or mistake of law or for any loss suffered by any series of the Registrant in connection with the matters to which the Contract relates, except for a loss resulting from the willful misfeasance, bad faith, or gross negligence of Mitchell Hutchins in the performance of its duties or from its reckless disregard of its obligations and duties under the Contract. Section 10 of the Contract provides that the Trustees shall not be liable

for any obligations of the Trust or any series under the Contract and that Mitchell Hutchins shall look only to the assets and property of the Registrant in settlement of such right or claim and not to the assets and property of the Trustees.

Section 9 of each Distribution Contract provides that the Trust will indemnify Mitchell Hutchins and its officers, directors and controlling persons against all liabilities arising from any alleged untrue statement of material fact in the Registration Statement or from any alleged omission to state in the Registration Statement a material fact required to be stated in it or necessary to make the statements in it, in light of the circumstances under which they were made, not misleading, except insofar as liability arises from untrue statements or omissions made in reliance upon and in conformity with information furnished by Mitchell Hutchins to the Trust for use in the Registration Statement; and provided that this indemnity agreement shall not protect any such persons against liabilities arising by reason of their bad faith, gross negligence or willful misfeasance; and shall not inure to the benefit of any such persons unless a court of competent jurisdiction or controlling precedent determines that such result is not against public policy as expressed in the Securities Act of 1933. Section 9 of each Distribution Contract also provides that Mitchell Hutchins agrees to indemnify, defend and hold the Trust, its officers and Trustees free and harmless of any claims arising out of any alleged untrue statement or any alleged omission of material fact contained in information furnished by Mitchell Hutchins for use in the Registration Statement or arising out of an agreement between Mitchell Hutchins and any retail dealer, or arising out of supplementary literature or advertising used by Mitchell Hutchins in connection with the Contract.

Section 9 of each Exclusive Dealer Agreement contains provisions similar to Section 9 of the Distribution Contract, with respect to PaineWebber Incorporated ("PaineWebber").

Section 6 of the Service Contract provides that PaineWebber shall be indemnified and held harmless by the Trust against all liabilities, except those arising out of bad faith, gross negligence, willful misfeasance or reckless disregard of its duties under the Contract.

Section 10 of each Distribution Contract and Section 7 of the Service Contract contain provisions similar to Section 10 of the Investment Advisory and Administration Contract, with respect to Mitchell Hutchins and PaineWebber, as appropriate.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be provided to Trustees, officers and controlling persons of the Trust, pursuant to the foregoing provisions or otherwise, the Trust has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Trust of expenses incurred or paid by a Trustee, officer or controlling person of the Trust in connection with the

successful defense of any action, suit or proceeding or payment pursuant to any insurance policy) is asserted against the Trust by such Trustee, officer or controlling person in connection with the securities being registered, the Trust will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Item 28. Business and Other Connections of Investment Adviser

I. Mitchell Hutchins, a Delaware corporation, is a registered investment adviser and is a wholly owned subsidiary of PaineWebber which is, in turn,

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a wholly owned subsidiary of Paine Webber Group Inc. Mitchell Hutchins is primarily engaged in the investment advisory business. Information as to the officers and directors of Mitchell Hutchins is included in its Form ADV filed on August 22, 1994 with the Securities and Exchange Commission (registration number 801-13219) and is incorporated herein by reference.

Item 29. Principal Underwriters

a) Mitchell Hutchins serves as principal underwriter and/or investment adviser for the following investment companies:

ALL-AMERICAN TERM TRUST INC.
GLOBAL INCOME PLUS FUND, INC.
INSTITUTIONAL SERIES TRUST
MITCHELL HUTCHINS/KIDDER, PEABODY EQUITY INCOME FUND, INC.
MITCHELL HUTCHINS/KIDDER, PEABODY GOVERNMENT INCOME FUND, INC.
MITCHELL HUTCHINS/KIDDER, PEABODY INVESTMENT TRUST
MITCHELL HUTCHINS/KIDDER, PEABODY INVESTMENT TRUST II
MITCHELL HUTCHINS/KIDDER, PEABODY INVESTMENT TRUST III
PAINEWEBBER AMERICA FUND
PAINEWEBBER ATLAS FUND
PAINEWEBBER INVESTMENT SERIES
PAINEWEBBER MANAGED ASSETS TRUST
PAINEWEBBER MANAGED INVESTMENTS TRUST
PAINEWEBBER MASTER SERIES, INC.
PAINEWEBBER MUNICIPAL SERIES
PAINEWEBBER MUTUAL FUND TRUST
PAINEWEBBER OLYMPUS FUND
PAINEWEBBER PREMIER HIGH INCOME TRUST INC.
PAINEWEBBER PREMIER INSURED MUNICIPAL INCOME FUND INC.
PAINEWEBBER PREMIER TAX-FREE INCOME FUND INC.
PAINEWEBBER REGIONAL FINANCIAL GROWTH FUND INC.
PAINEWEBBER SECURITIES TRUST
PAINEWEBBER SERIES TRUST
STRATEGIC GLOBAL INCOME FUND, INC.
TRIPLE A AND GOVERNMENT SERIES - 1995, INC.
TRIPLE A AND GOVERNMENT SERIES - 1997, INC.
2002 TARGET TERM TRUST INC.

GLOBAL HIGH INCOME DOLLAR FUND INC.
GLOBAL SMALL CAP FUND INC.

b) Mitchell Hutchins is the Registrant's principal underwriter. PaineWebber acts as exclusive dealer of the Registrant's shares. The directors and officers of Mitchell Hutchins, their principal business addresses, and their positions and offices with Mitchell Hutchins are identified in its Form ADV filed August 22, 1994 with the Securities and Exchange Commission (registration number 801-13219). The directors and officers of PaineWebber, their principal business addresses, and their positions and offices with PaineWebber are identified in its Form ADV filed March 31, 1994 with the Securities and Exchange Commission (registration number 801-7163). The foregoing information is hereby incorporated herein by reference. The information set forth below is furnished for those directors and officers of Mitchell Hutchins or PaineWebber who also serve as trustees or officers of the Registrant:

Name and Principal Business Address	Position With Registrant	Position and Offices With Underwriter or Exclusive Dealer
Margo N. Alexander 1285 Avenue of the Americas New York, New York 10019	President	Director, President and Chief Executive Officer of Mitchell Hutchins
Frank P. L. Minard 1285 Avenue of the Americas New York, New York 10019	Trustee	Director and Chairman of Mitchell Hutchins
Teresa M. Boyle 1285 Avenue of the Americas New York, New York 10019	Vice President	Vice President and Manager -- Advisory Admin-istration of Mitchell Hutchins

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Joan L. Cohen 1285 Avenue of the Americas New York, New York 10019	Vice President and Assistant Secretary	Vice President and Attorney of Mitchell Hutchins
Ellen R. Harris 1285 Avenue of the Americas New York, New York 10019	Vice President	Managing Director and Chief Investment Officer -- Domestic of Mitchell Hutchins

Name and Principal Business Address	Position With Registrant	Position and Offices With Underwriter or Exclusive Dealer
Ann E. Moran 1285 Avenue of the Americas New York, New York 10019	Vice President and Assistant Treasurer	Vice President of Mitchell Hutchins
Dianne E. O'Donnell 1285 Avenue of the Americas New York, New York 10019	Vice President and Secretary	Senior Vice President and Senior Associate General Counsel of Mitchell Hutchins
Victoria E. Schonfeld 1285 Avenue of the Americas New York, New York 10019	Vice President	Managing Director and General Counsel of Mitchell Hutchins
Paul H. Schubert 1285 Avenue of the Americas New York, New York 10019	Vice President and Assistant Treasurer	Vice President of Mitchell Hutchins
Martha J. Slezak 1285 Avenue of the Americas New York, New York 10019	Vice President and Assistant Treasurer	Vice President of Mitchell Hutchins
Julian F. Sluyters 1285 Avenue of the Americas York, New York 10019	Vice President and Treasurer	Senior Vice President and Director of Mutual Fund Finance Division of Mitchell Hutchins
Gregory K. Todd 1285 Avenue of the Americas New York, New York 10019	Vice President and Assistant Secretary	First Vice President and Associate General Counsel of Mitchell Hutchins

(c) None.

Item 30. Location of Accounts and Records

The books and other documents required by paragraphs (b)(4), (c) and (d) of Rule 31a-1 under the Investment Company Act of 1940 are maintained in the physical possession of Registrant's investment adviser and administrator, Mitchell Hutchins, 1285 Avenue of the Americas, New York, New York 10019. All other accounts, books and documents required by Rule 31a-1 are maintained in the physical possession of Registrant's transfer agent and custodians.

Item 31. Management Services

Not applicable.

Item 32. Undertakings

Registrant hereby undertakes to furnish each person to whom a prospectus is delivered with a copy of the Registrant's latest annual report to shareholders upon request and without charge.

SIGNATURES

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Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant, PaineWebber America Fund, has duly caused this Post-Effective Amendment to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York and State of New York, on the 10th day of May, 1995.

PAINEWEBBER AMERICA FUND

By: /s/ Gregory K. Todd

Gregory K. Todd
Vice President and Assistant Secretary

Pursuant to the requirements of the Securities Act of 1933, this Post-Effective Amendment has been signed below by the following persons in the capacities and on the dates indicated:

<TABLE>
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Signature	Title	Date
/s/ E. GARRETT BEWKES, JR.* E. Garrett Bewkes, Jr.	Trustee and Chairman of the Board of Trustees	May 10, 1995
/s/ MEYER FELDBERG** Meyer Feldberg	Trustee	May 10, 1995
/s/ GEORGE W. GOWEN*** George W. Gowen	Trustee	May 10, 1995
/s/ FREDERIC V. MALEK*** Frederic V. Malek	Trustee	May 10, 1995
/s/ FRANK P.L. MINARD**** Frank P.L. Minard	Trustee	May 10, 1995
/s/ JUDITH DAVIDSON MOYERS*** Judith Davidson Moyers	Trustee	May 10, 1995
/s/ THOMAS F. MURRAY*** Thomas F. Murray	Trustee	May 10, 1995
/s/ MARGO ALEXANDER***** Margo Alexander	President	May 10, 1995
/s/ JULIAN F. SLUYTERS Julian F. Sluyters	Vice President and Treasurer (Principal Financial and Accounting Officer)	May 10, 1995

</TABLE>

SIGNATURES (Continued)

* Signature affixed by Elinor W. Gammon pursuant to power of attorney dated January 3, 1994 and incorporated by reference from Post-Effective Amendment No. 25 to the registration statement of PaineWebber Investment Series, SEC File No. 33-11025, filed March 1, 1994.

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** Signature affixed by Elinor W. Gammon pursuant to power of attorney dated March 28, 1991 and incorporated by reference from Post-Effective Amendment No. 16 to the registration statement of PaineWebber Fixed Income Portfolios, SEC File No. 2-91362, filed March 28, 1991.

*** Signatures affixed by Elinor W. Gammon pursuant to powers of attorney dated March 27, 1990 and incorporated by reference from Post-Effective Amendment No.7 to the registration statement of PaineWebber Municipal Series, SEC File No. 33-11611, filed June 29, 1990.

**** Signature affixed by Elinor W. Gammon pursuant to power of attorney dated November 17, 1993 and incorporated by reference from Post-Effective Amendment No. 28 to the registration statement of PaineWebber America Fund, SEC File No. 2-78626, filed December 29, 1993.

***** Signature affixed by Elinor W. Gammon pursuant to power of attorney dated May 8, 1995 and filed herewith.

POWER OF ATTORNEY

I, Margo N. Alexander, President and Chief Executive Officer of PaineWebber America Fund, PaineWebber Atlas Fund, PaineWebber Cashfund, Inc., PaineWebber Investment Series, PaineWebber Managed Assets Trust, PaineWebber Managed Investments Trust, PaineWebber Managed Municipal Trust, PaineWebber Master Series, Inc., PaineWebber Municipal Series, PaineWebber Mutual Fund Trust, PaineWebber Olympus Fund, PaineWebber Premier High Income Trust Inc., PaineWebber Premier Insured Municipal Income Fund Inc., PaineWebber Premier Tax-Free Fund Inc., PaineWebber Regional Financial Growth Fund Inc., PaineWebber RMA Money Fund, Inc., PaineWebber RMA Tax-Free Income Fund, Inc., PaineWebber Series Trust, PaineWebber Securities Trust, All-American Term Trust Inc., Global High Income Dollar Fund Inc., Global Income Plus Fund, Inc., Global Small Cap Fund Inc., Strategic Global Income Fund, Inc., Triple A and Government Series - 1995, Inc., Triple A and Government Series - 1997, Inc., and 2002 Target Term Trust Inc. (collectively, the "Funds"), hereby constitute and appoint Victoria E. Schonfeld, Dianne E. O'Donnell, Gregory K. Todd, Arthur J. Brown, Elinor W. Gammon and Robert A. Wittie, and each of them singly, my true and lawful attorneys, with full power to them to sign for me, and in my capacity as President and Chief Executive Officer for each of the Funds, any and all amendments to each of the particular registration statements of the Funds, and all instruments necessary or desirable in connection therewith, filed with the Securities and Exchange Commission, hereby ratifying and confirming my signature as it may be signed by said attorneys to any and all amendments to said registration statements.

Pursuant to the requirements of the Securities Act of 1933, this instrument has been signed below by the following in the capacity and on the date indicated.

Signature	Title	Date
/s/ Margo N. Alexander - ---------------------- Margo N. Alexander	President and Chief Executive Officer	May 8, 1995

PAGE WHERE GRAPHIC APPEARS	GRAPHICS APPENDIX LIST DESCRIPTION OF GRAPHIC OR CROSS-REFERENCE
35	(C) Stocks, Bonds, Bills and Inflation 1994 Yearbook/TM/, Ibbotson Associates, Chicago (annually updates work by Roger G. Ibbotson and Rex A. Sinquefield). Used with permission. All rights reserved.

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<SHARES-REINVESTED>	106
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EXHIBIT 99.11

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the captions "Financial Highlights" in the Prospectus and "Auditors" in the Statement of Additional Information and to the incorporation by reference of our report for the PaineWebber Growth and Income Fund dated October 26, 1994 in this Registration Statement (Form N-1A No. 2-78626) of PaineWebber America Fund.

/s/ ERNST & YOUNG LLP
ERNST & YOUNG LLP

New York, New York
May 5, 1995

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