

SECURITIES AND EXCHANGE COMMISSION

FORM 485BPOS

Post-effective amendments [Rule 485(b)]

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FILER

PAINWEBBER MANAGED ASSETS TRUST

CIK: **878089** | State of Incorpor.: **MA** | Fiscal Year End: **0331**
Type: **485BPOS** | Act: **33** | File No.: **033-42160** | Film No.: **95557235**

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2127134000*

As filed with the Securities and Exchange Commission on July 28, 1995

1933 Act Registration No. 33-42160
1940 Act Registration No. 811-6376

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM N-1A

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 / /

Pre-Effective Amendment No. _____ / _____ /
Post-Effective Amendment No. 5 / /

REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940 / /

Amendment No. 8 / /
(Check appropriate box or boxes.)

PAINWEBBER MANAGED ASSETS TRUST
(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:
ELINOR W. GAMMON, Esq.

Kirkpatrick & Lockhart LLP

South Lobby - 9th Floor
1800 M Street, N.W.
Washington, D.C. 20036-5891
Telephone: (202) 778-9000

It is proposed that this filing will become effective:
/ _____ / Immediately upon filing pursuant to Rule 485(b)

/ / On August 1, 1995 pursuant to Rule 485(b)
/ _____ / 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 May 26, 1995.

PaineWebber Managed Assets Trust
Contents of Registration Statement

This Registration Statement consists of the following papers and documents:

Cover Sheet

Contents of Registration Statement

Cross Reference Sheet

Part A - Prospectus

Part B - Statement of Additional Information

PaineWebber Managed Assets Trust
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	Purchases; 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	Not Applicable
13. Investment Objective and Policies	Investment Policies and Restrictions; Hedging Strategies; Portfolio Transactions
14. Management of the Fund .	Trustees and Officers

Part B Item No. and Caption -----	Statement of Additional Information Caption -----
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
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.

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The Fund is a series of PaineWebber Managed Assets Trust ("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 August 1, 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.

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.

August 1, 1995

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.

PAINWEBBER
CAPITAL APPRECIATION
FUND
1285 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10019

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A PAINWEBBER MUTUAL FUND

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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 FUND OR ITS DISTRIBUTOR. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFERING BY THE FUND OR BY THE DISTRIBUTOR IN ANY JURISDICTION IN WHICH SUCH OFFERING MAY NOT LAWFULLY BE MADE.

PAINWEBBER CAPITAL APPRECIATION FUND

PROSPECTUS SUMMARY

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

<TABLE>

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The Fund:	This Prospectus describes PaineWebber Capital Appreciation Fund ("Fund"), a diversified series of an open-end, management investment company.
Investment Objective and Policies:	Long-term capital appreciation; invests primarily in common stocks of medium-sized companies (including U.S. dollar-denominated securities of foreign companies) selected using a research intensive approach and valuation techniques that emphasize earnings growth.
Total Net Assets:	\$234.8 million at June 30, 1995.
Investment Adviser and Administrator:	Mitchell Hutchins Asset Management Inc. ("Mitchell Hutchins"), an asset management subsidiary of PaineWebber Incorporated ("PaineWebber" or "PW"), manages approximately \$43.5 billion in assets. See "Management".
Sub-Adviser:	Denver Investment Advisors, LLC ("Sub-Adviser") manages approximately \$8.6 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).

</TABLE>

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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.
Dividends:	Declared and paid annually; net capital gain is also 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 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
</TABLE>	

WHO SHOULD INVEST. The Fund invests primarily in common stocks of a diversified group of medium-sized companies selected by using a research-intensive approach and valuation technique that emphasizes earnings growth. Accordingly, the Fund is designed for investors seeking long-term growth of capital who are able to bear the risks inherent in such equity investments.

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. The Fund's net asset value will fluctuate based upon changes in the value of its portfolio securities. Investing in securities of medium-sized and smaller companies entails greater market volatility and risks of adverse financial developments than is the case for

securities of larger companies. The Fund's ability to invest in U.S. dollar-denominated foreign equity securities and its use of options and futures contracts also entails 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.

SHAREHOLDER TRANSACTION EXPENSES (1)

<TABLE>
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CLASS A	CLASS B	CLASS D
---------	---------	---------

	<C>	<C>	<C>
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)
(as a percentage of average daily net assets)

	CLASS A	CLASS B	CLASS D
Management fees.....	1.00%	1.00%	1.00%
12b-1 fees(3).....	0.25	1.00	1.00
Other expenses.....	0.33	0.34	0.35
Total operating expenses.....	1.58%	2.34%	2.35%

(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. The management fee payable to Mitchell Hutchins is higher than the management fee paid by most funds. All expenses are those actually incurred for the fiscal year ended March 31, 1995.

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

	CLASS A	CLASS B	CLASS D
12b-1 service fees.....	0.25%	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 charges permitted by the National Association of Securities Dealers, Inc.

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(1).....	\$ 60	\$ 93	\$ 127	\$ 224
Class B Shares:				
Assuming a complete redemption at end of period(2) (3).....	\$ 74	\$ 103	\$ 145	\$ 231
Assuming no redemption(3).....	\$ 24	\$ 73	\$ 125	\$ 231

-
- (1) Assumes deduction at the time of purchase of the maximum 4.5% initial sales charge.
 - (2) Assumes deduction at the time of redemption of the maximum applicable contingent deferred sales charge.
 - (3) Ten-year figures assume conversion of Class B shares to Class A shares at end of sixth year.

The 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 Fund 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 A share, one Class B share and one Class D share of the Fund for 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 March 31, 1995, which are incorporated by reference into the Statement of Additional Information. The financial statements and notes, as well as the information in the table appearing below 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.

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	CLASS A			CLASS B			CLASS D		
	FOR THE YEARS ENDED MARCH 31,			FOR THE YEARS ENDED MARCH 31,			FOR THE YEARS ENDED MARCH 31,		
	1995	1994	1993+	1995	1994	1993+	1995	1994	1993#
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net asset value, beginning of period.....	\$ 11.65	\$ 10.53	\$ 9.55	\$ 12.02	\$ 10.94	\$ 10.00	\$ 11.50	\$ 10.47	\$ 8.89
Income (loss) from investment operations:									
Net investment loss.....	(0.09)	(0.09)	(0.06)	(0.20)	(0.17)	(0.11)	(0.19)	(0.10)	(0.05)
Net realized and unrealized gains from investment transactions...	1.29	1.21	1.04	1.33	1.25	1.05	1.27	1.13	1.63
Total income from investment operations...	1.20	1.12	0.98	1.13	1.08	0.94	1.08	1.03	1.58

Less distributions:									
Distributions from net realized gains on investments...	(0.04)	--	--	(0.04)	--	--	(0.04)	--	--
Net asset value, end of period...	\$ 12.81	\$ 11.65	\$ 10.53	\$ 13.11	\$ 12.02	\$ 10.94	\$ 12.54	\$ 11.50	\$ 10.47
Total investment return(1)...	10.36%	10.64%	10.26%	9.46%	9.87%	9.40%	9.45%	9.84%	17.77%
Ratios/Supplemental Data:									
Net assets, end of period (000's).....	\$ 62,673	\$ 58,523	\$ 48,582	\$ 139,302	\$ 133,828	\$ 105,490	\$ 24,993	\$ 29,884	\$ 13,806
Expenses to average net assets.....	1.58%	1.54%	1.72%*	2.34%	2.30%	2.49%*	2.35%	2.28%	2.31%*
Net investment loss to average net assets.....	(0.79)%	(0.84)%	(0.78)%*	(1.56)%	(1.60)%	(1.55)%*	(1.57)%	(1.58)%	(1.53)%*
Portfolio turnover rate.....	42%	60%	51%	42%	60%	51%	42%	60%	51%

</TABLE>

(1) Total investment return is calculated assuming a \$1,000 investment in Fund shares on the first day of each period reported, reinvestment of all dividends and capital gain distributions, if any, 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 sale charges; results for Class A and Class B shares would be lower if sale charges were included. Total return for periods less than one year have not been annualized.

* Annualized.

+ For the period April 7, 1992 (commencement of operations) to March 31, 1993.

For the period July 2, 1992 (commencement of offering of shares) to March 31, 1993.

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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>
<CAPTION>

SALES CHARGE	ANNUAL 12B-1 FEES (AS A % OF AVERAGE DAILY NET ASSETS)	OTHER INFORMATION
-----	-----	-----

<S>	<C>	<C>	<C>
CLASS A	Maximum initial sales charge of 4.5% of the public offering price	Service fee of 0.25%	Initial sales charge waived or reduced for certain purchases
CLASS B	Maximum contingent deferred sales charge of up to 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 on-going annual expenses described below, as well as any other relevant facts and circumstances.

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.

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ONGOING ANNUAL EXPENSES. All three Classes of Fund shares pay an annual 12b-1 service fee of 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 deferred sales charges, service fees and distribution fees for the three Classes of shares of the Fund. 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 achieve long-term capital appreciation. Under normal circumstances, the Fund invests at least 65% of its total assets in common stocks of medium-sized companies (including U.S. dollar-denominated securities of foreign companies) selected using a research intensive approach and valuation techniques that emphasize earnings growth.

Medium-sized companies are defined by the adviser as 1) the domestic public companies that are not included in either of the largest 100 companies ranked by revenues or by market capitalization in Fortune magazine's annual ranking of "The Fortune 500--

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The Largest U.S. Industrial and Service Corporations," or 2) foreign companies with market capitalizations of less than \$10 billion. In addition, to qualify as a medium-sized company, both domestic and foreign companies must have either revenues or market capitalizations of at least \$100 million. Although most medium-sized companies in which the Fund will invest are relatively well-established, they may be more vulnerable than larger companies to adverse business or economic developments. If the issuer of a common stock ceases to be a medium-sized company after the Fund has purchased the stock, the Fund will consider selling the security, but is not required to do so.

In selecting securities for the Fund, the Sub-Adviser emphasizes a "bottom-up" approach; that is, an investment approach focusing more on fundamental analysis of individual companies than on broad economic or technical market analysis. It is anticipated that, under normal circumstances, the Fund's portfolio will be relatively highly diversified, consisting of common stocks of at least 80 issuers.

The Fund may invest up to 35% of its total assets in common stocks of companies that are larger or smaller than medium-sized companies, convertible preferred stocks, convertible debt securities, U.S. government securities and money market instruments. Smaller companies may have limited product lines, markets or financial resources, and may be dependent on a relatively small management group. Securities of such companies may be less liquid and more volatile than securities of medium-sized or larger companies or the market averages in general and therefore may involve greater risk than investing in larger companies. U.S. government securities 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 solely or primarily by the credit of the issuer.

There can be no assurance that the Fund will achieve its investment objective. The Fund's net asset value will fluctuate based on changes in the value of its portfolio securities.

DOLLAR-DENOMINATED FOREIGN SECURITIES. The Fund may invest up to 35% of its total assets in U.S. dollar-denominated equity securities of foreign issuers that are 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 economies may differ favorably or unfavorably from the U.S. economy in various respects, and many 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.

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 that the Fund may use. The Statement of Additional Information contains further information on these strategies.

The Fund may write (sell) covered put or call options and buy put or call options on securities in which it may invest and on securities indices. In addition, the Fund may buy and sell securities index futures contracts and may write covered put or call options and buy put or 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 hedge the full value of the portfolio, although, under normal circumstances, a much smaller portion of the Fund's portfolio will be at risk under such hedging instruments under which up to 100% of its portfolio is at risk.

The Fund might not employ any of the strategies described above, and no assurance can be given that any strategy used will succeed. If the Sub-Adviser incorrectly forecasts interest rates, market values or other economic factors in utilizing a strategy for the Fund, the Fund would be in a better position if it had 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") for resale 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. 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.

WHEN-ISSUED AND DELAYED DELIVERY SECURITIES. The Fund may purchase debt securities on a "when-issued" basis or may purchase or sell securities for delayed delivery. In when-issued or delayed delivery transactions, delivery of the securities occurs beyond normal settlement periods, but the Fund generally would not pay for such securities or start earning interest on them until they are delivered. However, when the Fund purchases securities on a when-issued or delayed delivery basis, it immediately assumes the risks of ownership, including the risk of price fluctuation. Failure by a counter party to deliver a security purchased on a when-issued or delayed delivery basis may result in a loss or missed opportunity to make an alternative investment. Depending on market conditions, the Fund's when-issued and delayed delivery purchase commitments could cause its net asset value

per share to be more volatile, because such securities may increase the amount by which the Fund's total assets, including the value of when-issued and delayed delivery securities held by the Fund, exceed its net assets.

LENDING OF PORTFOLIO SECURITIES. The Fund is authorized to lend up to 10% of the total value of its portfolio securities to broker-dealers or institutional investors that the Sub-Adviser deems qualified. Lending securities enables the Fund to earn additional income, but could result in a loss or delay in recovering the Fund's portfolio securities.

OTHER INFORMATION. When the Sub-Adviser 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. 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. Although repurchase agreements carry certain risks not associated with direct investments in securities, including possible decline in the market value of the underlying securities and delays and costs to the Fund if the other party to the repurchase agreement becomes insolvent, the Fund intends to enter into repurchase agreements only with banks and dealers in transactions believed by the Sub-Adviser to present minimal credit risks in accordance with guidelines established by the Trust's board of trustees. 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 and may engage in reverse repurchase agreements, but not in excess of 5% of its total assets.

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 trustees without shareholder approval.

PURCHASES

GENERAL. Class A shares are sold to investors subject to an initial sales charge; Class B shares 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 is \$1,000, and the minimum 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 the Class A shares.

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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 PAINWEBBER OR CORRESPONDENT FIRMS. Purchases through PaineWebber investment executives or correspondent 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 a purchase 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 third 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		DISCOUNT TO SELECTED DEALERS AS A PERCENTAGE OF OFFERING PRICE
	OFFERING PRICE	NET AMOUNT INVESTED (NET ASSET VALUE)	
<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>

(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 are available without a sales charge through exchanges for Class A shares of most other PaineWebber and MH/KP mutual funds. See "Exchanges." In addition, Class A shares may be purchased without a sales charge, and exchanges of any Class of shares

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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 or MH/KP mutual funds, their spouses, parents and children and advisory clients of Mitchell Hutchins.

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 and MH/KP mutual 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 concurrently with Class A shares of other PaineWebber or MH/KP 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 a 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 or MH/KP 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 Statement 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, redemptions 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:

<TABLE>
<CAPTION>

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
7th Year Since Purchase.....	None

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

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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 the PaineWebber and MH/KP mutual funds listed below, 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 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. 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.

The other PaineWebber and MH/KP mutual funds with which Fund shares may be exchanged include:

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
- PW GLOBAL INCOME FUND
- PW HIGH INCOME FUND
- PW INVESTMENT GRADE INCOME FUND
- PW SHORT-TERM U.S. GOVERNMENT INCOME FUND
- 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 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 BALANCED FUND

- PW GLOBAL ENERGY FUND

- PW GLOBAL GROWTH AND INCOME FUND

- PW GROWTH AND INCOME FUND

- PW UTILITY INCOME FUND

PaineWebber Money Market Fund

PaineWebber clients must place exchange orders through their PaineWebber investment executives or correspondent firms. Shareholders who are not PaineWebber clients 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

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offices or by the Transfer Agent. See "Valuation of Shares." Fund shares 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 mutual 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 mutual funds to be acquired through the exchange.

REDEMPTIONS

Fund shares may be redeemed at their net asset value (subject to any applicable contingent deferred sales charge) and redemption proceeds will be paid after receipt of a redemption request as described below. PaineWebber clients may redeem 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 PAINWEBBER 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 three Business 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 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" and redemption proceeds will be paid within seven days of receipt of the request. "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 a 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, and (3) other supporting legal documents for estates, trusts, guardianships, custodianships, partnerships and corporations. Shareholders are responsible for ensuring that a request for redemption is received in "good order."

ADDITIONAL INFORMATION ON REDEMPTIONS. Redemption proceeds of \$1 million or more may be 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 purchases by check, this can take up to 15 days.

Because the Fund incurs certain fixed costs in maintaining shareholder accounts, the Fund 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 of 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 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. 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. See "Valuation of Shares."

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. Of course, investing through the automatic investment plan does not assure a profit or protect against loss in declining markets. Additionally, since the automatic investment plan involves continuous investing regardless of price levels, an investor should consider his or her financial ability to continue purchases through periods of low price levels.

SYSTEMATIC WITHDRAWAL PLAN. Shareholders who own Class A or Class D shares with a value of \$5,000 or more or Class B shares with a value of \$20,000 or more may have PaineWebber redeem a portion of their Fund shares monthly, quarterly or semi-annually under the Fund's 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 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 Fund's systematic withdrawal plan. Purchases of additional Fund shares concurrent with withdrawals are ordinarily disadvantageous to shareholders because of tax liabilities and, for Class A shares, sales charges.

INDIVIDUAL RETIREMENT ACCOUNTS. Fund shares 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 Fund shares in a PaineWebber brokerage account transfers his brokerage account to another firm, the Fund shares normally 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 AND TAXES

DIVIDENDS. The Fund pays a dividend from its net investment income and net short-term capital gain, if any, annually. The Fund also distributes substantially all of its net capital gain (the excess of net long-term capital gain over net short-term capital loss) with the regular annual dividend. The Fund may make additional distributions if necessary to avoid a 4% excise tax on certain undistributed income

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and capital gain. Dividends and other distributions paid on all Classes of Fund shares 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."

Dividends and other distributions on Fund shares 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 other 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 from the Fund's investment company taxable income (whether paid in cash or in additional shares) generally are taxable to its shareholders as ordinary income. Distributions of the Fund's net capital gain (whether paid in cash or in additional shares) are taxable to its 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 taxes 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 also is required from dividends and capital gain distributions payable to such 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 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 mutual 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 mutual fund without 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 Fund's 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 or MH/KP mutual fund shares subsequently acquired. In addition, if Fund shares are purchased within 30 days before or after redeeming other Fund shares (regardless

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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. 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, the Fund's investment adviser and administrator, supervises the activities of the Sub-Adviser and all other aspects of the Fund's operations. Denver Investment Advisors, LLC, as Sub-Adviser, makes and implements all investment decisions.

Mitchell Hutchins receives a monthly fee for its services, computed daily and payable monthly, at an annual rate of 1.00% of the Fund's average daily net assets. The advisory fee for the Fund is higher than that paid by most investment companies to their advisers, but Mitchell Hutchins believes the fee is comparable to the advisory fees paid to advisers by other funds with similar investment objectives and policies. Brokerage transactions for the Fund may be conducted through PaineWebber in accordance with procedures adopted by the Trust's board of trustees.

Mitchell Hutchins (not the Fund) pays the Sub-Adviser a fee for its sub-investment advisory services, in an amount equal to 50% of the fee received by Mitchell Hutchins from the Fund for advisory and administrative services.

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 also incurs various other expenses and, for the fiscal year ended March 31, 1995, total expenses for the Fund's Class A, Class B and Class D shares, stated as a percentage of average daily net assets, were 1.58%, 2.34% and 2.35%, 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 a wholly owned subsidiary of Paine Webber Group Inc., a publicly owned financial services holding company. At June 30, 1995, Mitchell Hutchins was adviser or sub-adviser of 41 investment com-

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panies with 86 separate portfolios and aggregate assets of over \$27.9 billion.

The Sub-Adviser is located at 1225 17th Street, 26th Floor, P.O. Box 17487, Denver, Colorado 80217. At June 30, 1995, the Sub-Adviser managed approximately \$8.6 billion of assets of various clients. The Sub-Adviser has managed client accounts investing primarily in equity securities of medium-sized companies since 1958. In managing assets for its clients, the Sub-Adviser strives to implement a "team approach" rather than rely on one or two key individuals.

Todger Anderson, President and a director of portfolio management for the Sub-Adviser, is responsible for the day-to-day management of the Fund's portfolio. He has managed the Fund since its inception and has concentrated on medium capitalization investing since 1975.

At a meeting held November 9, 1994, Denver Investment Advisors, Inc. ("DIA"), sub-adviser for the Fund, informed the board that First Interstate Bancorp, the indirect parent of DIA, had agreed in principle to sell the investment advisory business of DIA to a new company, Denver Investment Advisors, LLC ("New DIA"), which is owned by the current principal officers of DIA, in a transaction expected to be consummated on or before April 30, 1995 ("Transaction").

The board of trustees approved for submission to the shareholders a proposed sub-advisory contract between Mitchell Hutchins Asset Management Inc. and New DIA ("New Sub-Advisory Contract"), to take effect upon consummation of the Transaction. The terms and conditions of the New Sub-Advisory Contract provide for the same sub-advisory fee and are otherwise identical to those of the current sub-advisory contract with DIA except for different effective and termination dates and for making explicit the authorization of New DIA to vote proxies of issuers of securities held by the Fund. A special meeting of the shareholders was held on March 1, 1995, at which time shareholders approved the contract.

Investment personnel of Mitchell Hutchins or the Sub-Adviser may engage in securities transactions for their own accounts pursuant to codes of ethics that establish procedures for personal investing and restrict certain transactions.

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, 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 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 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 fee under the Class B and Class D Plans to offset the commissions it pays to PaineWebber for selling Class B and Class D shares.

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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 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, the Fund 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' distribution 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.

PERFORMANCE INFORMATION

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 reflects deduction of the Fund's maximum initial sales charge at the time of purchase, and standardized return for the Class B shares 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

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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 Managed Assets Trust 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 August 9, 1991. The Trust commenced operations on April 7, 1992. The trustees have authority to issue an unlimited number of shares of beneficial interest of separate series, par value \$.001 per share. At the present time, the trustees have established no series other than the Fund.

The shares of beneficial interest of the Fund are divided into three Classes, designated Class A shares, Class B 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 and (5) 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 the different Classes of shares of the Fund. 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 meetings of shareholders. There normally will be no meetings of shareholders to elect trustees unless fewer than a majority of the trustees 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 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 three Classes, dividends and liquidation proceeds of the Class B and Class D shares are likely to be lower than for the Class A shares.

To avoid additional operating costs and for investor convenience, the Fund does not issue share certificates. Ownership of the Fund's shares 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.

CUSTODIAN AND TRANSFER AGENT. State Street Bank and Trust Company, One Heritage

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Drive, North Quincy, Massachusetts 02171 is the custodian of the Fund's assets. PFPC Inc., a subsidiary of PNC Bank, National Association, whose principal business 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 Fund shares. 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.

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APPENDIX A

The Fund may use the following hedging instruments:

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 SECURITIES INDICES--A securities index assigns relative values to the securities included in the index and fluctuates with changes in the market values of those securities. A securities index option operates in the same way as a more traditional securities option, except that exercise of a securities index option is effected with cash payment and does not involve delivery of securities. Thus, upon exercise of a securities 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 securities index.

SECURITIES INDEX FUTURES CONTRACTS--A securities 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 securities 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 securities comprising the index is made. Generally, contracts are closed out prior to the expiration date of the contracts.

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 or currencies, 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 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.

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Application Form

<TABLE>
<S> <C> <C>
THE PAINWEBBER // // - // // // // // - // //
MUTUAL FUNDS PaineWebber Account No.
</TABLE>

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

<TABLE> <C> <C>
<S> <C> ALSO, DO NOT USE THIS FORM TO OPEN A RETIREMENT PLAN ACCOUNT. Return this completed form to:
FOR RETIREMENT PLAN FORMS OR FOR ASSISTANCE PFPC Inc.
IN COMPLETING THIS FORM CONTACT PFPC INC. AT 1-800-647-1568. P.O. Box 8950
Wilmington, Delaware 19899
PLEASE PRINT ATTN: PaineWebber Mutual Funds
</TABLE>

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INITIAL INVESTMENT (\$1,000 MINIMUM)

ENCLOSED IS A CHECK FOR \$ _____ (payable to "PaineWebber Capital Appreciation 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)

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ACCOUNT REGISTRATION

</TABLE>

Not valid without signature and

Soc. Sec. or Tax ID #

- -- As joint tenants, use Lines 1 and 2
- -- As custodian for a minor, use
- -- In the name of a corporation, trust or other organization or any fiduciary capacity, use Line 4

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1. Individual

First Name Last Name MI Soc. Sec. No.

2. Joint Tenancy

First Name Last Name MI Soc. Sec. No. Lines 1 and 3 ("Joint Tenants with Rights of Survivorship" unless otherwise specified)

3. Gifts to Minors

Minor's Name Soc. Sec. No.

Under the

State of Residence of Minor

Uniform Gifts / Uniform Transfers to Minors Act / to Minors Act

4. Other Registrations

Name Tax Ident. No.

5. If Trust, Date of Trust Instrument:

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ADDRESS

Street U.S. Citizen / / Yes / / No*

City State Zip Code *Country of Citizenship

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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 gains distributions to my address above
- / / Reinvest dividends and pay capital gain distributions in cash to my address above

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

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

/ / Automatic Investment Plan / / Prototype IRA Application / / Systematic Withdrawal Plan

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 -----
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----- Fund Name -----	----- Account No. -----	----- Registered Owner -----
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7 PLEASE INDICATE BELOW IF YOU ARE AFFILIATED WITH PAINWEBBER

"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 PAINWEBBER INVESTMENT
EXECUTIVE OR CORRESPONDENT FIRM OR TO: PFPC INC., P.O. BOX
8950, WILMINGTON, DELAWARE 19899.

</TABLE>

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Shares of the Fund can be exchanged for shares of
the following PaineWebber ("PW") and Mitchell
Hutchins/Kidder Peabody ("MH/KP") Mutual
Funds:

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
- - PW Global Income Fund
- - PW High Income Fund
- - PW Investment Grade Income Fund
- - PW Short-Term U.S. Government Income Fund
- - 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 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 Balanced Fund
- - PW Global Energy Fund
- - PW Global Growth and Income Fund
- - PW Growth and Income Fund
- - PW Utility Income Fund

PAINWEBBER 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 the prospectus carefully before
investing.

[RECYCLE LOGO] Recycled Paper
(C) 1995 PaineWebber Incorporated

PAINWEBBER

CAPITAL

APPRECIATION

- - FUND

- - LONG-TERM CAPITAL APPRECIATION

- - PROFESSIONAL MANAGEMENT

- - PORTFOLIO DIVERSIFICATION

- - DIVIDEND AND CAPITAL GAIN
REINVESTMENT

- - FLEXIBLE PRICING(SM)

- - LOW MINIMUM INVESTMENT

- - AUTOMATIC INVESTMENT PLAN

- - SYSTEMATIC WITHDRAWAL PLAN

- - SUITABLE FOR RETIREMENT PLANS

PROSPECTUS

August 1, 1995

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PAINWEBBER CAPITAL APPRECIATION FUND

1285 AVENUE OF THE AMERICAS
NEW YORK, NEW YORK 10019

STATEMENT OF ADDITIONAL INFORMATION

PaineWebber Capital Appreciation Fund ("Fund") is a diversified series of PaineWebber Man-aged Assets Trust ("Trust"), a professionally managed, open-end management investment company organized as a Massachusetts business trust. The Fund seeks long-term capital appreciation; it invests primarily in common stocks of medium-sized companies. The Fund's investment adviser, administrator and distributor is Mitchell Hutchins Asset Management Inc. ("Mitchell Hutchins"), a wholly owned subsidiary of PaineWebber Incorporated ("PaineWebber"). The Fund's sub-adviser is Denver Investment Advisors, LLC ("Sub-Adviser"). 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 August 1, 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 August 1, 1995.

INVESTMENT POLICIES AND RESTRICTIONS

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

SPECIAL CONSIDERATIONS RELATING TO FOREIGN SECURITIES. To the extent the Fund holds securities of foreign issuers, such securities may not be 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 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 invests in securities of foreign issuers only if such securities are traded in the U.S. securities market directly or through 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 evidencing ownership of common stock will be treated as common stock.

Investments in foreign securities involve risks relating to political and economic developments abroad as well as those that may result from the

differences between the regulation to which U.S. issuers are subject and that applicable to foreign issuers. These risks may include expropriation, withholding taxes on interest, confiscatory taxation, limitations on the use or transfer of the Fund's assets and political or social instability or diplomatic developments. Moreover, individual foreign

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economies may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. Securities of many foreign companies may be less liquid and their prices more volatile than securities issued by comparable U.S. companies. While the Fund generally invests only in securities that are traded on recognized exchanges or in over-the-counter ("OTC") markets, from time to time foreign securities may be difficult to liquidate rapidly without significantly depressing the price of such securities. There may be less publicly available information concerning foreign issuers of securities held by the Fund than is available concerning U.S. companies.

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 the Fund's net asset value, the value of 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 the Fund. 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. Any of these factors could adversely affect the Fund.

ILLIQUID SECURITIES. The Fund may invest up to 10% of its net assets in illiquid securities. The term "illiquid securities" for this purpose includes, among other things, purchased OTC options, repurchase agreements maturing in more than seven days and restricted securities other than those the Sub-Adviser 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 either themselves exempt from registration or 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. ("NASD"). 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 the Sub-Adviser, pursuant to guidelines approved by the board. The Sub-Adviser 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). The Sub-Adviser monitors the liquidity of restricted securities in the Fund's portfolio and reports periodically on such decisions to the board of trustees and Mitchell Hutchins.

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 the 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 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 the Sub-Adviser to present minimal credit risks in accordance with guidelines established by the Trust's board of trustees. The Sub-Adviser reviews and monitors the creditworthiness of those institutions under the board's and Mitchell Hutchins' 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 the Fund's total assets. Such agreements involve the sale of securities held by the 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, the Fund's custodian segregates assets to cover

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the Fund's obligations under the reverse repurchase agreement. See "Investment Policies and Restrictions--Segregated Accounts."

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 net 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.

WHEN-ISSUED AND DELAYED-DELIVERY SECURITIES. As stated in the Prospectus, the Fund may purchase securities on a "when-issued" or delayed-delivery basis. A security purchased on a when-issued or delayed-delivery basis is recorded as an asset on the commitment date and is subject to changes in market value, generally based upon changes in the level of interest rates. Thus, fluctuation in the value of the security from the time of the commitment date will affect the Fund's net asset value. When the Fund agrees to purchase securities on a when-issued basis, its custodian segregates assets to cover the amount of the commitment. See "Investment Policies and Restrictions--Segregated Accounts." The Fund purchases when-issued securities only with the intention of taking delivery, but may sell the right to acquire the security prior to delivery if Mitchell Hutchins deems it advantageous to do so, which may result in a gain or loss to the Fund.

SEGREGATED ACCOUNTS. When the Fund enters into certain transactions that involve obligations to make future payments to third parties, including the purchase of securities on a when-issued or delayed-delivery basis or reverse repurchase agreements, the Fund 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 under "Hedging Strategies," segregated accounts may also be required in connection with certain transactions involving options or futures contracts.

INVESTMENT LIMITATIONS

The Fund may not (1) 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; (2) 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; (3) 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; (4) make short sales of securities or maintain a short position, except that the Fund may (a) make short sales of securities it does not own in an amount up to 25% of its net assets, (b) make short sales and maintain short positions in connection with its use of options, futures contracts and options on futures contracts and (c) sell short "against the box"; (5) 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; (6) purchase or sell commodities or commodity contracts, except that the Fund may purchase or sell financial futures contracts, such as stock index, interest rate and bond index futures contracts and options thereon; (7) invest in oil, gas or mineral-related programs or leases; (8) make loans, except through loans of portfolio securities as described in the Prospectus or this Statement of Additional Information 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; (9) 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; (10) 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 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 (11) make an investment in any one industry if the investment would cause the aggregate value of the Fund's investments in such industry to equal or 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 and the Sub-Adviser (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 the Fund's total assets would be invested in

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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 the Fund has valued the securities and includes, among other things, repurchase agreements maturing in more than seven days; (4) invest in warrants, valued at the lower of cost or market, in excess of 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 the Fund's net assets, and further provided that this restriction does not apply to warrants attached to, or sold as a unit with, other securities; or (5) invest more than 35% of its total assets in debt securities rated Ba or lower by Moody's Investors Service, Inc. or BB or lower by Standard & Poor's Ratings Group (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 interpret fundamental investment limitation (5) to prohibit investment in real estate limited partnerships.

HEDGING STRATEGIES

GENERAL DESCRIPTION OF HEDGING STRATEGIES. As discussed in the Prospectus, the Sub-Adviser 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 Appendix A 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 transaction costs. Alternatively, the Fund might be able to offset the price increase by closing out an appreciated call option and realizing a gain.

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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, the Fund expects to discover additional opportunities in connection with options, futures contracts and other hedging techniques. These new opportunities may become available as the Fund develops new techniques, as regulatory authorities broaden the range of permitted transactions and as new options, futures contracts or other techniques are developed. The Fund 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 Sub-Adviser's ability 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 the Sub-Adviser 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 medium-sized companies, there might be a significant lack of correlation between the portfolio and the stock indices underlying any such Hedging Instruments available for use 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

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the Sub-Adviser 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 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 the opposite party to the transaction 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 or 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 or call options, and write (sell) covered put or call options, on equity and debt securities in which it is authorized to invest and securities 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 market price of the security underlying a covered put option declines to less than the exercise price of the option, minus the premium received, the Fund would expect to suffer a loss. The securities or other assets used as cover for OTC options written by the Fund would be considered illiquid to the extent described under "Investment Policies and Restrictions--Illiquid Securities."

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

Generally, the OTC 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, and would be unable to limit its losses prior to expiration. The inability to enter into a closing purchase transaction for a covered call option written by the Fund could cause material losses because the Fund would be unable to sell the investments used as cover for the written option until the option expires or is exercised.

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GUIDELINES FOR 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 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 securities 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 a strategy similar to that used for writing covered call 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 an 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 put or 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. The Fund intends

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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. Secondary markets for options on futures are currently in the development stage, and the Fund will not trade options on futures on any exchange or board of trade unless, in the Sub-Adviser's opinion, the markets for such options have developed sufficiently that the liquidity risks for such options are not greater than the corresponding risks for futures.

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.

GUIDELINES FOR FUTURES AND RELATED OPTIONS. The Fund's use of futures and related options 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 and 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 securities 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.

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TRUSTEES AND OFFICERS

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

NAME AND ADDRESS*; AGE	POSITION WITH TRUST	BUSINESS EXPERIENCE; OTHER DIRECTORSHIPS
<S> E. Garrett Bewkes, Jr.**; 68	<C> Trustee and Chairman of the Board of Trustees	<C> Mr. Bewkes is a director of Paine Webber 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 Na Pro BioTherapeutics, Inc. and a director or trustee of 26 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.
Meyer Feldberg; 53 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.

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NAME AND ADDRESS*; AGE	POSITION WITH TRUST	BUSINESS EXPERIENCE; OTHER DIRECTORSHIPS
<S> Frederic V. Malek; 58 901 15th Street, N.W. Suite 300 Washington, D.C. 20005	<C> Trustee	<C> 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

Frank P.L. Minard**; 50	Trustee	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. 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.
Judith Davidson Moyers; 60 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 and Ogden Corporation and a director or trustee of 16 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser.

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NAME AND ADDRESS*; AGE	POSITION WITH TRUST	BUSINESS EXPERIENCE; OTHER DIRECTORSHIPS
<S> Thomas F. Murray; 84 400 Park Avenue New York, New York 10022	<C> Trustee	<C> 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 a trustee of one and president of 39 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; 31	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

Ellen R. Harris; 49	Vice President	26 other investment companies for which Mitchell Hutchins or PaineWebber serves as investment adviser. 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.
C. William Maher; 34	Vice President and Assistant Treasurer	Mr. Maher is a first vice president and the senior manager of the Fund Administration Division of Mitchell Hutchins. Mr. Maher 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*; AGE	POSITION WITH TRUST	BUSINESS EXPERIENCE; OTHER DIRECTORSHIPS
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<S> Ann E. Moran; 38	<C> Vice President and Assistant Treasurer	<C> 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; 43	Vice President and Secretary	Ms. O'Donnell is a senior vice president and deputy 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; 44	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.
Martha J. Slezak; 33	Vice President and Assistant Treasurer	Ms. Slezak is a vice president of Mitchell Hutchins. From September 1991 to April 1992, she was a fundraising director for a U.S. Senate campaign. Prior to September 1991, she was a tax manager with Arthur Andersen LLP. 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.

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NAME AND ADDRESS*; AGE	POSITION WITH TRUST	BUSINESS EXPERIENCE; OTHER DIRECTORSHIPS
Julian F. Sluyters; 35	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 the Americas, New York, New York 10019.

** Messrs. Bewkes 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 \$2,500 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, 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. The table on the following page includes certain information relating to the compensation of the Trust's trustees who held office during the fiscal year ended March 31, 1995.

COMPENSATION TABLE

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NAME OF PERSON, POSITION	AGGREGATE COMPENSATION FROM THE TRUST*	PENSION OR RETIREMENT BENEFITS ACCRUED AS PART OF THE TRUST'S EXPENSES	ESTIMATED ANNUAL BENEFITS UPON RETIREMENT	TOTAL COMPENSATION FROM THE TRUST AND FUND COMPLEX**
<S>	<C>	<C>	<C>	<C>

E. Garrett Bewkes, Jr., Trustee and chairman of the board of trustees.....	--	--	--	--
Meyer Feldberg, Trustee.....	\$4,875	--	--	\$ 86,050
George W. Gowen, Trustee.....	\$4,625	--	--	71,425
Frederic V. Malek, Trustee.....	\$4,875	--	--	77,875
Frank P.L. Minard, Trustee.....	--	--	--	--
Judith Davidson Moyers, Trustee.....	\$4,375	--	--	71,125
Thomas F. Murray, Trustee.....	\$4,625	--	--	71,925

* Represents fees paid to each trustee during the fiscal year ended March 31, 1995.

** 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 dated March 20, 1992 with the Trust ("Advisory Contract"). Under the Advisory Contract, the Fund pays Mitchell Hutchins a fee, computed daily and paid monthly, at the annual rate of 1.00% of the Fund's average daily net assets. Pursuant to the Advisory Contract, for the fiscal years ended March 31, 1995 and March 31, 1994 and the period from April 7, 1992 (commencement of operations) to March 31, 1993, the Fund paid (or accrued) to Mitchell Hutchins investment advisory and administration fees of \$2,168,097, \$2,018,477 and \$1,109,234, respectively.

Pursuant to a service agreement with the Fund that is reviewed by the Trust's board of trustees annually, PaineWebber provides certain services to the Fund not otherwise provided by its transfer agent. Pursuant to the service agreement, for the fiscal years ended March 31, 1995 and March 31, 1994 and the period from April 7, 1992 (commencement of operations) to March 31, 1993 and the Fund paid (or accrued) to PaineWebber service fees of \$98,260, \$88,794 and \$55,713, 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 Trust 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 March 31, 1995 and March 31, 1994 and the period from April 7, 1992 (commencement of operations) to March 31, 1993, no reimbursements were made pursuant to such limitation.

The Advisory Contract authorizes Mitchell Hutchins to retain one or more sub-advisers, but does not require Mitchell Hutchins to do so. Mitchell Hutchins has entered into a separate contract with the Sub-Adviser, dated March 21, 1995 ("Sub-Advisory Contract"), pursuant to which the Sub-Adviser determines what securities will be purchased, sold or held by the Fund. Under the Sub-Advisory Contract, Mitchell Hutchins (not the Fund) pays the Sub-Adviser a monthly fee of 50% of the fee paid by the Fund to Mitchell Hutchins under the Advisory Contract. The Sub-Adviser bears all expenses incurred by it in connection with its services under the Sub-Advisory Contract. Under the Sub-Advisory Contract and a prior substantially identical contract for the fiscal years ended March 31, 1995 and March 31, 1994 and the period from April 7, 1992 (commencement of operations) to March 31, 1993, Mitchell Hutchins paid (or accrued) to the Sub-Adviser sub-advisory fees of \$1,084,049, \$1,009,239 and \$554,617, respectively.

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. Under the Sub-Advisory Contract, the Sub-Adviser will not be liable for any error of judgment or mistake of law or for any loss suffered by the Trust, the Fund, its shareholders or

Mitchell Hutchins in connection with the Sub-Advisory Contract, except any liability to the Trust, the Fund, its shareholders or Mitchell Hutchins to which the Sub-Adviser would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence on its part in the performance of its duties or from reckless disregard by it of its obligations and duties under the Sub-Advisory Contract.

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. The Sub-Advisory Contract terminates automatically upon its assignment or the termination of the Advisory Contract 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' notice to the Sub-Adviser, or by the Sub-Adviser on 120 days' written notice to Mitchell Hutchins. The Sub-Advisory Contract may also be terminated by Mitchell Hutchins (1) upon material breach by the Sub-Adviser of its representations and warranties, which breach shall not have been cured within a 20-day period after notice of such breach; (2) if the Sub-Adviser becomes unable to discharge its duties and obligations under the Sub-Advisory Contract or (3) on 120 days' notice to the Sub-Adviser.

The following table shows the approximate net assets as of June 30, 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).....	\$ 5,655.1
Global.....	3,266.9
Equity/Balanced.....	2,731.9
Fixed Income (excluding Money Market).....	6,190.1
Taxable Fixed Income.....	4,435.2
Tax-Free Fixed Income.....	1,754.9
Money Market Funds.....	19,093.6

</TABLE>

Mitchell Hutchins, and the Sub-Adviser's personnel may invest in securities for their own accounts pursuant to codes of ethics that describe the fiduciary duty owed to shareholders of the Fund and other accounts advised by Mitchell Hutchins or the Sub-Adviser, respectively. With respect to Mitchell Hutchins personnel, that fiduciary duty is owed to 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. The codes of ethics establish procedures for personal investing and restrict certain transactions. For example, employee accounts generally must be maintained at PaineWebber, personal trades in most securities require pre-clearance, short-term trading and participation in initial public offerings generally are prohibited. In addition, the code of ethics applicable to Mitchell Hutchins personnel puts restrictions on the timing of personal investing in relation to trades by PaineWebber and MH/KP mutual funds and other Mitchell Hutchins advisory clients.

DISTRIBUTION ARRANGEMENTS. Mitchell Hutchins acts as the distributor of the Fund's 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 of the Fund (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 of the Fund 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 Fund shares. Under the Class B Plan and the Class D Plan, the Fund pays Mitchell Hutchins a monthly distribution fee at the annual rate of 0.75% of the average daily net assets of the Class B 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 Trust's 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 Fund's outstanding voting securities 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 will allocate 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.

For the fiscal year ended March 31, 1995, the Fund paid (or accrued) the following fees to Mitchell Hutchins under the Class A, Class B and Class D Plans:

<TABLE>		
<S>	<C>	
Class A.....	\$ 146,951	
Class B.....	\$1,322,393	
Class D.....	\$ 257,893	
</TABLE>		

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 for the fiscal year ended March 31, 1995:

<TABLE>		
<S>	<C>	
CLASS A		
Marketing and advertising.....	\$ 25,350	
Printing of prospectuses and statements of additional information.....	1,834	
Branch network costs allocated and interest expense.....	279,694	
Service fees paid to PaineWebber investment executives.....	66,128	
CLASS B		
Marketing and advertising.....	\$ 57,431	
Amortization of commissions.....	568,533	
Printing of prospectuses and statements of additional information.....	4,068	
Branch network costs allocated and interest expense.....	703,288	
Service fees paid to PaineWebber investment executives.....	148,770	
CLASS D		
Marketing and advertising.....	\$ 29,735	
Amortization of commissions.....	36,119	
Printing of prospectuses and statements of additional information.....	2,074	
Branch network costs allocated and interest expense.....	344,927	
Service fees paid to PaineWebber investment executives.....	29,013	
</TABLE>		

"Marketing and advertising" includes various internal costs allocated by Mitchell Hutchins to its efforts in 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 Fund 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 existing 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) improve 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 for the Fund, 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 to be provided to the Fund and its shareholders by Mitchell Hutchins, (5) the services to be provided by PaineWebber pursuant to its Exclusive Dealer Agreement with Mitchell Hutchins and (6) Mitchell Hutchins' shareholder service-related expenses and costs.

In approving the Class B Plan for the Fund, 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 to be provided to the Fund and its shareholders by Mitchell Hutchins, (6) the services to be 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 for the Fund, 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 between the Trust and Mitchell Hutchins for the Class A shares, for the fiscal year and period 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 MARCH 31, 1995	FISCAL YEAR ENDED MARCH 31, 1994	APRIL 7, 1992 (COMMENCEMENT OF OPERATIONS) TO MARCH 31, 1993
	-----	-----	-----
<S>	<C>	<C>	<C>
Earned.....	\$118,445	\$286,632	\$1,566,801
Retained.....	7,400	16,609	93,862

</TABLE>

For the fiscal year ended March 31, 1995, Mitchell Hutchins earned and retained \$574,248 from contingent deferred sales charges paid upon certain redemptions of Class B shares.

Subject to policies established by the board of trustees of the Trust, the Sub-Adviser is responsible for the execution of the Fund's portfolio transactions and the allocation of brokerage transactions. In executing portfolio transactions, the Sub-Adviser 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 the Sub-Adviser 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 March 31, 1995 and March 31, 1994 and the period from April 7, 1992 (commencement of operations) to March 31, 1993, the Fund paid approximately \$322,307, \$421,737 and \$577,885, 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 authorize Mitchell Hutchins 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 March 31, 1995, no brokerage commissions were paid by the Fund to PaineWebber or any other Mitchell Hutchins affiliate. For the fiscal year ended March 31, 1994, the Fund paid \$2,730 in brokerage commissions to PaineWebber. For

the period from April 7, 1992 (commencement of operations) to March 31, 1993, no brokerage commissions were paid by the Fund to PaineWebber or any other Mitchell Hutchins affiliate.

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 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 the Fund and subject to the review of the Trust's board of trustees, the Sub-Adviser 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 the Sub-Adviser determines in good faith that such commission is reasonable in terms either of that particular transaction or of the overall responsibility of the Sub-Adviser 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. For the fiscal years ended March 31, 1995 the Sub-Adviser directed \$45,882,954 in portfolio transactions to brokers chosen because they provided research services, for which the Fund paid \$75,512 in commissions. The Fund may purchase and sell securities to and from dealers who provide the Fund with research services.

For purchases or sales with broker-dealer firms which act as principal, the Sub-Adviser seeks best execution. Although the Sub-Adviser may receive certain research or execution services in connection with these transactions, the Sub-Adviser will not purchase securities at a higher price or sell securities at a lower price than would otherwise be paid if no weight was attributed to the services provided by the executing dealer. Moreover, the Sub-Adviser will not enter into any explicit soft dollar arrangements relating to principal transactions and will not receive in principal transactions the types of

services which could be purchased for hard dollars. The Sub-Adviser may engage in agency transactions in OTC equity and debt securities in return for research and execution services. These transactions are entered into only in compliance with procedures ensuring that the transaction (including commissions) is at least as favorable as it would have been if effected directly with a market-maker that did not provide research or execution services. These procedures include Mitchell Hutchins or the Sub-Adviser receiving multiple quotes from dealers before executing the transactions on an agency basis.

Information and research services furnished by brokers or dealers through which or with which the Fund effects securities transactions may be used by the Sub-Adviser in advising other funds or accounts and, conversely, research services furnished to the Sub-Adviser in connection with these other funds or accounts may be used in advising the Fund. Information and research received from brokers or dealers will be in addition to, and not in lieu of, the services required to be performed by the Sub-Adviser under the Sub-Advisory Contract.

Investment decisions for the Fund and for other investment accounts managed by the Sub-Adviser 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 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

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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, the Sub-Adviser or any of their 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, the Sub-Adviser or any affiliate thereof not participate in or benefit from the sale to the Fund.

PORTFOLIO TURNOVER. The Fund's annual portfolio turnover rate may vary greatly from year to year, but it will not be a limiting factor when management deems portfolio changes appropriate. 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 such securities in the portfolio during the year. For the fiscal years ended March 31, 1995 and March 31, 1994 the Fund's portfolio turnover rate was 42% and 60%, respectively.

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 the 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;

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(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 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. 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.

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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 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 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 reinstatement privilege is exercised; however, a loss arising out of a redemption will not be deductible, to the extent the redemption proceeds are reinvested, if the reinstatement privilege is exercised within 30 days after redemption, and an adjustment will be made to the shareholder's tax basis for the 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.

PAINWEBBER RMA RESOURCE ACCUMULATION PLANS (SM);
PAINWEBBER 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 three Business Days (defined under "Valuation of Shares") 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;

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- 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, 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 the two Classes, as of the close of business on the first Business Day 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 (1) the date on which such Class B shares were issued, or (2) 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 shares, 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

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those in the sub-account) convert to Class A shares, a pro rata portion of the Class B shares in the sub-account will also convert to Class A shares. The portion will be determined by the ratio that the shareholder's Class B shares converting to Class A shares 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 its 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. 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 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. Futures contracts and options are valued on the basis of market quotations, if any. 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") represent 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:

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

</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 Fund's 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 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 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 annual return.

<TABLE>
<CAPTION>

	CLASS A -----	CLASS B -----	CLASS D -----
<S>	<C>	<C>	<C>
Fiscal year ended March 31, 1995:			
Standardized Return*.....	5.38%	4.46%	9.45%
Non-Standardized Return.....	10.36%	9.46%	9.45%
Inception** to March 31, 1995:			
Standardized Return*.....	8.80%	8.80%	13.49%
Non-Standardized Return.....	10.49%	9.64%	13.49%

</TABLE>

* All Standardized Return figures for Class A shares reflect deduction of the current maximum sales charge of 4.5%. All Standardized Return figures for Class B shares reflect deduction of the applicable contingent deferred sales charge 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 the Class A and Class B shares of the Fund is April 7, 1992; the inception date for the Class D shares is 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 the Standard & Poor's 500 Composite Stock Price Index ("S&P 500"), the Standard & Poor's Midcap 400 Stock

Index ("S&P 400"), the Dow Jones Industrial Average, the Nasdaq Composite Index, the Russell 2000 Index, the Russell Midcap Index, the Wilshire 5000 Index, the Lehman Bond Index, 30-year and 10-year U.S. Treasury bonds 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 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.

Over the past sixty-nine years, the total return of equity investments, as measured by the S&P 500, exceeded the inflation rate, as measured by the Consumer Price Index, as well as the total return on long-term Treasury bonds and short-term Treasury bills. Over the three-year period ended December 31, 1994, the total return of the S&P 400 exceeded the total return of the S&P 500. However, there can be no assurance that these relationships will continue or that the Fund's performance will be comparable to any of these indexes. Furthermore, year-to-year fluctuations in each of these indexes and instruments have been significant; and total return for the S&P 400 and S&P 500 for some periods has been negative.

The S&P 400 is an index of 400 stocks chosen by Standard & Poor's Ratings Group comprising the mid-range sector of the U. S. stock market. The S&P 400 was first established on June 19, 1991.

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 a Fund investment are reinvested by being paid 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. 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. An investment in the Fund involves greater risks than an investment in either a money market fund or a CD.

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

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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 that were 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 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 in additional 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.

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 which the Fund would be subject.

The Fund may invest in the stock of "passive foreign investment companies" ("PFICs"). A PFIC is a foreign corporation that, in general, meets either of the following tests: (a) at least 75% of its gross income is passive or (b) 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 on 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

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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), even if they are not distributed to the Fund; those amounts likely would have to be distributed to satisfy the Distribution Requirement and avoid imposition of the Excise Tax. In most instances it will be very difficult, if not impossible, to make this election because of certain requirements thereof.

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 contracts 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 to continue to qualify as a RIC.

OTHER INFORMATION

PaineWebber Managed Assets Trust 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 Trust's 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.

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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.

The Fund is authorized to issue Class C shares in addition to Class A, Class B and Class D shares, but the Trust's board of trustees has no current intention of doing so. Class C shares, if issued, would bear no service or distribution fees, would be sold with no initial sales charge and would be redeemable at net asset value without the imposition of a contingent deferred sales charge.

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 of the Fund 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 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 March

31, 1995 is a separate document supplied with this Statement of Additional Information and the financial statements, accompanying notes and report of independent auditors appearing therein are incorporated herein by this reference.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION 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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(LOGO) Recycled Paper

PAINWEBBER
CAPITAL APPRECIATION
FUND

Statement of Additional Information

August 1, 1995

PAINWEBBER

PART C. OTHER INFORMATION

Item 24. Financial Statements and Exhibits

(a) Financial Statements:

Included in Part A of this Registration Statement:

Financial Highlights for one Class A and one Class B share for each of the two years in the period ended March 31, 1995 and for the period April 7, 1992 (commencement of operations) to March 31, 1993.

Financial Highlights for one Class D share for each of the two years in the period ended March 31, 1995 and for the period July 2, 1992 (commencement of offering) to March 31, 1993.

Included in part B of this Registration Statement through incorporation by reference from the Annual Report to Shareholders (previously filed with the Securities and Exchange Commission through EDGAR on May 30, 1995. Accession No. 0000950130-95-001048):

Portfolio of Investments at March 31, 1995

Statement of Assets and Liabilities at March 31, 1995

Statement of Operations for the year ended March 31, 1995

Statement of Changes in Net Assets for the two years in the period ended March 31, 1995

Notes to Financial Statements

Financial Highlights for one Class A and one Class B share for each of the two years in the period ended March 31, 1995 and for the period April 7, 1992 (commencement of operations) to March 31, 1993

Financial Highlights for one Class D share for each of the two years in the period ended March 31, 1995 and for the period July 2, 1992 (commencement of offering) to March 31, 1993

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Report of Ernst & Young LLP, Independent Auditors, dated May 19, 1995.

(b) Exhibits:

- (1) (a) Declaration of Trust 1/
(b) Amendment effective January 23, 1992 to Declaration of Trust 2/
(c) Amendment effective June 30, 1992 to Declaration of Trust 5/
- (2) (a) By-Laws 1/
(b) Certificate of Amendment dated September 28, 1994 to By-Laws - (filed herewith)
- (3) Voting trust agreement - none
- (4) Instruments defining the rights of holders of Registrant's shares of beneficial interest 7/
- (5) (a) Investment Advisory and Administration Contract 2/
(b) Sub-Advisory Contract (filed herewith)
- (6) (a) Distribution Contract with respect to Class A Shares 8/
(b) Distribution Contract with respect to Class B Shares 8/
(c) Distribution Contract with respect to Class D Shares 8/
(d) Exclusive Dealer Agreement with respect to Class A Shares 8/
(e) Exclusive Dealer Agreement with respect to Class B Shares 8/
(f) Exclusive Dealer Agreement with respect

- (7) Bonus, profit sharing or pension plans - none
- (8) Custodian Agreement 3/
- (9) Transfer Agency Agreement 5/
- (10) (a) Opinion and consent of Kirkpatrick & Lockhart, counsel to the Registrant, with respect to Class A and B Shares 2/
(b) Opinion and consent of Kirkpatrick & Lockhart, counsel to the Registrant, with respect to Class D Shares 3/
- (11) Other opinions, appraisals, rulings and consents: Auditors' Consent (filed herewith)
- (12) Financial Statements omitted from Part B - none

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- (13) Letter of investment intent 3/
- (14) Prototype Retirement Plan 4/
- (15) (a) Plan of Distribution pursuant to Rule 12b-1 with respect to Class A Shares 3/
(b) Plan of Distribution pursuant to Rule 12b-1 with respect to Class B Shares 3/
(c) Plan of Distribution pursuant to Rule 12b-1 with respect to Class D Shares 6/
- (16) Schedule for Computation of Performance Quotations for Class A, Class B and Class D Shares 6/
- (18) Plan pursuant to Rule 18f-3 (filed herewith)
- (27) Financial Data Schedule (filed herewith)

- - - - -

1/ Incorporated by reference from the initial registration statement, SEC File No. 33-42160, filed August 9, 1991.

2/ Incorporated by reference from Pre-Effective Amendment No. 3 to the registration statement, SEC File No. 33-42160, filed March 27, 1992.

3/ Incorporated by reference from Post-Effective Amendment No. 1 to the registration statement, SEC File No. 33-42160, filed April 29, 1992.

4/ 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.

5/ Incorporated by reference from Post-Effective Amendment No. 2 to the registration statement, SEC File No. 33-42160, filed September 30, 1992.

6/ Incorporated by reference from Post-Effective Amendment No. 3 to the registration statement, SEC File No. 33-42160, filed July 29, 1993.

7/ Incorporated by reference from Articles III, VIII, IX, X and XI of Registrant's Declaration of Trust, as amended January 23, 1992 and June 30, 1992, and from Articles II, VII and X of Registrant's By-Laws, as amended September 28, 1994.

8/ Incorporated by reference from Post-Effective Amendment No. 4 to the registration statement, SEC File No. 33-42160, filed July 29, 1994.

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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 Holders as of July 18, 1995
Shares of beneficial interest (\$.001 par value)	
PaineWebber Capital Appreciation Fund	
Class A Shares	6,838
Class B Shares	14,507
Class D Shares	3,009

Item 27. Indemnification

Section 3 of Article X of the Declaration of Trust, "Indemnification," provides that the appropriate series of the Registrant will indemnify the trustees and officers of the Registrant 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 action was in the best interest of the Registrant. Section 3 of 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 Registrant or a particular series; 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.

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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 judgement or mistakes of fact or law, for any act or omission in accordance with advice of counsel or other experts, or for 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 Registrant, or is or was serving at the request of the Registrant as a trustee, officer or employee of a corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Registrant would have the power to indemnify him against such liability to the Registrant or its shareholders, provided that the Registrant may not purchase or maintain insurance that protects any such person against any liability to which he would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of his 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 8 of the Sub-Advisory Agreement with Denver Investment Advisors LLC ("DIA") provides that DIA shall not be liable for any error of judgment or mistake of law or for any loss suffered by the Registrant, its shareholders or Mitchell Hutchins in connection with the matters to which the Contract relates; provided that the Contract shall not be deemed to indemnify or purport to protect DIA against any liability to the Registrant, its shareholders or Mitchell Hutchins resulting from DIA's willful misfeasance, bad faith or gross negligence in the performance of its duties or from reckless disregard by it of its obligations and duties under the Contract.

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

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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 10 of each Distribution Contract contains provisions similar to Section 10 of the Investment Advisory and Administration Contract, with respect to Mitchell Hutchins and PaineWebber, as appropriate.

Section 9 of each Exclusive Dealer Agreement contains provisions similar to Section 9 of each Distribution Contract, with respect to PaineWebber Incorporated ("PaineWebber").

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 Registrant, pursuant to the foregoing provisions or otherwise, the Registrant 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 Registrant of expenses incurred or paid by a trustee, officer or controlling person of the Registrant in connection with the successful defense of any action, suit or proceeding or payment pursuant to any insurance policy) is asserted against the Registrant by such trustee, officer or controlling person in connection with the securities being registered, the Registrant 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

Mitchell Hutchins, a Delaware corporation, is a registered investment adviser and is a wholly owned subsidiary of PaineWebber which is, in turn, 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 February 22, 1995, with the Securities and Exchange Commission (registration number 801-13219) and is incorporated herein by reference.

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DIA, a Colorado limited liability company, is a registered investment adviser. DIA is primarily engaged in the investment advisory business. As of July 15, 1995, DIA served as investment adviser or sub-adviser for various separately managed accounts, as well as for certain portfolios of the Westcore family of funds, including Midco Growth Fund, Modern Value Fund, Equity Income Fund, Small-Cap Opportunity Fund, Intermediate Bond Fund and Long-Term Bond Fund. DIA also serves as investment adviser for one closed-end fund, the Blue Chip Value Fund. Information as to the officers and directors of DIA is included in its Form ADV filed on May 31, 1995 with the Securities and Exchange Commission (registration number 801-47933) 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 HIGH INCOME DOLLAR FUND INC.

GLOBAL SMALL CAP FUND INC.

MITCHELL HUTCHINS/KIDDER, PEABODY EQUITY INCOME FUND, INC.

MITCHELL HUTCHINS/KIDDER, PEABODY GOVERNMENT INCOME FUND, INC.

MITCHELL HUTCHINS/KIDDER, PEABODY INSTITUTIONAL SERIES TRUST

MITCHELL HUTCHINS/KIDDER, PEABODY INVESTMENT TRUST

MITCHELL HUTCHINS/KIDDER, PEABODY INVESTMENT TRUST II

MITCHELL HUTCHINS/KIDDER, PEABODY INVESTMENT TRUST III

PAINWEBBER AMERICA FUND

PAINWEBBER ATLAS FUND

PAINWEBBER INVESTMENT SERIES

PAINWEBBER MANAGED ASSETS TRUST

PAINWEBBER MANAGED INVESTMENTS TRUST

PAINWEBBER MASTER SERIES, INC.

PAINWEBBER MUNICIPAL SERIES

PAINWEBBER MUTUAL FUND TRUST

PAINWEBBER OLYMPUS FUND

PAINWEBBER PREMIER HIGH INCOME TRUST INC.

PAINWEBBER PREMIER INSURED MUNICIPAL INCOME FUND INC.

PAINWEBBER PREMIER TAX-FREE INCOME FUND, INC.

PAINWEBBER REGIONAL FINANCIAL GROWTH FUND INC.

PAINWEBBER SECURITIES TRUST

PAINWEBBER SERIES TRUST

STRATEGIC GLOBAL INCOME FUND INC.

TRIPLE A AND GOVERNMENT SERIES - 1997, INC.

2002 TARGET TERM TRUST INC.

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b) Mitchell Hutchins is the principal underwriter for the Registrant. PaineWebber acts as exclusive dealer for the shares of the Registrant. 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 February 22, 1995, 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, 1995, 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 directors or officers of the Registrant:

Name and Principal Business Address	Position With Registrant	Position and Offices With Underwriter or Exclusive Dealer
-----	-----	-----
Frank P.L. Minard 1285 Avenue of the Americas New York, New York 10019	Trustee	Chairman of the Board of Mitchell Hutchins and a Director of Mitchell Hutchins and PaineWebber

Margo N. Alexander 1285 Avenue of the Americas New York, New York 10019	President	President, Chief Executive Officer and a Director of Mitchell Hutchins
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Name and Principal Business Address	Position With Registrant	Position and Offices With Underwriter or Exclusive Dealer
-----	-----	-----
Teresa M. Boyle 1285 Avenue of the Americas New York, New York 10019	Vice President	First Vice President and Manager - Advisory Administration of Mitchell Hutchins
Joan L. Cohen 1285 Avenue of the Americas New York, New York 10019	Vice President	Vice President and Attorney of Mitchell Hutchins
Ellen R. Harris 1285 Avenue of the Americas	Vice President	Managing Director and Chief Domestic Equity Strategist of Mitchell

New York, New York
10019

Hutchins

C. William Maher
1285 Avenue of the
Americas
New York, New York 10019

Vice President
and Assistant
Treasurer

First Vice President
of Mitchell Hutchins

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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 Deputy 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

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Name and Principal Business Address	Position With Registrant	Position and Offices With Underwriter or Exclusive Dealer
Julian F. Sluyters 1285 Avenue of the Americas New 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 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 custodian.

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.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant certifies that it meets all the requirements for effectiveness of this Post-Effective Amendment No. 5 to its Registration Statement pursuant to Rule 485(b) under the Securities Act of 1933 and has duly caused this Post-Effective Amendment to be executed on its behalf by the undersigned, thereto duly authorized, in this City of New York and State of New York, on the 27th day of July, 1995.

PAINWEBBER MANAGED ASSETS TRUST

By: /s/ Dianne E. O'Donnell

Dianne E. O'Donnell
Vice President & Secretary

Pursuant to the requirements of the Securities Act of 1933, this instrument has been signed below by the following persons in the capacities and on the dates indicated.

Signature -----	Title -----	Date -----
/s/Margo N. Alexander -----* Margo N. Alexander	President (Chief Executive Officer)	July 27, 1995
/s/E. Garrett Bewkes, Jr. ----- E. Garrett Bewkes, Jr.**	Trustee and Chairman of the Board of Trustees	July 27, 1995
/s/Meyer Feldberg ----- Meyer Feldberg***	Trustee	July 27, 1995
/s/George W. Gowen ----- George W. Gowen***	Trustee	July 27, 1995
/s/Frederic V. Malek ----- Frederic V. Malek***	Trustee	July 27, 1995

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/s/Frank P.L. Minard ----- Frank P.L. Minard****	Trustee	July 27, 1995
/s/Judith Davidson Moyers ----- Judith Davidson Moyers***	Trustee	July 27, 1995
/s/Thomas F. Murray ----- Thomas F. Murray***	Trustee	July 27, 1995
----- Julian F. Sluyters	Vice President and Treasurer (Principal Financial and Accounting Officer)	July 27, 1995

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* Signature affixed by Elinor W. Gammon pursuant to power of attorney dated May 8, 1995 and incorporated by reference from Post-Effective Amendment No. 34 to the registration statement of PaineWebber America Fund, SEC File No. 2-78626, filed May 10, 1995.

** Signature affixed by Elinor W. Gammon pursuant to powers 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.

*** Signatures affixed by Elinor W. Gammon pursuant to powers of attorney dated March 2, 1992 and incorporated by reference from Pre-Effective Amendment No. 2 to the registration statement of PaineWebber Managed Assets Trust, SEC File No. 33-42160, filed March 3, 1991.

PAINWEBBER MANAGED ASSETS TRUST
EXHIBIT INDEX

Exhibit Number -----	Page -----
(1)	(a) Declaration of Trust 1/ (b) Amendment effective January 23, 1992 to Declaration of Trust 2/ (c) Amendment effective June 30, 1992 to Declaration of Trust 5/
(2)	(a) By-Laws 1/ (b) Certificate of Amendment dated September 28, 1994 to By-Laws - (filed herewith)
(3)	Voting trust agreement - none
(4)	Instruments defining the rights of holders of Registrant's shares of beneficial interest 7/
(5)	(a) Investment Advisory and Administration Contract 2/ (b) Sub-Advisory Contract (filed herewith)
(6)	(a) Distribution Contract with respect to Class A Shares 8/ (b) Distribution Contract with respect to Class B Shares 8/ (c) Distribution Contract with respect to Class D Shares 8/ (d) Exclusive Dealer Agreement with respect to Class A Shares 8/ (e) Exclusive Dealer Agreement with respect to Class B Shares 8/ (f) Exclusive Dealer Agreement with respect to Class D Shares 8/
(7)	Bonus, profit sharing or pension plans - none
(8)	Custodian Agreement 3/
(9)	Transfer Agency Agreement 5/
(10)	(a) Opinion and consent of Counsel of Kirkpatrick & Lockhart, counsel to the Registrant, with respect to Class A and B Shares 2/ (b) Opinion and consent of Kirkpatrick & Lockhart, counsel to the Registrant, with respect to Class D Shares 3/
(11)	Other opinions, appraisals, rulings and consents: Auditors' Consent (filed herewith)
(12)	Financial Statements omitted from Part B - none
(13)	Letter of investment intent 3/
(14)	Prototype Retirement Plan 4/
(15)	(a) Plan of Distribution pursuant to Rule 12b-1 with respect to Class A Shares 3/ (b) Plan of Distribution pursuant to Rule 12b-1 with respect to Class B Shares 3/ (c) Plan of Distribution pursuant to Rule 12b-1 with respect to Class D Shares 6/
(16)	Schedule for Computation of Performance Quotations for Class A, Class B and Class D Shares 6/

- (18) Plan pursuant to Rule 18f-3 (filed herewith)
- (27) Financial Data Schedule (filed herewith)

- -----
- 1/ Incorporated by reference from the initial registration statement, SEC File No. 33-42160, filed August 9, 1991.
 - 2/ Incorporated by reference from Pre-Effective Amendment No. 3 to the registration statement, SEC File No. 33-42160, filed March 27, 1992.
 - 3/ Incorporated by reference from Post-Effective Amendment No. 1 to the registration statement, SEC File No. 33-42160, filed April 29, 1992.
 - 4/ 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.
 - 5/ Incorporated by reference from Post-Effective Amendment No. 2 to the registration statement, SEC File No. 33-42160, filed September 30, 1992.
 - 6/ Incorporated by reference from Post-Effective Amendment No. 3 to the registration statement, SEC File No. 33-42160, filed July 29, 1993.
 - 7/ Incorporated by reference from Articles III, VIII, IX, X and XI of Registrant's Declaration of Trust, as amended January 23, 1992 and June 30, 1992, and from Articles II, VII and X of Registrant's By-Laws, as amended September 28, 1994.
 - 8/ Incorporated by reference from Post-Effective Amendment No. 4 to the registration statement, SEC File No. 33-42160, filed July 29, 1994.

AMENDMENT TO BY-LAWS

PAINWEBBER MANAGED ASSETS TRUST

CERTIFICATE OF VICE PRESIDENT AND ASSISTANT SECRETARY

I, Joan L. Cohen, Vice President and Assistant Secretary of PaineWebber Managed Assets Trust ("Trust"), hereby certify that, at a duly convened meeting of the Board of Trustees of the Trust held on September 28, 1994, the Trustees adopted the following resolution:

RESOLVED, that the first sentence of Section 2.05 of the Trust's by-laws be revised as the following:

"Shareholders entitled to vote may vote either in person or by proxy, provided that such proxy is authorized to act by (1) a written instrument, dated not more than eleven months prior to the meeting and executed either by the Shareholder or by his or her duly authorized attorney in fact (who may be so authorized by a writing or by any non-written means permitted by the laws of the Commonwealth of Massachusetts) or (2) such electronic, telephonic, computerized or other alternative means as may be approved by a resolution adopted by the Trustees."

Dated: June 19, 1995

By: /s/ JOAN L. COHEN

Joan L. Cohen
Vice President and Assistant Secretary
PaineWebber Managed Assets Trust

New York, New York (ss)

Subscribed and sworn before me this 19th day of June, 1995.

JENNIFER FARRELL
Notary Public

Notary Public, State of New York
No. 01FAS0266S3

Qualified in New York County
Commission Expires April 18, 1996

SUB-ADVISORY CONTRACT

Contract made as of March 1, 1995, between MITCHELL HUTCHINS ASSET MANAGEMENT INC. ("Mitchell Hutchins"), a Delaware corporation, DENVER INVESTMENT ADVISORS, LLC ("Sub-Adviser"), a Colorado limited liability company, and PAINWEBBER MANAGED ASSETS TRUST ("Fund"), a Massachusetts business trust.

WHEREAS Mitchell Hutchins has entered into an Investment Advisory and Administration Contract dated March 20, 1992 ("Advisory Contract") with the Fund, an open-end management investment company registered under the Investment Company Act of 1940, as amended ("1940 Act"); and

WHEREAS the Fund intends to offer for public sale distinct series of shares of beneficial interest, each corresponding to a distinct portfolio; and

WHEREAS under the Advisory Contract Mitchell Hutchins has agreed to provide certain investment advisory and administrative services to each series of the Fund as now exists and as hereafter may be established; and

WHEREAS the Advisory Contract permits Mitchell Hutchins to delegate certain of its duties as investment adviser under the Advisory Contract to a sub-adviser; and

WHEREAS Mitchell Hutchins desires to retain the Sub-Adviser to furnish certain investment advisory and portfolio management services to the PaineWebber Capital Appreciation Fund series ("Series") of the Fund, and the Sub-Adviser is willing to furnish such services;

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, it is agreed between the parties hereto as follows:

1. Appointment. Mitchell Hutchins hereby appoints the Sub-Adviser as its sub-adviser with respect to the Series for the period and on the terms set forth in this Contract. The Sub-Adviser accepts such appointment and agrees to render the services herein set forth, for the compensation herein provided.

2. Duties as Sub-Adviser.

(a) Subject to the supervision of the Fund's Board of Trustees ("Board") and Mitchell Hutchins, the Sub-Adviser will provide a continuous investment program for the Series, including investment research and management with respect to all securities and investments in the Series. The Sub-Adviser will determine from time to time what securities and other investments will be purchased, retained or sold by the Series and will be responsible for voting proxies of issuers of securities held by the Fund.

(b) The Sub-Adviser agrees that in placing orders with brokers, it will attempt to obtain the best net results in terms of price and execution; provided that, on behalf of the Series, the Sub-Adviser may, in its discretion, use brokers who provide the Series with research, analysis, advice and

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similar services to execute portfolio transactions on behalf of the Series, and the Sub-Adviser may pay to those brokers in return for brokerage and research services a higher commission than may be charged by other brokers, subject to the Sub-Adviser's determining in good faith that such commission is reasonable in terms either of the particular transaction or of the overall responsibility of the Sub-Adviser to the Series and its other clients and that the total commissions paid by such Series will be reasonable in relation to the benefits to the Series over the long term. In no instance will portfolio securities be purchased from or sold to the Sub-Adviser, or any affiliated person thereof, except in accordance with the federal securities laws and the rules and regulations thereunder.

(c) The Sub-Adviser will maintain all books and records required to be maintained by the Sub-Adviser pursuant to the 1940 Act and the rules and regulations promulgated thereunder with respect to the securities transactions of the Series, and will furnish the Board and Mitchell Hutchins with such periodic and special reports as the Board or Mitchell Hutchins reasonably may request. In compliance with the requirements of Rule 31a-3 under the 1940 Act, the Sub-Adviser hereby agrees that all records which it maintains for the Fund are the property of the Fund, agrees to preserve for the periods prescribed by Rule 31a-2 under the 1940 Act any records which it maintains for the Fund and which are required to be maintained by Rule 31a-1 under the 1940 Act, and further agrees to surrender promptly to the Fund any records which it maintains for the Fund upon request by the Fund.

(d) The Sub-Adviser will provide the Board and Mitchell Hutchins on a regular basis with economic and investment analyses and reports and make available to the Board or Mitchell Hutchins upon request any economic, statistical and investment services normally available to institutional or other customers of the Sub-Adviser.

3. Further Duties. In all matters relating to the performance of this Contract, the Sub-Adviser will act in conformity with the Fund's Declaration of Trust, By-Laws and currently effective registration statement under the Securities Act of 1933, as amended, and the 1940 Act and any amendments or supplements thereto ("Registration Statement") and with the instructions and directions of the Board and Mitchell Hutchins and will comply with the requirements of the 1940 Act, the Investment Advisers Act of 1940 ("Advisers Act"), the rules and regulations promulgated thereunder, and all other applicable federal and state laws and regulations. The Sub-Adviser will manage the Series' assets so as to permit the Series to qualify or to continue to qualify as a regulated investment company under Subchapter M of the Internal

4. Services Not Exclusive. Mitchell Hutchins understands that the Sub-Adviser now acts, will continue to act or may act in the future as investment adviser to investment fiduciary and other managed accounts or as investment adviser to one or more other investment companies, and Mitchell Hutchins has no objection to the Sub-Adviser so acting, provided that whenever the Series and one or more other accounts or investment companies advised by the Sub-Adviser have available funds for investment, investments suitable and appropriate for each will be allocated in accordance with procedures believed to be equitable to each entity. Similarly, opportunities to sell securities will be allocated in an equitable manner. Mitchell Hutchins recognizes that in some cases these procedures may adversely affect the size of the position that may be acquired or disposed of for the Series. In

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addition, Mitchell Hutchins understands that the persons employed by the Sub-Adviser to assist in the performance of the Sub-Adviser's duties hereunder will not devote their full time to such service and nothing contained herein shall be deemed to limit or restrict the right of the Sub-Adviser or any affiliate of the Sub-Adviser to engage in and devote time and attention to other businesses or to render services of whatever kind or nature, provided that doing such does not adversely affect the Sub-Adviser's ability to perform the services required under this Contract.

5. Sub-Adviser an Independent Contractor. The Sub-Adviser shall, for all purposes herein, be deemed to be an independent contractor and shall, unless otherwise expressly authorized, have no authority to act for or represent Mitchell Hutchins in any way, or in any way be deemed an agent of Mitchell Hutchins.

6 Expense. During the term of this Contract, the Sub-Adviser will bear all expenses incurred by it in connection with its services under this Contract.

7. Compensation. For the services provided and the expenses assumed by the Sub-Adviser pursuant to this Contract with respect to the Series, Mitchell Hutchins will pay to the Sub-Adviser a fee equal to fifty percent of the fee paid by the Fund to Mitchell Hutchins under the Advisory Contract, such fee to be paid monthly.

8. Limitation of Liability. The Sub-Adviser shall not be liable for any error of judgment or mistake of law or for any loss suffered by the Series, the Fund, its shareholders or Mitchell Hutchins in connection with the matters to which this Contract relates; provided that nothing herein shall be deemed to protect or indemnify or purport to protect the Sub-Adviser against any liability to the Series, the Fund, its shareholders or Mitchell Hutchins to which the Sub-Adviser would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence on its part in the performance of

its duties or from reckless disregard by it of its obligations and duties under this Contract.

9. Representations and Warranties of the Sub-Adviser. The Sub-Adviser represents, warrants and agrees that:

(a) The Sub-Adviser (i) is registered as an investment adviser under the Advisers Act and will continue to be so registered for so long as this Contract remains in effect, (ii) has met, and will continue to meet for so long as this Contract remains in effect, any other applicable federal or state requirements, or requirements of any regulatory or industry self-regulatory agency, necessary to be met in order to perform the services contemplated by this Contract and (iii) has the authority to enter into and perform the services contemplated by this Contract.

(b) The Sub-Adviser has adopted a written code of ethics complying with the requirements of Rule 17j-1 under the 1940 Act and will provide Mitchell Hutchins with a copy of the code of ethics and evidence of its adoption. Within forty-five days of the end of the last calendar quarter of each year while this Contract is in effect, the president or a vice-president of the Sub-Adviser shall certify to Mitchell Hutchins that the Sub-Adviser has complied with the requirements of Rule 17j-1 during the previous year and that there has been no violation of the Sub-Adviser's code of ethics or, if such a violation has occurred, that appropriate action was taken in response to such violation. Upon the written request of Mitchell Hutchins, the Sub-Adviser shall permit Mitchell Hutchins, its employees

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or its agents to examine the reports required to be made to the Sub-Adviser by Rule 17j-1(c)(1) and all other records relevant to the code of ethics.

(c) The Sub-Adviser has provided Mitchell Hutchins with a copy of its Form ADV as most recently filed with the Securities and Exchange Commission ("SEC") and will, promptly after filing any amendment to its Form ADV with the SEC, furnish a copy of such amendment to Mitchell Hutchins.

(d) The Sub-Adviser is not prohibited by the 1940 Act or the Advisers Act from acting under this Contract and will immediately notify Mitchell Hutchins of the occurrence of any event that would disqualify the Sub-Adviser from serving as an investment adviser of an investment company pursuant to Section 9(a) of the 1940 Act or otherwise.

(e) The Sub-Adviser will notify Mitchell Hutchins of any change in the identity or control of the holders of its outstanding voting securities promptly after such change.

10. Duration and Termination.

(a) This Contract shall become effective upon the date hereabove

written, provided that this Contract shall not take effect unless it has first been approved (i) by a vote of a majority of those Trustees of the Fund who are not parties to this Contract or interested persons of any such party, cast in person at a meeting called for the purpose of voting on such approval, and (ii) by a vote of a majority of the Series' outstanding voting securities.

(b) Unless sooner terminated as provided herein, this Contract shall continue in effect for two years from the above written date. Thereafter, if not terminated, this Contract shall continue automatically for successive periods of twelve months each, provided that such continuance is specifically approved at least annually (i) by a vote of a majority of those Trustees of the Fund who are not parties to this Contract or interested persons of any such party, cast in person at a meeting called for the purpose of voting on such approval, and (ii) by the Board or with respect to the Series by vote of a majority of the outstanding voting securities of the Series.

(c) Notwithstanding the foregoing, this Contract may be terminated at any time without the payment of any penalty, by vote of the Board or with respect to the Series by a vote of a majority of the outstanding voting securities of the Series on sixty-days' written notice to the Sub-Adviser. This Contract may also be terminated by Mitchell Hutchins (i) upon material breach by the Sub-Adviser of any of the representations and warranties set forth in paragraph 9 of this Contract, if such breach shall not have been cured within a twenty day period after notice of such breach or (ii) if the Sub-Adviser becomes unable to discharge its duties and obligations under this Contract or (iii) on one hundred and twenty days' notice to the Sub-Adviser. The Sub-Adviser may terminate this Contract at any time, without the payment of any penalty, on one hundred twenty days' notice to Mitchell Hutchins. This Contract will terminate automatically in the event of its assignment or upon termination of the Advisory Contract.

11. Amendment of this Contract. No provision of this Contract may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought, and no amendment of

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this Contract shall be effective until approved by vote of a majority of the Series' outstanding voting securities and by the Board.

12. Governing Law. This Contract shall be construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws principles thereof, and in accordance with the 1940 Act. To the extent that the applicable laws of the State of Delaware conflict with the applicable provisions of the 1940 Act, the latter shall control.

13. Miscellaneous. The captions in this Contract are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect. If any

provision of this Contract shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Contract shall not be affected thereby. This Contract shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors. As used in this Contract, the terms "majority of the outstanding voting securities", "affiliated person", "interested person", "assignment", "broker", "investment adviser", "national securities exchange", "sale", "sell" and "security" shall have the same meaning as such terms have in the 1940 Act, subject to such exemption as may be granted by the SEC by any rule, regulation or order. Where the effect of a requirement of the 1940 Act reflected in any provision of this Contract is made less restrictive by a rule, regulation or order of the SEC, whether of special or general application, such provision shall be deemed to incorporate the effect of such rule, regulation or order. The Trustees of the Fund and the shareholders of the Series shall not be liable for any obligations of the Series or the Fund under this Contract, and the Sub-Adviser agrees that, in asserting any rights or claims under this Contract, it shall look only to the assets and property of the Fund in settlement of such right or claim, and not to such Trustees or shareholders.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their designated officers as of the day and year first above written.

Attest: MITCHELL HUTCHINS ASSET MANAGEMENT INC.

/s/ GREGORY K. TODD

.....
First Vice President

By: /s/ VICTORIA E. SCHONFELD

.....
Managing Director

Attest: DENVER INVESTMENT ADVISORS, LLC

/s/ STEVE WINE

.....

By: /s/ TODGER ANDERSON

.....

Attest: PAINWEBBER MANAGED ASSETS TRUST

/s/ ILENE SHORE

.....
Assistant Secretary

By: /s/ DIANNE E. O'DONNELL

.....
Vice President

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the captions "Financial Highlights" in the Propectus and "Auditors" in the Statement of Additional Information and to the incorporation by reference of our report on PaineWebber Capital Appreciation Fund dated May 19, 1995, in this Registration Statement (Form N-1A 33-42160) of PaineWebber Managed Assets Trust.

/s/ ERNST & YOUNG LLP

ERNST & YOUNG LLP

New York, New York
July 26, 1995

PAINWEBBER MANAGED ASSETS TRUST
MULTIPLE CLASS PLAN PURSUANT TO RULE 18f-3

PaineWebber Managed Assets Trust hereby adopts this Multiple Class Plan pursuant to Rule 18f-3 under the Investment Company Act of 1940, as amended (the "1940 Act") on behalf of its current operating series, PaineWebber Capital Appreciation Fund, and any series that may be established in the future (referred to hereinafter collectively as the "Funds" and individually as a "Fund").

A. GENERAL DESCRIPTION OF CLASSES THAT ARE OFFERED:

1. Class A Shares. Class A shares of each Fund are sold to the general public subject to an initial sales charge. The initial sales charge for each Fund is waived for certain eligible purchasers and reduced or waived for certain large volume purchases.

The maximum sales charge is 4% of the public offering price for Class A shares of a Fund that invests primarily in debt securities.

The maximum sales charge is 4.5% of the public offering price for Class A shares of a Fund that invests primarily in equity securities or a combination of equity and debt securities.

Class A shares of each Fund are subject to an annual service fee of .25% of the average daily net assets of the Class A shares of each Fund paid pursuant to a plan of distribution adopted pursuant to Rule 12b-1 under the 1940 Act.

Class A shares of each Fund issued on or after November 1, 1995 will be subject to a contingent deferred sales charge ("CDSC") on redemptions of shares (i) purchased without an initial sales charge due to a sales charge waiver for purchases of \$1 million or more and (ii) held less than one year. The Class A CDSC is equal to 1% of the lower of: (i) the net asset value of the shares at the time of purchase or (ii) the net asset value of the shares at the time of redemption. Class A shares of each Fund held one year or longer and Class A shares of each Fund acquired through reinvestment of dividends or capital gains distributions on shares otherwise subject to a Class A CDSC are not subject to the CDSC. The CDSC for Class A shares of each Fund will be waived under certain circumstances.

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2. Class B Shares. Class B shares of each Fund are sold to the general public subject to a CDSC, but without imposition of an initial sales charge.

The maximum CDSC for Class B shares of each Fund is equal to 5% of the lower of: (i) the net asset value of the shares at the time of purchase or (ii) the net asset value of the shares at the time of redemption.

Class B shares of each Fund held six years or longer and Class B shares of each Fund acquired through reinvestment of dividends or capital gains distributions are not subject to the CDSC.

Class B shares of each Fund are subject to an annual service fee of .25% of average daily net assets and a distribution fee of .75% of average daily net assets of the Class B shares of each Fund, each paid pursuant to a plan of distribution adopted pursuant to Rule 12b-1 under the 1940 Act.

Class B shares of each Fund convert to Class A shares approximately six years after issuance at relative net asset value.

3. Class C Shares. Class C shares are sold without imposition of an initial sales charge or CDSC and are not subject to any service or distribution fees.

Class C shares of each Fund are available for purchase only by: (i) employee benefit and retirement plans, other than individual retirement accounts and self-employed retirement plans, of Paine Webber Group Inc. and its affiliates; (ii) certain unit investment trusts sponsored by PaineWebber Incorporated; (iii) participants in certain wrap fee investment advisory programs that are currently or in the future sponsored by PaineWebber Incorporated and that may invest in PaineWebber proprietary funds, provided that shares are purchased through or in connection with those programs; and (iv) the holders of Class C shares of any Mitchell Hutchins/Kidder Peabody ("MH/KP") mutual fund provided that such shares are issued in connection with the reorganization of a MH/KP mutual fund into that Fund.

4. Class D Shares. Class D shares of each Fund are sold to the general public without imposition of a sales charge.

Class D shares of a Fund that invests primarily in equity securities or a combination of equity and debt securities are subject to an annual service fee of .25% of average daily net assets and a distribution fee of .75% of average daily net assets of Class D shares of such Fund, each pursuant to a plan of distribution adopted pursuant to Rule 12b-1 under the 1940 Act.

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Page 3

Class D shares of a Fund that invests primarily in debt securities are subject to an annual service fee of .25% of average daily net assets and a distribution fee of .50% of average daily net assets of Class D shares of such Fund, each pursuant to a plan of distribution adopted pursuant to Rule 12b-1 under the 1940 Act.

Class D shares of a Fund that invests primarily in debt securities will be subject to a CDSC on redemptions of Class D shares held less than one year equal to .75% of the lower of: (i) the net asset value of the shares at the time of purchase or (ii) the net asset value of the shares at the time of redemption; provided that such CDSC shall apply only to Class D shares issued on or after November 1, 1995.

Class D shares of a Fund that invests primarily in equity securities or in a combination of equity and debt securities will be subject to a CDSC on redemptions of Class D shares held less than one year equal to 1% of the lower of: (i) the net asset value of the shares at the time of purchase or (ii) the net asset value of the shares at the time of redemption; provided that such CDSC shall apply only to Class D shares issued on or after November 1, 1995.

Class D shares of each Fund held one year or longer and Class D shares of each Fund acquired through reinvestment of dividends or capital gains distributions are not subject to the CDSC. The CDSC for Class D shares of each Fund will be waived under certain circumstances.

B. EXPENSE ALLOCATIONS OF EACH CLASS:

Certain expenses may be attributable to a particular Class of shares of each Fund ("Class Expenses"). Class Expenses are charged directly to the net assets of the particular Class and, thus, are borne on a pro rata basis by the outstanding shares of that Class.

In addition to the distribution and service fees described above, each Class may also pay a different amount of the following other expenses:

- (1) printing and postage expenses related to preparing and distributing materials such as shareholder reports, prospectuses, and proxies to current shareholders of a specific Class;
- (2) Blue Sky registration fees incurred by a specific Class of shares;
- (3) SEC registration fees incurred by a specific Class of shares;

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- (4) expenses of administrative personnel and services required to support the shareholders of a specific Class of shares;
- (5) Trustees' fees incurred as a result of issues relating to a specific Class of shares;
- (6) litigation expenses or other legal expenses relating to a specific Class of shares; and
- (7) transfer agent fees identified as being attributable to a specific Class.

C. EXCHANGE PRIVILEGES:

Class A, Class B and Class D shares of each Fund may be exchanged for shares of the corresponding Class of other PaineWebber mutual funds

and MH/KP mutual funds, or may be acquired through an exchange of shares of the corresponding Class of those funds. Class C shares of the Funds are not exchangeable.

These exchange privileges may be modified or terminated by a Fund, and exchanges may only be made into funds that are legally registered for sale in the investor's state of residence.

D. CLASS DESIGNATION:

Subject to approval by the Board of Trustees of PaineWebber Managed Assets Trust, a Fund may alter the nomenclature for the designations of one or more of its classes of shares.

E. ADDITIONAL INFORMATION:

This Multiple Class Plan is qualified by and subject to the terms of the then current prospectus for the applicable Classes; provided, however, that none of the terms set forth in any such prospectus shall be inconsistent with the terms of the Classes contained in this Plan. The prospectus for each Fund contains additional information about the Classes and each Fund's multiple class structure.

F. DATE OF EFFECTIVENESS:

This Multiple Class Plan is effective as of the date hereof, provided that the CDSC imposed on the Class A shares and Class D shares of each Fund shall apply only to Class A shares and Class D shares issued on or after November 1, 1995, and further provided that this Plan shall not become effective with respect to any Fund unless such action has first been approved by the vote of a majority of the Board and by vote of a

July 20, 1995

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<OTHER-ITEMS-LIABILITIES>	660
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<MULTIPLIER> 1,000

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<PERIOD-START>	APR-01-1994
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<MULTIPLIER> 1,000

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