

UBS Exchange Traded Funds

Interim Financial Report

For the half-year ended 31 December 2016

This interim financial report covers the following UBS Exchange Traded Funds:

UBS IQ Morningstar Australia Quality ETF (ASX code: ETF)

ARSN 159 571 534

UBS IQ Morningstar Australia Dividend Yield ETF (ASX code: DIV)

ARSN 161 570 574

UBS IQ MSCI World ex Australia Ethical ETF (ASX code: UBW)

ARSN 603 812 040

UBS IQ MSCI Europe Ethical ETF (ASX code: UBE)

ARSN 603 813 949

The Responsible Entity of the Funds is UBS Asset Management (Australia) Ltd (ABN 31 003 146 290) (AFSL 222 605). The Responsible Entity's registered office is located at Level 16 Chifley Tower, 2 Chifley Square, Sydney NSW 2000.

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UBS Exchange Traded Funds

Interim Financial Report

For the half-year ended 31 December 2016

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These interim financial statements cover the UBS IQ Morningstar Australia Quality ETF, UBS IQ Morningstar Australia Dividend Yield ETF, UBS IQ MSCI World ex Australia Ethical ETF and UBS IQ MSCI Europe Ethical ETF ("the Funds") as individual entities.

Directors' Report

The directors of UBS Asset Management (Australia) Ltd (ABN 31 003 146 290) (AFSL 222 605), the Responsible Entity of the UBS IQ Morningstar Australia Quality ETF, UBS IQ Morningstar Australia Dividend Yield ETF, UBS IQ MSCI World ex Australia Ethical ETF and UBS IQ MSCI Europe Ethical ETF ("the Funds"), present their report together with the interim financial report of the Funds for the half-year ended 31 December 2016.

Funds' information

The Funds are Australian Registered Schemes. UBS Asset Management (Australia) Ltd, the Responsible Entity of the Funds, is incorporated and domiciled in Australia. The registered office of the Responsible Entity is located at Level 16 Chifley Tower, 2 Chifley Square, Sydney, NSW 2000.

Directors

The following persons held office as directors of UBS Asset Management (Australia) Ltd during the half-year and up to the date of this report:

B J Doherty, Chairman
 A L Anderson
 J D Males
 A L Flockart
 R Buehlmann

Principal Activities

During the half-year, the Funds continued to invest funds in accordance with their current Product Disclosure Statements and the provisions of the Funds' Constitutions.

The Funds did not have any employees during the half-year.

There were no significant changes in the nature of the Funds' activities during the half-year or since the end of the half-year and up to the date of this report.

Review and results of operations

The performance of the Funds, as represented by the results of their operations, was as follows:

	UBS IQ Morningstar Australia Quality ETF		UBS IQ Morningstar Australia Dividend Yield ETF	
	Half-year ended		Half-year ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	\$	\$	\$'000	\$'000
Profit/(loss) before finance costs attributable to unitholders	<u>(4,976,427)</u>	<u>(144,364)</u>	<u>1,271</u>	<u>(130)</u>
<i>Distributions - quoted class</i>				
Total distributions paid and payable	<u>712,376</u>	<u>1,072,066</u>	<u>547</u>	<u>566</u>
Total distribution (cents per unit)	<u>51.34</u>	<u>38.94</u>	<u>42.67</u>	<u>47.53</u>
<i>Distributions - unquoted class</i>				
Total distributions paid and payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total distribution (cents per unit)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Directors' Report (continued)

Review and results of operations (continued)

	UBS IQ MSCI World ex Australia Ethical ETF Half-year ended		UBS IQ MSCI Europe Ethical ETF Half-year ended	
	31 December 2016 \$'000	31 December 2015 \$'000	31 December 2016 \$	31 December 2015 \$
Profit/(loss) before finance costs attributable to unitholders	2,971	328	539,995	(419,223)
<i>Distributions - quoted class</i>				
Total distributions paid and payable	-	-	-	-
Total distribution (cents per unit)	-	-	-	-
<i>Distributions - unquoted class</i>				
Total distributions paid and payable	-	-	-	-
Total distribution (cents per unit)	-	-	-	-

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Funds that occurred during the reporting period other than those changes identified in the financial statements for the half-year ended 31 December 2016.

Likely developments and expected results of operations

The Funds will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Funds and in accordance with the provisions of the Funds' Constitutions.

Further information on likely developments in the operations of the Funds and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Funds.

Events occurring after reporting period

No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

- (i) the operations of the Funds in future financial periods, or
- (ii) the results of those operations in future financial periods, or
- (iii) the state of affairs of the Funds in future financial periods.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Funds in regards to insurance cover provided to either the officers of UBS Asset Management (Australia) Ltd or the auditors of the Funds. So long as the officers of UBS Asset Management (Australia) Ltd act in accordance with the Funds Constitutions and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds.

The auditors of the Funds are in no way indemnified out of the assets of the Funds.

Environmental regulation

The operations of the Funds are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Directors' Report (continued)

Single set of financial reports

The Funds are entities of the kind referred to in ASIC Corporations (Related Scheme Reports) Instrument 2015/839 (formerly Class Order 06/441) issued by the Australian Securities and Investments Commission (ASIC) and in accordance with that Instrument, Funds with a common Responsible Entity (or related Responsible Entities) can include the financial statements in adjacent columns in a single set of financial reports.

Proceeds from redeeming units in a Fund can be applied to acquire units in other Funds included in these interim financial statements. All the Funds are open-ended.

Rounding of amounts

The Funds are entities of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. For UBS IQ Morningstar Australia Dividend Yield ETF and UBS IQ MSCI World ex Australia Ethical ETF, amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Instrument, unless otherwise indicated. For UBS IQ Morningstar Australia Quality ETF and UBS IQ MSCI Europe Ethical ETF, amounts in the Directors' report have been rounded to the nearest dollar in accordance with that ASIC Instrument, unless otherwise indicated.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the directors.



B J Doherty
Chairman



A L Anderson
Director

Sydney
2 March 2017

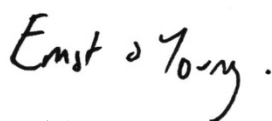
Auditor's Independence Declaration to the Directors of UBS Asset Management (Australia) Ltd, as Responsible Entity for the UBS Exchange Traded Funds ("the Funds")

For the following UBS Exchange Traded Funds ("the Funds")

- ▶ UBS IQ Morningstar Australia Quality ETF
- ▶ UBS IQ Morningstar Australia Dividend Yield ETF
- ▶ UBS IQ MSCI World ex Australia Ethical ETF
- ▶ UBS IQ MSCI Europe Ethical ETF

As lead auditor for the review of the Funds for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.



Ernst & Young



Graeme McKenzie
Partner
2 March 2017

Statements of Comprehensive Income

		UBS IQ Morningstar Australia Quality ETF		UBS IQ Morningstar Australia Dividend Yield ETF	
		Half-year ended		Half-year ended	
		31 December 2016	31 December 2015	31 December 2016	31 December 2015
Notes		\$	\$	\$'000	\$'000
Investment income					
Dividend/Trust distribution income		749,354	1,256,844	582	583
Interest income		46	605	-	-
Net gains/(losses) on financial instruments held at fair value through profit or loss		(5,661,019)	(1,189,599)	729	(630)
Net foreign exchange gains/(losses)		-	836	-	-
Other income		-	-	-	2
Total Investment income/(loss)		(4,911,619)	68,686	1,311	(45)
Expenses					
Responsible Entity's fees		58,983	194,397	37	80
Transaction costs		5,825	13,326	3	4
Other expenses		-	5,327	-	1
Total Expenses		64,808	213,050	40	85
Profit/(loss) before finance costs attributable to unitholders		(4,976,427)	(144,364)	1,271	(130)
Finance costs attributable to unitholders					
Distributions to unitholders	4	712,376	1,072,066	547	566
Increase/(decrease) in net assets attributable to unitholders	3	(5,688,803)	(1,216,430)	724	(696)
Profit/(loss) for the half-year attributable to unitholders		-	-	-	-
Other comprehensive income for the half-year attributable to unitholders		-	-	-	-
Total comprehensive income for the half-year attributable to unitholders		-	-	-	-

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

Statements of Comprehensive Income (continued)

	Notes	UBS IQ MSCI World ex Australia Ethical ETF		UBS IQ MSCI Europe Ethical ETF	
		Half-year ended 31 December 2016 \$'000	31 December 2015 \$'000	Half-year ended 31 December 2016 \$	31 December 2015 \$
Investment income					
Dividend/Trust distribution income		316	231	53,497	44,892
Interest income		-	-	-	-
Net gains/(losses) on financial instruments held at fair value through profit or loss		2,766	101	505,490	(460,111)
Net foreign exchange gains/(losses)		(16)	66	(2,416)	8,782
Other income		2	6	354	11,622
Total Investment income/(loss)		3,068	404	556,925	(394,815)
Expenses					
Responsible Entity's fees		55	40	13,544	11,308
Transaction costs		2	6	236	11,022
Other expenses		40	30	3,150	2,078
Total Expenses		97	76	16,930	24,408
Profit/(loss) before finance costs attributable to unitholders		2,971	328	539,995	(419,223)
Finance costs attributable to unitholders					
Distributions to unitholders	4	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	3	2,971	328	539,995	(419,223)
Profit/(loss) for the half-year attributable to unitholders		-	-	-	-
Other comprehensive income for the half-year attributable to unitholders		-	-	-	-
Total comprehensive income for the half-year attributable to unitholders		-	-	-	-

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

Statements of Financial Position

	Notes	UBS IQ Morningstar Australia Quality ETF		UBS IQ Morningstar Australia Dividend Yield ETF	
		As at		As at	
		31 December 2016	30 June 2016	31 December 2016	30 June 2016
		\$	\$	\$'000	\$'000
Assets					
Cash and cash equivalents		145,159	622	158	7
Receivables		143,426	247,744	92	102
Financial assets held at fair value through profit or loss	5	<u>9,530,350</u>	<u>6,951,270</u>	<u>25,396</u>	<u>23,399</u>
Total assets		<u>9,818,935</u>	<u>7,199,636</u>	<u>25,646</u>	<u>23,508</u>
Liabilities					
Distributions payable	4	163,780	244,940	274	348
Payables		9,215	25,494	30	7
Financial liabilities held at fair value through profit or loss	6	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>172,995</u>	<u>270,434</u>	<u>304</u>	<u>355</u>
Net assets attributable to unitholders	3	<u>9,645,940</u>	<u>6,929,202</u>	<u>25,342</u>	<u>23,153</u>

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

Statements of Financial Position (continued)

	Notes	UBS IQ MSCI World ex Australia Ethical ETF		UBS IQ MSCI Europe Ethical ETF	
		As at		As at	
		31 December 2016	30 June 2016	31 December 2016	30 June 2016
		\$'000	\$'000	\$	\$
Assets					
Cash and cash equivalents		23	66	5,690	10,887
Receivables		57	286	21,018	210,862
Financial assets held at fair value through profit or loss	5	<u>33,341</u>	<u>27,801</u>	<u>7,109,300</u>	<u>6,568,644</u>
Total assets		<u>33,421</u>	<u>28,153</u>	<u>7,136,008</u>	<u>6,790,393</u>
Liabilities					
Distributions payable	4	-	564	-	182,418
Payables		14	16	2,912	22,299
Financial liabilities held at fair value through profit or loss	6	<u>-</u>	<u>-</u>	<u>-</u>	<u>236</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>14</u>	<u>580</u>	<u>2,912</u>	<u>204,953</u>
Net assets attributable to unitholders	3	<u>33,407</u>	<u>27,573</u>	<u>7,133,096</u>	<u>6,585,440</u>

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

	UBS IQ Morningstar Australia Quality ETF		UBS IQ Morningstar Australia Dividend Yield ETF	
	Half-year ended 31 December 2016 \$	31 December 2015 \$	Half-year ended 31 December 2016 \$'000	31 December 2015 \$'000
Total equity at the beginning of the half-year	-	-	-	-
Profit/(loss) for the half-year attributable to unitholders	-	-	-	-
Other comprehensive income for the half-year attributable to unitholders	-	-	-	-
Total comprehensive income for the half-year attributable to unitholders	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-
Total equity at the end of the half-year	-	-	-	-

In accordance with AASB 132 Financial Instruments: Presentation, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the beginning and the end of the half-year.

Changes in net assets attributable to unitholders are disclosed in Note 3.

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Statements of Changes in Equity (continued)

	UBS IQ MSCI World ex Australia Ethical ETF		UBS IQ MSCI Europe Ethical ETF	
	Half-year ended		Half-year ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	\$'000	\$'000	\$	\$
Total equity at the beginning of the half-year	-	-	-	-
Profit/(loss) for the half-year attributable to unitholders	-	-	-	-
Other comprehensive income for the half-year attributable to unitholders	-	-	-	-
Total comprehensive income for the half-year attributable to unitholders	-	-	-	-
Transactions with owners in their capacity as owners	-	-	-	-
Total equity at the end of the half-year	-	-	-	-

In accordance with AASB 132 Financial Instruments: Presentation, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the beginning and the end of the half-year.

Changes in net assets attributable to unitholders are disclosed in Note 3.

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

Statements of Cash Flows

	UBS IQ Morningstar Australia Quality ETF		UBS IQ Morningstar Australia Dividend Yield ETF	
	Half-year ended		Half-year ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	\$	\$	\$'000	\$'000
Cash flows from operating activities				
Proceeds from sale of financial instruments held at fair value through profit or loss	9,372,695	21,482,328	4,730	6,390
Purchase of financial instruments held at fair value through profit or loss	(9,578,113)	(22,395,376)	(4,955)	(7,609)
Dividends/Trust distributions received	752,954	1,361,318	572	664
Interest received	46	642	-	-
Net foreign exchange gains/(losses)	-	821	-	-
Other income received	-	11,274	-	3
Responsible Entity's fees paid	(56,646)	(195,618)	(37)	(80)
Payments for other expenses	(4,581)	(13,328)	(3)	(5)
Net cash inflows/(outflows) from operating activities	486,355	252,061	307	(637)
Cash flows from financing activities				
Proceeds from applications by unitholders	3,822	-	2	1,041
Payments for redemptions by unitholders	(50,951)	-	-	-
Distributions paid	(294,689)	(53,977)	(158)	(213)
Net cash inflows/(outflows) from financing activities	(341,818)	(53,977)	(156)	828
Net increase/(decrease) in cash and cash equivalents	144,537	198,084	151	191
Cash and cash equivalents at the beginning of the half-year	622	340,398	7	87
Effects of foreign exchange rate changes on cash and cash equivalents	-	15	-	-
Cash and cash equivalents at the end of the half-year	145,159	538,497	158	278

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

Statements of Cash Flows (continued)

	UBS IQ MSCI World ex Australia Ethical ETF		UBS IQ MSCI Europe Ethical ETF	
	Half-year ended		Half-year ended	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	\$'000	\$'000	\$	\$
Cash flows from operating activities				
Proceeds from sale of financial instruments held at fair value through profit or loss	704	467	299,482	193,337
Purchase of financial instruments held at fair value through profit or loss	(3,237)	(8,363)	(158,429)	(5,489,133)
Dividends/Trust distributions received	263	186	44,421	33,005
Interest received	-	-	-	-
Net foreign exchange gains/(losses)	(16)	66	(2,722)	8,913
Other income received	2	5	383	11,301
Responsible Entity's fees paid	(53)	(37)	(13,493)	(9,544)
Payments for other expenses	(5)	(8)	(388)	(10,839)
Net cash inflows/(outflows) from operating activities	(2,342)	(7,684)	169,254	(5,262,960)
Cash flows from financing activities				
Proceeds from applications by unitholders	2,542	7,713	-	5,267,875
Payments for redemptions by unitholders	-	-	-	-
Distributions paid	(243)	(16)	(174,757)	(38,777)
Net cash inflows/(outflows) from financing activities	2,299	7,697	(174,757)	5,229,098
Net increase/(decrease) in cash and cash equivalents	(43)	13	(5,503)	(33,862)
Cash and cash equivalents at the beginning of the half-year	66	48	10,887	38,638
Effects of foreign exchange rate changes on cash and cash equivalents	-	-	306	(131)
Cash and cash equivalents at the end of the half-year	23	61	5,690	4,645

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

1 General Information

These interim financial statements cover the UBS IQ Morningstar Australia Quality ETF, UBS IQ Morningstar Australia Dividend Yield ETF, UBS IQ MSCI World ex Australia Ethical ETF and UBS IQ MSCI Europe Ethical ETF ("the Funds") as individual entities.

The Responsible Entity of the Funds is UBS Asset Management (Australia) Ltd ("the Responsible Entity"). The Responsible Entity's registered office is located at Level 16 Chifley Tower, 2 Chifley Square, Sydney NSW 2000. The Responsible Entity is incorporated and domiciled in Australia.

The financial statements of the Funds for the half-year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors of the Responsible Entity dated 2 March 2017. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

The financial statements are presented in Australian currency.

2 Basis of preparation of interim financial report

These general purpose financial statements for the half-year ended 31 December 2016 have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous annual reporting period and corresponding interim reporting period, unless otherwise stated.

Compliance with International Financial Reporting Standards

Compliance with AASB 134 *Interim Financial Reporting* ensures that the interim financial report of the Funds, comprising the financial statements and notes thereto, complies with International Accounting Standard IAS 34 *Interim Financial Reporting*.

Comparative information

Where appropriate, comparative disclosures have been reclassified/amended to be consistent with the current period's presentation.

Rounding of amounts

The Funds are entities of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. For UBS IQ Morningstar Australia Dividend Yield ETF and UBS IQ MSCI World ex Australia Ethical ETF, amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that ASIC Instrument, unless otherwise indicated. For UBS IQ Morningstar Australia Quality ETF and UBS IQ MSCI Europe Ethical ETF, amounts in the financial statements have been rounded to the nearest dollar in accordance with that ASIC Instrument, unless otherwise indicated.

3 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the half-year were as follows:

	31 December 2016	31 December 2015	Half-year ended 31 December 2016	31 December 2015
	No.	No.	\$	\$
UBS IQ Morningstar Australia Quality ETF				
Net assets attributable to unitholders - quoted class				
Opening balance	347,613	2,734,403	6,929,202	55,397,363
Applications	2,900,000	-	60,300,017	-
Redemptions	(2,750,000)	-	(51,946,976)	-
Units issued upon reinvestment of distributions	2,648	18,379	52,500	380,100
Increase/(decrease) in net assets attributable to unitholders	-	-	(5,688,803)	(1,216,430)
Closing balance	500,261	2,752,782	9,645,940	54,561,033
Total net assets attributable to unitholders			9,645,940	54,561,033

	31 December 2016	31 December 2015	Half-year ended 31 December 2016	31 December 2015
	No. '000	No. '000	\$'000	\$'000
UBS IQ Morningstar Australia Dividend Yield ETF				
Net assets attributable to unitholders - quoted class				
Opening balance	1,212	1,109	23,153	22,144
Applications	50	50	1,002	1,041
Redemptions	-	-	-	-
Units issued upon reinvestment of distributions	24	35	463	687
Increase/(decrease) in net assets attributable to unitholders	-	-	724	(696)
Closing balance	1,286	1,194	25,342	23,176
Total net assets attributable to unitholders			25,342	23,176

3 Net assets attributable to unitholders (continued)

	31 December 2016	31 December 2015	Half-year ended 31 December 2016	31 December 2015
	No. '000	No. '000	\$'000	\$'000
UBS IQ MSCI World ex Australia Ethical ETF				
Net assets attributable to unitholders - quoted class				
Opening balance	625	125	12,326	2,496
Applications	125	375	2,526	7,697
Redemptions	-	-	-	-
Units issued upon reinvestment of distributions	-	-	9	2
Increase/(decrease) in net assets attributable to unitholders	-	-	1,417	129
Closing balance	750	500	16,278	10,324
Net assets attributable to unitholders - Unquoted class				
Opening balance	773	766	15,247	15,451
Applications	1	1	16	16
Redemptions	-	-	-	-
Units issued upon reinvestment of distributions	16	5	312	108
Increase/(decrease) in net assets attributable to unitholders	-	-	1,554	199
Closing balance	790	772	17,129	15,774
Total net assets attributable to unitholders			33,407	26,098

	31 December 2016	31 December 2015	Half-year ended 31 December 2016	31 December 2015
	No.	No.	\$	\$
UBS IQ MSCI Europe Ethical ETF				
Net assets attributable to unitholders - quoted class				
Opening balance	375,100	125,000	6,585,440	2,484,541
Applications	-	250,000	-	5,267,875
Redemptions	-	-	-	-
Units issued upon reinvestment of distributions	434	100	7,661	2,014
Increase/(decrease) in net assets attributable to unitholders	-	-	539,995	(419,223)
Closing balance	375,534	375,100	7,133,096	7,335,207
Total net assets attributable to unitholders			7,133,096	7,335,207

As stipulated within the Funds Constitutions and the Product Disclosure Statements, each unit in the Funds confers an equal undivided interest in the relevant Class Assets and subject to the Liabilities applicable to that Unit or Class.

A unit does not confer an interest in a particular asset. All Units in a Class rank equally and each class is a separate class of interests for the purposes of the *Corporations Act 2001*.

3 Net assets attributable to unitholders (continued)

The Funds offer two classes of units in the Funds as at 31 December 2016. One class that is quoted and traded on the AQUA market of the ASX. This is reflected in the current Product Disclosure Statements. The other class is an unquoted class that is available to wholesale investors only. As at 31 December 2016, the unquoted class of investors was nil for UBS IQ Morningstar Australia Quality ETF, UBS IQ Morningstar Australia Dividend Yield ETF and UBS IQ MSCI Europe Ethical ETF.

4 Distributions to unitholders

The distributions for the half-year were paid/payable as follows:

	Half-year ended			
	31 December 2016	31 December 2016	31 December 2015	31 December 2015
	\$	CPU	\$	CPU
UBS IQ Morningstar Australia Quality ETF				
Distributions - quoted class				
2 December	548,596	18.60	-	-
31 December (payable)	163,780	32.74	1,072,066	38.94
	<u>712,376</u>	<u>51.34</u>	<u>1,072,066</u>	<u>38.94</u>
Total distributions	<u>712,376</u>		<u>1,072,066</u>	

	Half-year ended			
	31 December 2016	31 December 2016	31 December 2015	31 December 2015
	\$'000	CPU	\$'000	CPU
UBS IQ Morningstar Australia Dividend Yield ETF				
Distributions - quoted class				
30 September	273	21.36	262	22.11
31 December (payable)	274	21.31	304	25.42
	<u>547</u>	<u>42.67</u>	<u>566</u>	<u>47.53</u>
Total distributions	<u>547</u>		<u>566</u>	

	Half-year ended			
	31 December 2016	31 December 2016	31 December 2015	31 December 2015
	\$'000	CPU	\$'000	CPU
UBS IQ MSCI World ex Australia Ethical ETF*				
Distributions - quoted class				
	-	-	-	-
Distributions - Unquoted class				
	-	-	-	-
Total distributions	-		-	

4 Distributions to unitholders (continued)

	Half-year ended			
	31 December 2016	31 December 2016	31 December 2015	31 December 2015
	\$	CPU	\$	CPU
UBS IQ MSCI Europe Ethical ETF*				
Distributions - quoted class				
	-	-	-	-
Total distributions	-	-	-	-

* Both UBS IQ MSCI World ex Australia Ethical ETF and UBS IQ MSCI Europe Ethical ETF distribute on annual basis as per current Product Disclosure Statements. As a result, there is no distribution for the half-year ended 31 December 2016.

5 Financial assets held at fair value through profit or loss

	UBS IQ Morningstar Australia Quality ETF		UBS IQ Morningstar Australia Dividend Yield ETF	
	As at 31 December 2016	As at 30 June 2016	As at 31 December 2016	As at 30 June 2016
	\$	\$	\$'000	\$'000
Held for trading				
Derivatives	3,075	-	3	-
Total held for trading	3,075	-	3	-
Designated at fair value through profit or loss				
Listed equities	6,642,776	4,647,580	25,393	23,399
Listed unit trusts	2,884,499	2,303,690	-	-
Total designated at fair value through profit or loss	9,527,275	6,951,270	25,393	23,399
Total financial assets held at fair value through profit or loss	9,530,350	6,951,270	25,396	23,399

5 Financial assets held at fair value through profit or loss (continued)

	UBS IQ MSCI World ex Australia Ethical ETF		UBS IQ MSCI Europe Ethical ETF	
	As at	As at	As at	As at
	31 December	30 June	31 December	30 June
	2016	2016	2016	2016
	\$'000	\$'000	\$	\$
Held for trading				
Derivatives	-	-	-	529
Total held for trading	-	-	-	529
Designated at fair value through profit or loss				
Listed equities	32,539	27,072	7,037,860	6,497,056
Listed unit trusts	802	729	71,440	71,059
Total designated at fair value through profit or loss	33,341	27,801	7,109,300	6,568,115
Total financial assets held at fair value through profit or loss	33,341	27,801	7,109,300	6,568,644

6 Financial liabilities held at fair value through profit or loss

	UBS IQ Morningstar Australia Quality ETF		UBS IQ Morningstar Australia Dividend Yield ETF	
	As at	As at	As at	As at
	31 December	30 June	31 December	30 June
	2016	2016	2016	2016
	\$	\$	\$'000	\$'000
Held for trading				
Derivatives	-	-	-	-
Total held for trading	-	-	-	-
Total financial liabilities held at fair value through profit or loss	-	-	-	-

	UBS IQ MSCI World ex Australia Ethical ETF		UBS IQ MSCI Europe Ethical ETF	
	As at	As at	As at	As at
	31 December	30 June	31 December	30 June
	2016	2016	2016	2016
	\$'000	\$'000	\$	\$
Held for trading				
Derivatives	-	-	-	236
Total held for trading	-	-	-	236
Total financial liabilities held at fair value through profit or loss	-	-	-	236

7 Fair value measurement

The Funds measure and recognise the following assets and liabilities at fair value on a recurring basis.

- Financial assets / liabilities designated at fair value through profit or loss (FVTPL)
- Financial assets / liabilities held for trading
- Derivative financial instruments

The Funds have no assets or liabilities measured at fair value on a non-recurring basis in the current period. The Funds are required to classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (a) Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- (c) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes "observable" requires significant judgement by the Funds. The Funds consider observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

All fair value measurements disclosed are recurring fair value measurements.

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and equity securities) are based on their quoted market prices at the close of trading at the end of the year without any deduction for estimated future selling costs. For the majority of investments, information provided by independent pricing services are relied upon for the valuation of investments.

Where the Funds have financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, it may elect to use the measurement exception provided in AASB 13 to measure the fair value of its net risk exposure by applying the price within the bid-ask spread to the net open position as appropriate.

If a significant movement in fair value occurs subsequent to the close of trading up to midnight on the reporting date, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign exchange, but before the Funds' valuation time that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market quotations. Where the last sale price does not fall within the bid-ask spread, an assessment is performed by the Responsible Entity to determine the appropriate valuation price to use that is most representative of fair value.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

7 Fair value measurement (continued)

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Funds would receive or pay to terminate the contract at the end of the period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Funds hold. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

Recognised fair value measurement

The table below sets out the Funds financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 December 2016 and 30 June 2016.

UBS IQ Morningstar Australia Quality ETF

As at 31 December 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets held for trading:				
Australian share price index futures	3,075	-	-	3,075
Financial assets designated at fair value through profit or loss:				
Listed equities	6,642,776	-	-	6,642,776
Listed unit trusts	2,884,499	-	-	2,884,499
Total	9,530,350	-	-	9,530,350

7 Fair value measurement (continued)

Recognised fair value measurement (continued)

UBS IQ Morningstar Australia Dividend Yield ETF

As at 31 December 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets held for trading:				
Australian share price index futures	3	-	-	3
Financial assets designated at fair value through profit or loss:				
Listed equities	25,393	-	-	25,393
Total	25,396	-	-	25,396

UBS IQ MSCI World ex Australia Ethical ETF

As at 31 December 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equities	32,539	-	-	32,539
Listed unit trusts	802	-	-	802
Total	33,341	-	-	33,341

UBS IQ MSCI Europe Ethical ETF

As at 31 December 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equities	7,037,860	-	-	7,037,860
Listed unit trusts	71,440	-	-	71,440
Total	7,109,300	-	-	7,109,300
Financial liabilities				
Financial liabilities held for trading:				
Foreign currency contracts	-	-	-	-
Total	-	-	-	-

7 Fair value measurement (continued)

Recognised fair value measurement (continued)

UBS IQ Morningstar Australia Quality ETF

As at 30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equities	4,647,580	-	-	4,647,580
Listed unit trusts	<u>2,303,690</u>	<u>-</u>	<u>-</u>	<u>2,303,690</u>
Total	<u>6,951,270</u>	<u>-</u>	<u>-</u>	<u>6,951,270</u>

UBS IQ Morningstar Australia Dividend Yield ETF

As at 30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equities	<u>23,399</u>	<u>-</u>	<u>-</u>	<u>23,399</u>
Total	<u>23,399</u>	<u>-</u>	<u>-</u>	<u>23,399</u>

UBS IQ MSCI World ex Australia Ethical ETF

As at 30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equities	27,072	-	-	27,072
Listed unit trusts	<u>729</u>	<u>-</u>	<u>-</u>	<u>729</u>
Total	<u>27,801</u>	<u>-</u>	<u>-</u>	<u>27,801</u>

7 Fair value measurement (continued)

Recognised fair value measurement (continued)

UBS IQ MSCI Europe Ethical ETF

As at 30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets held for trading:				
Foreign currency contracts	-	529	-	529
Financial assets designated at fair value through profit or loss:				
Listed equities	6,497,056	-	-	6,497,056
Listed unit trusts	<u>71,059</u>	<u>-</u>	<u>-</u>	<u>71,059</u>
Total	<u>6,568,115</u>	<u>529</u>	<u>-</u>	<u>6,568,644</u>
Financial liabilities				
Financial liabilities held for trading:				
Foreign currency contracts	<u>-</u>	<u>236</u>	<u>-</u>	<u>236</u>
Total	<u>-</u>	<u>236</u>	<u>-</u>	<u>236</u>

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of each reporting period.

(i) Transfers between levels

There have been no transfers between levels for the half-year ended 31 December 2016 and year ended 30 June 2016. There were also no changes made to any of the valuation techniques applied as at 30 June 2016.

(ii) Fair value measurements using significant unobservable inputs (level 3)

The Funds did not hold any financial instruments with fair value measurements using significant unobservable inputs during the half-year ended 31 December 2016 or year ended 30 June 2016.

(iii) Fair values of other financial instruments

The Funds did not hold any financial instruments which were not measured at fair value in the Statements of Financial Position. Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value.

8 Events occurring after the reporting period

No significant events have occurred since 31 December 2016 and up to the date of this report that the Funds have not otherwise dealt within the financial report that have significantly affected or may significantly affect the Funds (30 June 2016: Nil).

9 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2016 (31 December 2015: nil).

Directors' Declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 24 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Funds financial position as at 31 December 2016 and of their performance, as represented by the results of their operations and cash flows, for the half-year ended on that date.
- (b) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable.
- (c) the financial statements are in accordance with the Funds Constitutions.
- (d) the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in Note 2.

This declaration is made in accordance with a resolution of the directors.



B J Doherty
Chairman



A L Anderson
Director

Sydney
2 March 2017

To the unitholders of the UBS Exchange Traded Funds (“the Funds”)

Report on the Half-Year Financial Report

For the following Funds

- ▶ UBS IQ Morningstar Australia Quality ETF
- ▶ UBS IQ Morningstar Australia Dividend Yield ETF
- ▶ UBS IQ MSCI World ex Australia Ethical ETF
- ▶ UBS IQ MSCI Europe Ethical ETF

We have reviewed the accompanying half-year financial report of the Funds, which comprises the Statement of Financial Position as at 31 December 2016, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors’ Declaration.

Directors’ Responsibility for the Half-Year Financial Report

The directors of UBS Asset Management (Australia) Ltd (the “Responsible Entity”) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Funds’ financial positions as at 31 December 2016 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Funds, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

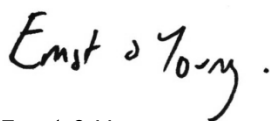
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor’s Independence Declaration, a copy of which is attached to the Directors’ Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Funds is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Funds' financial positions as at 31 December 2016 and of their performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Graeme McKenzie
Partner
Sydney
2 March 2017

UBS Asset Management (Australia) Ltd is a subsidiary of UBS Group AG

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