

PaineWebber Strategy Fund

PROSPECTUS

September 27, 1999

This prospectus offers four classes of shares in a PaineWebber stock fund: Classes A, B, C and Y. Each class has different sales charges and ongoing expenses. You can choose the class that is best for you based on how much you plan to invest and how long you plan to hold your fund shares. Class Y shares are available only to certain types of investors.

As with all mutual funds, the Securities and Exchange Commission has not approved or disapproved the fund's shares or determined whether this prospectus is complete or accurate. To state otherwise is a crime.

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The fund is not a complete or balanced investment program.

PaineWebber Strategy Fund

INVESTMENT OBJECTIVE, STRATEGIES AND RISKS

Fund Objective:

Long-term capital appreciation.

Principal Investment Strategies:

The fund will invest substantially all of its assets in stocks of issuers that are on PaineWebber's *Highlighted Stocks* list. Historically, the *Highlighted Stocks* list has consisted primarily of common stocks of relatively large, well known U.S. companies.

Under normal circumstances, the fund will purchase only stocks that are included on the *Highlighted Stocks* list and will sell stocks that have been removed from the *Highlighted Stocks* list. The fund will purchase a stock that has been added or sell a stock that has been removed after publication of that change.

The fund is designed for investors seeking long-term capital appreciation from a fully invested, all-equity portfolio. The fund is not a market-timing vehicle and not a complete investment program.

Generally, the fund seeks to maintain equal weightings of its assets among the stocks on the *Highlighted Stocks* list. Any remaining assets may be invested by the fund's investment adviser, Mitchell Hutchins Asset Management Inc., in short-term debt obligations, money market instruments and options and futures contracts.

For more than a century, PaineWebber has been committed to providing superior equity research, resulting in one of the strongest franchises on Wall Street. PaineWebber Investment Strategy Group's approach to research seeks to place its recommendations in the context of broad social, economic and political themes. PaineWebber believes that the ability to spot emerging trends — and the companies expected to benefit from them — has proven critical to successful investing. The Investment Strategy Group aims to

identify these themes before they emerge and become well recognized. While the Investment Strategy Group identifies several different industries and companies that are expected to benefit from each theme, the *Highlighted Stocks* list is a list of "choice" companies from each theme.

The Investment Strategy Group periodically makes subjective decisions to add or delete companies from the *Highlighted Stocks* list, but the list is not compiled with any client or product in mind, including the fund. Historically, the *Highlighted Stocks* list has included approximately 25 stocks, which are typically covered by the PaineWebber Research Department and carry a "1" (Buy) or "2" (Attractive) rating. As of September 1, 1999, the *Highlighted Stocks* list consisted of 28 stocks. Stocks are usually added to or deleted from the *Highlighted Stocks* list at the beginning of a month, but revisions may also be made on other days.

Principal Risks:

An investment in the fund is not guaranteed; you may lose money by investing in the fund.

Stocks generally fluctuate in value more than other investments. Because the fund invests only in stocks that are on the *Highlighted Stocks* list, the fund will hold a relatively small number of stocks, often focused in market sectors that correspond to the investment themes underlying the list. As a result, changes in the market value of a single issuer or market sector could affect the fund's performance and net asset value more severely than if its holdings were more diversified.

The fund's investment results will not be the same as the price returns reported for the *Highlighted Stocks* list. Deviations from the *Highlighted Stocks* list's reported price returns will result because the *Highlighted Stocks* list's price returns are calculated using the prices of the stocks at the close of the stock market before

