

## *Award-winning investment idea*

### A new approach to dividend exposure



#### UBS Open End PERLES on the UBS Constant Maturity Dividend Index (EUR)

##### I. An elegant investment solution based on dividend futures

The underlying UBS Constant Maturity Dividend Index (CMDI) utilizes dividend futures on the Euro STOXX 50 Index that are traded on the Eurex futures exchange. Continuous roll-overs maintain the maturity of the dividend futures at a fixed 1.5 years. You may benefit from buying the UBS CMDI if you expect a higher dividend for this period. This way, you can translate your dividend expectations into an investment strategy based solely on dividends. (As of: Oct. 30, 2013)\*

##### II. The investment idea

Dividends are often overlooked as a source of income from equities. This is despite the fact that dividends are generally less volatile than share prices. After all, the company's management can specifically control dividend distributions for various purposes, such as broadcasting its confidence in the company's long-term success. Share prices are much harder to control. In addition, while conventional dividend strategies rely on high-dividend equities, the UBS CMDI's performance only depends on dividends, not share prices. Nonetheless, dividends – just like share prices – do have some exposure to cyclical trends and general stock market sentiment. This means that dividends and share prices may move in sync at times.

##### III. Dividend futures: the basic building blocks

The current price of a dividend future on the Euro STOXX 50 reflects current expectations of the amount that the 50 companies listed in the Euro STOXX 50 will pay out in dividends in the respective tenor expressed in index points. For example, if the December 2015 futures contract is trading at 110 points at the time of purchase, the investor will earn a profit at the end of 2015 if the actual dividends paid in 2015 exceed 110 points (ignoring transaction and holding costs). The investor will sustain a loss if the dividend distributions are lower. The profit, in other words, is calculated from the difference between the actual dividends paid out and the purchase price.

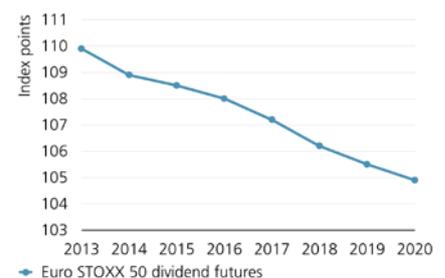
#### SVSP Product type

Tracker certificate (1300)

#### Currency / Valor / SIX Symbol

EUR / 19158995 / CMDIX

#### Current futures curve\*



As of: 30.10.2013

Source: Bloomberg, UBS AG

#### IV. Relative stable backwardation situation\*

Dividend futures can be traded several years in advance. The prices for dividend futures with different maturities have been relatively stable in backwardation. Longer-running contracts, in other words, are cheaper. This is not solely due to discounting at the market rate, though. Part of the difference can also be attributed to a structural imbalance between supply and demand: there are often more sellers than buyers of dividend futures. The sellers are mainly institutional market players who want to hedge their equity portfolios against the risk of falling dividends. (As of: Oct. 30, 2013)\*

Backwardation expresses itself in a falling futures curve (see "Current futures curve" chart\*). This is welcome news for a buyer of dividend futures: if next year's dividends are equal to this year's dividends, next year's dividend future would tend to be too cheap. The price of the dividend future would then have to rise until finally reaching the mathematically correct value on the maturity date.

#### V. UBS Constant Maturity Dividend Index vs. Euro STOXX 50 - 5 years\*

The UBS CMDI could be a possible investment solution in this scenario. It is positioned in the two Euro STOXX 50 Index dividends futures that are maturing next and maintains a constant maturity of 1.5 years. According to a historical simulation, the UBS Constant Maturity Dividend Index would have significantly outperformed the Euro STOXX 50 while remaining less volatile in recent years. However, the UBS Constant Maturity Dividend Index looked good in more than just backtesting. The price of the related UBS open end index certificate has risen 16.41 percent since being issued at the end of September 2012. (As of October 10, 2013, Source: Bloomberg, UBS AG)\*

#### VI. Opportunities

- Intelligent investment alternative with an attractive performance history (includes backtesting)\*
- Transparent index design that enables you to specifically gain exposure to dividends
- Award-winning product: "Best product on alternative underlying assets" at the 2013 Swiss Derivative Awards
- Tradable every trading day under normal trading conditions
- No fixed term restriction

#### VII. Risks

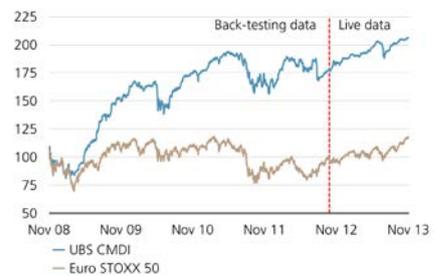
- No capital protection: investors run the risk of losing their investment if the price of the underlying index worsens
- Investors bear the issuer risk and so could lose their investment if the issuer files for bankruptcy
- The issuer intends to ensure liquidity in normal market phases on trading days (over the counter). However, investors should realize that they may not be able to sell the product at every point in time
- The issuer has the right to terminate the UBS Open End PERLES if certain conditions are met. See the termsheet for details

#### Award-winning product design

In mid-April 2013, this innovative index solution won the "Best product on alternative underlying assets" award at the 2013 Swiss Derivative Awards.

The jury's summarized reasoning for its award decision: "Alternative access to the equity market via dividend futures. Dividend distributions are often more stable than share prices. Optimized roll-over mechanism."

#### UBS CMDI performance (normalised)\*



As of: 30.10.2013  
Source: Bloomberg, UBS AG

	UBS CMDI	Euro STOXX 50
Return p.a.	14.59%	3.24%
Volatility p.a.	14.89%	25.24%
Sharpe Ratio	0.98	0.13

Monitoring period 03.11.2008 - 01.11.2013  
Source: Bloomberg, UBS AG

\* Please note that neither simulated performance, past performance nor current prices are indicators of future performance. This material contains data derived from backtesting data and was provided by UBS in good faith using standard methodology.

## VIII. Product information

<b>Issuer</b>	UBS AG, London Branch
<b>Underlying asset</b>	UBS Constant Maturity Dividend Index (EUR)
<b>SVSP Product type</b>	Tracker certificates (1300)
<b>Currency</b>	EUR
<b>Issue price</b>	EUR 120.64
<b>Conversion ratio</b>	1:1
<b>Management fee</b>	1.00% p.a.
<b>Issue date</b>	27 September 2012
<b>Expiry</b>	Open End
<b>ISIN / Valor / SIX Symbol</b>	CH0191589958 / 19158995 / CMDIX

## IX. Contact

**UBS AG**  
P.O. Box, 8098 Zürich  
E-mail: keyinvest@ubs.com

**Hotline:** ..... **+41-44-239 76 76\***  
Institutional Clients: ..... +41-44-239 77 40\*  
Intermediaries: ..... +41-44-239 77 60\*  
Wealth Management Clients: ..... +41-44-239 68 00\*

\* We draw your attention to the fact that conversations on the connections marked with \* can be recorded. When you call on these lines we assume that you are in agreement with this business practice.

## Disclaimer

This material has been prepared by UBS AG or an affiliate ("UBS").

This material is for distribution only as permitted by law. It is not prepared for the needs of any specific recipient. It is published solely for information and is not a solicitation or offer to buy or sell any securities or related financial instruments ("Instruments"). UBS makes no representation or warranty, either express or implied, on the completeness or reliability of the information contained in this document ("Information") except that concerning UBS AG and its affiliates. The Information should not be regarded by recipients as a substitute for using their own judgment. Any opinions expressed in this material may change without notice and may be contrary to opinions expressed by other business areas of UBS as a result of using different assumptions or criteria. UBS is under no obligation to update the Information. UBS, its officers, employees or clients may have or have had an interest in the Instruments and may at any time transact in them. UBS may have or have had a relationship with entities referred to in the Information. Neither UBS nor any of its affiliates, or their officers or employees, accepts any liability for any loss arising from use of the Information.

This presentation is not a basis for entering into a transaction. Any transaction between you and UBS will be subject to the detailed provisions of the term sheet, confirmation or electronic matching systems relating to that transaction. Clients wishing to effect transactions should contact their local sales representative.

For Instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries may act as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the Instrument.

Back-testing disclaimer

This analysis has been provided to you by UBS AG and/or affiliates ("UBS"), for informational purposes only and should not be used in substitution for the exercise of independent judgement.

This material contains data derived as a result of back-testing of data and is provided by UBS in good faith using its standard methodology for information of this kind. That methodology relies on proprietary models, empirical data, assumptions and such other information that we believe to be accurate and reasonable. The current data that UBS selected for preparation of this material may be substantially different if the date is selected from a different time period and this may have substantial impact on the back-testing results.

This information is provided to you for information purpose only and we make no representation as to the accuracy, completeness or appropriateness of such methodology and accept no liability for your use of the information. Specifically, there is no assurance that other banks or brokers would derive the same results for the back-test period or that such results would have been achieved in practice. Potential investors should not rely on this material for the purpose of understanding the probability that they may lose their initial investment in investing in the subject product.

Prospective investors should also note that back-testing results may project unrealistic expectation on the performance of the subject product. Past performance is not necessarily indicative of future results. This material does not guarantee the performance of the subject product in all circumstances and UBS shall not be responsible for any investment loss suffered by the investors in investing in the subject product in this respect.

The back-testing results has not considered the risks involved in investing in the subject product, including but not limited to the credit risk of the issuer of the subject product. These risks may lead to the loss of investors' initial investment in the subject product and investors should read the risks stated in the offering documents of the subject product before investing in the subject product.

Under no circumstances shall have any liability for a) any loss, damage or other injury in whole or in part caused by, resulting from or relating to, any error (negligent or otherwise) of UBS in connection with the compilation, methodology, interpretation, communication, publication or delivery of this analysis, or b) any direct, indirect, special, consequential, incidental or compensatory damages whatsoever (including, without limitation, lost profits), in either case caused by reliance upon or otherwise resulting from or relating to the use of (including the inability to use) this analysis.

This analysis is confidential. You may not pass on this analysis to any third party without the express permission of UBS.

#### FICC & Equity Structured Products Termsheets

This information is communicated by UBS AG and/or its affiliates ("UBS"). \* (see below) UBS may from time to time, as principal or agent, have positions in, or may buy or sell, or make a market in any securities, currencies, financial instruments or other assets underlying the product to which this document relates (the "Product"). UBS may provide investment banking and other services to and/or have officers who serve as directors of the companies referred to in this document. UBS's trading and/or hedging activities related to the Product may have an impact on the price of the underlying asset and may affect the likelihood that any relevant barrier is crossed. UBS has policies and procedures designed to minimise the risk that officers and employees are influenced by any conflicting interest or duty and that confidential information is improperly disclosed or made available.

In certain circumstances UBS sells the Product to dealers and other financial institutions at a discount to the issue price or rebates to them for their own account some proportion of the issue price. Further information is available on request.

Structured products are complex and may involve a high risk of loss. Prior to purchasing the Product you should consult with your own legal, regulatory, tax, financial and accounting advisors to the extent you consider it necessary, and make your own investment, hedging and trading decisions (including decisions regarding the suitability of the Product) based upon your own judgement and advice from those advisers you consider necessary. Save as otherwise expressly agreed in writing, UBS is not acting as your financial adviser or fiduciary in relation to the Product.

Unless stated otherwise in this document, (i) this document is for information purposes only and should not be construed as an offer, personal recommendation or solicitation to purchase the Product and should not be treated as giving investment advice, and (ii) the terms of any investment in the Product will be exclusively subject to the detailed provisions, including risk considerations, contained in the information memorandum, prospectus or other issuer documentation for the issue of the Product.

UBS makes no representation or warranty relating to any information herein which is derived from independent sources. This document shall not be copied or reproduced without UBS's prior written permission.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Product, save where explicitly stated in the issuer documentation. The Product must be sold in accordance with all applicable selling restrictions in the jurisdictions in which it is sold.

© UBS 2013 All rights reserved. UBS prohibits the redistribution of any of the Information without the permission of UBS.

#### **Published by**

UBS AG  
Public Distribution Schwitzerland  
Europastrasse 1  
CH-8152 Opfikon

Phone +41 44-239 76 76  
[www.ubs.com/keyinvest](http://www.ubs.com/keyinvest)

