

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.

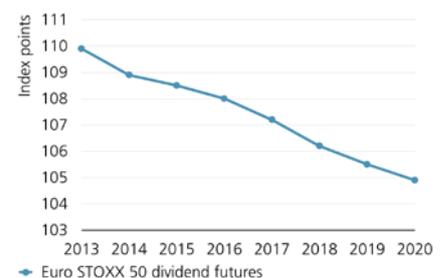
SVSP Product type

Tracker certificate (1300)

Currency / Valor / SIX Symbol

EUR / 19158995 / CMDIX

Current futures curve*



As of: 30.10.2013

Source: Bloomberg, UBS AG

* 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.

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

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

IX. Contact

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