

GUIDELINE

UBS Momentum Global Equity Premium L/S Index ER USD

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This document contains the underlying principles and regulations regarding the structure and the operating of the UBS Momentum Global Equity Premium L/S Index ER USD. Solactive AG shall make every effort to implement regulations. Solactive AG does not offer any explicit or tacit guarantee or assurance, neither pertaining to the results from the use of the Index nor the Index value at any certain point in time nor in any other respect. The Index is merely calculated and published by Solactive AG and it strives to the best of its ability to ensure the correctness of the calculation. There is no obligation for Solactive AG – irrespective of possible obligations to issuers – to advise third parties, including investors and/or financial intermediaries, of any errors in the Index. The publication of the Index by Solactive AG is no recommendation for capital investment and does not contain any assurance or opinion of Solactive AG regarding a possible investment in a financial instrument based on this Index.

Introduction

This document is to be used as a guideline with regard to the composition, calculation and management of the Index. Any changes made to the guideline are initiated by the Committee specified in section 1.7. The Index is calculated and published by Solactive AG. The name “Solactive” is trademarked.

1 Index specifications

The UBS Momentum Global Equity Premium L/S Index ER USD (“UBS Momentum Global Equity Premium L/S Index ER USD”, the “Long-Short Index”, the “Index”) is an Index owned by UBS AG and is calculated and distributed by Solactive AG.

The Index is designed to provide long exposure to a market-hedged basket of global stocks selected based on positive momentum. It takes equally weighted long positions in 200 global stocks. The long basket is then market hedged and a volatility target is applied to the long-short basket.

The selection of global equities is carried out from the MSCI World stock universe. Momentum is measured using a combination of i) Stock price momentum and ii) Earnings momentum, with the long basket of stocks hedged with a short position in the MSCI World index. A volatility target overlay is then applied to the long-short basket, with the volatility predicted using a risk model. The index construction aims to utilise methods published by UBS Quantitative Research and is built in such a way to minimise market impact and maximise transparency.

The Index is calculated as an Excess Return Index (ER).

The Index is published in USD.

1.1 Short name and ISIN

The Index is distributed under ISIN DE000SLA3E89; the WKN is SLA3E8. The Index is published on Reuters under the code <.UISEMGSE> and on Bloomberg under the code UISEMGSE <Index>.

1.2 Initial value

The Index is based on 1000 at the close of trading on the base date, February 5th, 2007.

1.3 Distribution

The Index is published via the price marketing services of Boerse Stuttgart AG and is distributed to all affiliated vendors. Each vendor decides on an individual basis as to whether he will distribute/display the Index via his information systems.

1.4 Risk Model

The Stock Determination Agent makes use of a Risk Model to determine the weighting of the Long Equity Basket and the Short Basket, as detailed in section 1.6.

Details on the Risk Model are available on the website <http://www.axioma.com> and, for more details, questions can be sent to support@axioma.com.

1.5 Prices and calculation frequency

The price of the Index is calculated on each Business Day based on the prices on the respective Exchanges on which the Index Components are listed. The most recent prices of all Index Components are used. Prices of Index Components not listed in the Index Currency are translated using spot foreign exchange rates quoted by Reuters. Should there be no current price available on Reuters, the most recent price or the Trading Price on Reuters for the preceding Trading Day is used in the calculation.

The Index is calculated once every Business Day at 10:50pm, CET. In the event that data cannot be provided to Reuters or to the pricing services of Boerse Stuttgart AG the Index cannot be distributed.

1.6 Weighting

Stock selections are determined by the Stock Determination Agent on a monthly basis. Each of the 200 selected stocks is allocated an equal target weight of 0.5%.

The exposure taken by the index to Long-Short Basket is determined using a volatility target, with the target weights of the Long Equity Basket and the Short Basket calculated as follows:

$$\hat{w}_{L,R} = \min \left[150\%, \frac{4.5\%}{vol} \right], \quad \hat{w}_{S,R} = -1 * \hat{w}_{L,R}$$

With

$\hat{w}_{L,R}$ = target weight of the Long Equity Basket determined by the Constituent Stock Determination Agent on the Selection Day immediately preceding Business Day t

$\hat{w}_{S,R}$ = target weight of the Short Basket determined by the Constituent Stock Determination Agent on the Selection Day immediately preceding Business Day t

vol = predicted volatility of the Long-Short Basket determined using a Risk Model by the the Constituent Stock Determination Agent.

1.7 Decision-making bodies

A Committee composed of staff from Solactive AG is responsible for decisions regarding the composition of the Index as well as any amendments to the rules (in this document referred to as the "Committee" or the "Index Committee"). The future composition of the Index is determined by the Committee on the Selection Days according to the procedure outlined in 2.1 of this document. The Committee shall also decide about the future composition of the Index, if any Extraordinary Events should occur and the implementation of any necessary adjustments.

Members of the Committee can recommend changes to the guideline and submit them to the Committee for approval.

1.8 Publication

All specifications and information relevant for calculating the Index are made available on the <http://www.solactive.de> web page and sub-pages.

1.9 Historical data

Historical data will be maintained from the launch of the Index on 28th July 2017.

The following differences to the described process in this guideline were made for the backtested data from the base date of the index until July 2017:

- No distinction was made between Rebalancing Days and Business Days, which means the Rebalancing Period includes five Business Days starting on the First Rebalancing Day.
- No UK Bank holidays were considered in relation to determining the timing of the First Rebalancing Day.

1.10 Licensing

Licences to use the Index as the underlying value for derivative instruments are issued to stock exchanges, banks, financial services providers and investment houses by UBS AG.

2 Composition of the Index

2.1 Selection of the Index Components

The initial composition of the Index as well as any ongoing adjustment is based on the following rules:

The selection universe (MSCI World) is filtered for liquidity by removing the bottom 20% of stocks ranked by 60-day USD median daily trading volume. Stocks are then ranked based on momentum: the average of (i) Price momentum Z-score, and (ii) Earnings momentum Z-score.

(i) Prime Momentum is calculated, considering levels from 12 months ago to 1 month ago, as the t-statistic of the coefficient of the regression of Log(stock gross total return series) versus Day Count.

(ii) Earnings Momentum is calculated by considering analyst earnings forecast revisions over the prior 3 months, for FY1, FY2 and FY3; specifically:

$$(\text{Number of Upgrades} - \text{Number of Downgrades}) / (\text{Number of Upgrades} + \text{Number of Downgrades})$$

Stocks are excluded from the original universe if they have fewer than 5 earnings revisions during the period.

Where there exists more than one MSCI World constituent security identified by Axioma as belonging to the same company identifier – only the highest MDV stock will be considered for selection. Please note that this rule is in effect starting with the Selection carried out at the end of August 2017.

2.2 Ordinary adjustment of the Long Equity Basket

The composition of the Long Equity Basket is ordinarily reviewed every month of each year on the Selection Day by the Constituent Stock Determination Agent. The composition of the Long Equity Basket is adjusted during the Rebalancing Period.

The Index is rebalanced monthly over a five-day period. Beginning on the First Rebalancing Day, and continuing until the fourth Trading Day following the First Rebalancing Day; the weights of the constituents of the index on the n-th day are set as follows:

$$w_{F+n,O}^{LB,k} = w_{F,C}^{LB,k} + \frac{n * (\hat{w}_R^{LB,k} - w_{F,C}^{LB,k})}{5}, 0 < n \leq 5$$

Where:

F = First Rebalancing Day of the current Rebalancing Period

$w_{F+n,O}^{LB,k}$ = Weight of Basket Component k effective during Trading Day F+n, calculated using the Trading Price as of Business Day F+n-1

$w_{F,C}^{LB,k}$ = Weight of Basket Component k at the close of business on Trading Day F, calculated using the Trading Price as of Trading Day F, before any composition changes

$\hat{w}_R^{LB,k}$ = Target weight of Basket Component k for the current Rebalancing Period as submitted by the Constituent Stock Determination Agent

n = n-th Rebalancing Day of the current Rebalancing Period

The first adjustment will be made in August 2017 based on the Trading Prices of the Index Components during the Rebalancing Period.

Solactive AG shall publish any changes made to the Index composition on the Selection Day and consequently with sufficient notice before the start of the Rebalancing Period.

If the Constituent Stock Determination Agent fails to deliver the target weights on the first Business Day following a Selection Day, no rebalancing will occur on any of the immediate following Rebalancing Days of the current month.

2.3 Ordinary adjustment of the Long-Short Index

The weights of the Long Equity Basket and the Short Basket in the Long-Short Index are ordinarily reviewed every month of each year on the Selection Day. During the Rebalancing Period the Long Equity Basket and the Short Basket are rebalanced to their target weights as described in Section 1.6.

If the Constituent Stock Determination Agent fails to deliver the target weights on the first Business Day following a Selection Day, no rebalancing will occur on the immediate following Rebalancing Day.

2.4 Extraordinary adjustment

An extraordinary adjustment, if applicable, is triggered and applied in compliance with the rules set forth in the [Solactive Guideline for Extraordinary Corporate Actions](#).

3 Calculation of the Index

3.1 Calculation of the Long-Short Index

The Long-Short Index is calculated on each Business Day t according to the following formula:

$$I_t = \max(0; C_t + u_{L,t} * LB_t + u_{S,t} * SB_t)$$

With

I_t = Long-Short Index value on Business Day t

$u_{L,t}$ = actual Long Equity Basket units on Business Day t , calculated as follows:

If t is the Index Base Date:

$$u_{L,0} = \hat{u}_{L,0}$$

If $t-1$ is a Rebalancing Day:

$$u_{L,t} = u_{L,t-1} + \frac{1}{5} * (\hat{u}_{L,R} - \hat{u}_{L,R-1})$$

Otherwise:

$$u_{L,t} = u_{L,t-1}$$

With:

$u_{L,t-1}$ = actual Long Equity Basket units on the Business Day immediately preceding Business Day t

$\hat{u}_{L,R}$ = target Long Equity Basket units for the current Rebalancing Period, calculated as follows:

If t is the Index Base Date:

$$\hat{u}_{L,0} = \frac{\hat{w}_{L,SD} * I_0}{LB_0}$$

Otherwise:

$$\hat{u}_{L,R} = \frac{\hat{w}_{L,SD} * I_{SD}}{LB_{SD}}$$

With:

$\hat{w}_{L,SD}$ = target weight of the Long Equity Basket determined by the Constituent Stock Determination Agent on the Selection Day immediately preceding Business Day t

I_0 = Long-Short Index value on the Index Base Date

LB_0 = Long Equity Basket value on the Index Base Date

I_{SD} = Long-Short Index value on the Selection Day immediately preceding Business Day t

LB_{SD} = Long Equity Basket value on the Selection Day immediately preceding Business Day t

$\hat{u}_{L,R-1}$ = target Long Equity Basket units for the Rebalancing Period immediately preceding the current Rebalancing Period

LB_t = Long Equity Basket value on Business Day t

$u_{S,t}$ = actual Short Equity Basket units on Business Day t, calculated as follows:

If t is the Index Base Date:

$$u_{S,0} = \hat{u}_{S,0}$$

If t-1 is a Rebalancing Day:

$$u_{S,t} = u_{S,t-1} + \frac{1}{5} * (\hat{u}_{S,R} - \hat{u}_{S,R-1})$$

Otherwise:

$$u_{S,t} = u_{S,t-1}$$

With:

$u_{S,t-1}$ = actual Short Equity Basket units on the Business Day immediately preceding Business Day t

$\hat{u}_{S,R}$ = target Short Equity Basket units for the current Rebalancing Period, calculated as follows:

If t is the Index Base Date:

$$\hat{u}_{S,0} = \frac{\hat{w}_{S,SD} * I_0}{SB_0}$$

Otherwise:

$$\hat{u}_{S,R} = \frac{\hat{w}_{S,SD} * I_{SD}}{SB_{SD}}$$

With:

$\hat{w}_{S,SD}$ = target weight of the Short Equity Basket determined by the Constituent Stock Determination Agent on the Selection Day immediately preceding Business Day t

SB_0 = Short Equity Basket value on the Index Base Date

I_{SD} = Long-Short Index value on the Selection Day immediately preceding Business Day t

SB_{SD} = Short Equity Basket value on the Selection Day immediately preceding Business Day t

$\hat{u}_{S,R-1}$ = target Short Equity Basket units for the Rebalancing Period immediately preceding the current Rebalancing Period

SB_t = Short Equity Basket value on Business Day t

C_t = cash value on Business Day t, calculated as follows:

If t is the index base date:

$$C_t = I_0 - u_{L,t} * LB_t - u_{S,t} * SB_t$$

Otherwise:

$$C_t = C_{t-1} + (u_{L,t-1} - u_{L,t}) * LB_{t-1} + (u_{S,t-1} - u_{S,t}) * SB_{t-1} - u_{L,t-1} * LB_{t-1} * \frac{r_{t-1} + RS}{360} * DCF -$$

$$u_{S,t-1} * SB_{t-1} * \frac{r_{t-1}}{360} * DCF - \frac{1}{5} * TC_{t-1} * I_{t-1}$$

With:

r_{t-1} = interest rate on Business Day t-1 immediately preceding t

RS = interest rate spread in percent

DCF = number of calendar days between Business Day t-1 (including) and Business Day t (excluding)

TC_{t-1} = transaction cost on Business Day t-1, calculated as follows:

If t-1 is a Rebalancing Day:

$$TC_{t-1} = TC_F$$

Otherwise:

$$TC_{t-1} = 0$$

With:

TC_F = transaction cost on the First Rebalancing Day F of the current month immediately preceding t, calculated as follows:

$$TC_F = \left| \hat{w}_{S,R-1} - \hat{w}_{S,R} \right| * TC^{SB} + \sum_{k=1}^{N_F} \left| \hat{w}_{R-1}^{LB,k} * \hat{w}_{L,R-1} - \hat{w}_R^{LB,k} * \hat{w}_{L,R} \right| * TC^{LB}$$

With

N_F = number of stocks with either $\hat{w}_R^{LB,k} > 0$ or $\hat{w}_{R-1}^{LB,k} > 0$

TC^{LB} = transaction cost of Long Equity Basket, i.e. 5 bps

TC^{SB} = transaction cost of the Short Basket, i.e. 5 bps

$\hat{w}_R^{LB,k}$ = target weight of Basket Component k determined by the Constituent Stock Determination Agent on the Selection Day immediately preceding Business Day t

$\hat{w}_{R-1}^{LB,k}$ = target weight of Basket Component k determined by the Constituent Stock Determination Agent on the Selection Day immediately preceding the Selection Day immediately preceding Business Day t

3.2 Calculation of the Long Equity Basket

3.2.1 Basket formula

The Long Equity Basket is a basket of stocks whose value on a Business Day is equivalent to the sum over all Basket Components of the products of (a) the Number of Shares of the Basket Component and (b) the price of the Basket Component at the respective Exchange.

As a formula:

$$LB_t = \sum_{i=1}^K x_{i,t} * p_{i,t}$$

With:

K = Number of Basket Components on Trading Day t

$x_{i,t}$ = Number of Shares of the Index Component i on Trading Day t, calculated as follows:

If $F < t \leq F + 5$:

$$x_{i,t} = \frac{W_{t,O}^{LB,k} * LB_{t-1}}{P_{i,t-1}}$$

Otherwise:

$$x_{i,t} = x_{i,t-1}$$

$P_{i,t}$ = Price of Index Component i on Trading Day t in the Index Currency

3.2.1 Adjustments

The Basket needs to be adjusted for systematic changes in prices once these become effective. This requires the new Number of Shares of the affected Basket Component to be calculated on an ex-ante basis.

The Basket is adjusted for distributions, capital increases, rights issues, splits, par value conversions and capital reductions.

This procedure ensures that the first ex quote can be properly reflected in the calculation of the Basket. This ex-ante procedure assumes the general acceptance of the Basket calculation formula as well as open access to the parameter values used. The calculation parameters are provided by Solactive AG.

3.2.2 Corporate actions Principles

Following the announcement by a company included in the Basket of the terms and conditions of a corporate action the Index Calculator determines whether such corporate action has a dilution, concentration or other effect on the price of the Basket Component.

If this should be the case the Index Calculator shall make the necessary adjustments to the affected Basket Component and/or the formula for calculating the Basket and/or to other terms and conditions of this document that he deems appropriate in order to take into account the dilution, concentration or other effect and shall determine the date on which this adjustment shall come into effect.

Amongst other things the Index Calculator can take into account the adjustment made by an Affiliated Exchange as a result of the corporate action with regard to option and futures contracts on the respective share traded on this Affiliated Exchange.

3.2.3 Dividends and other distributions

Dividend payments and other distributions are included in the Basket. They cause an adjustment of the Number of Shares of the corresponding Basket Component. The new Number of Shares is calculated as follows:

$$x_{i,t} = x_{i,t-1} * \frac{P_{i,t-1}}{P_{i,t-1} - D_{i,t}}$$

With:

$D_{i,t}$ = Payment on Trading Day t multiplied by the Dividend Correction Factor of the respective country

3.2.4 Capital increases

In the case of capital increases (from the company's own resources or through cash contributions) the new Numbers of Shares are calculated as follows:

$$x_{i,t} = x_{i,t-1} * \frac{P_{i,t-1}}{P_{i,t-1} - rB_{i,t-1}}$$

With:

$rB_{i,t-1}$ = Calculated value of rights issue, calculated as follows

$$rB_{i,t-1} = \frac{P_{i,t-1} - B - DD}{BV + 1}$$

With

B = Price of rights issue, equal to zero if capital is increased from the company's own resources

DD = Dividend disadvantage

BV = Subscription ratio

The last dividend paid or the announced dividend proposal is applied as the dividend disadvantage.

3.2.5 Capital reductions

In the case of capital reductions the new Number of Shares is determined as follows:

$$x_{i,t} = x_{i,t-1} * \frac{1}{H_{i,t}}$$

With:

$H_{i,t}$ = Reduction ratio of the company on day t

3.2.6 Share splits and par value conversions

In the case of share splits and par value conversions it is assumed that the prices change in ratio to the number of shares or to the par values. The new Number of Shares is calculated as follows:

$$x_{i,t} = x_{i,t-1} * \frac{PV_{i,t-1}}{PV_{i,t}}$$

With:

$PV_{i,t-1}$ = Former par value of security class i (or new number of shares)

$PV_{i,t}$ = New par value of security class i (or former number of shares)

3.3 Accuracy

The value of the Index will be rounded to 2 decimal places.

Trading Prices will be rounded to six decimal places.

3.4 Miscellaneous

3.4.1 Recalculation

Solactive AG makes the greatest possible efforts to accurately calculate and maintain its indices. However, the occurrence of errors in the index determination process cannot be ruled out. In such cases Solactive AG adheres to its publicly available [Correction Policy](#).

3.4.2 Market Disruption

In periods of market stress Solactive AG calculates its indices following predefined and exhaustive arrangements set out in its publicly available [Disruption Policy](#).

4. Definitions

“**Index Universe**” in respect of a Selection Day are companies that fulfill the following criteria:

1. MSCI World universe
2. 60-day ADV not within bottom 20% of stocks defined in (1.). MDVs are determined using consolidated trading volumes across multiple exchanges in Germany, Japan, Spain, United States; in all other countries, volumes are measured on one exchange.

“**Basket Component**” is each share currently included in the Long Equity Basket or is going to be added to the Long Equity Basket during the next Rebalancing Period.

“**Short Basket**” is the MSCI World USD Gross Return Index, as published on Reuters under the RIC “.MIWO00000GUS”.

“**Number of Shares**” is in respect of a Basket Component and any given Business Day the number or fraction of shares included in the Basket. It is calculated for any Basket Component as the ratio of (A) the Percentage Weight of a Basket Component multiplied by the Basket value and (B) its Trading Price.

“**Percentage Weight**” of a Basket Component is the ratio of its Trading Price multiplied by its Number of Shares divided by the Basket value.

“**Dividend Correction Factor**” is calculated as 1 minus the applicable withholding tax rate and/or other applicable tax rate currently prevalent in the respective country.

In particular an “**Extraordinary Event**” is

- a Merger
- a Takeover bid
- a delisting
- the Nationalisation of a company
- Insolvency.

The Trading Price for this Basket Component on the day the event came into effect is the last available market price for this Basket Component quoted on the Exchange on the day the event came into effect (or, if a market price is not available for the day the event came into effect, the last available market price quoted on the Exchange on a day specified as appropriate by the Index Calculator), as determined by the Index Calculator, and this price is used as the Trading Price of the particular Basket Component until the end of the day on which the composition of the Basket is next set.

In the event of the Insolvency of an issuer of a Basket Component the Basket Component shall remain in the Basket until the next Rebalancing Period. As long as a market price for the affected Basket Component is available on a Business Day, this shall be applied as the Trading Price for this Basket Component on the relevant Business Day, as determined in each case by the Index Calculator. If a market price is not available on a Business Day the Trading Price for this Basket Component is set to zero. The Committee may also decide to eliminate the respective Basket Component at an earlier point in time prior to the next Rebalancing Period. The procedure in this case is identical to an elimination due to and Extraordinary Event.

An Index Component is “**delisted**” if the Exchange announces pursuant to the Exchange regulations that the listing of, the trading in or the issuing of public quotes on the Basket Component at the Exchange has ceased immediately or will cease at a later date, for whatever reason (provided delisting is not because of a Merger or a Takeover bid), and the Basket Component is not immediately listed, traded or quoted again on an exchange, trading or listing system, acceptable to the Index Calculator.

“**Insolvency**” occurs with regard to an Basket Component if (A) all shares of the respective issuer must be transferred to a trustee, liquidator, insolvency administrator or a similar public officer as result of a voluntary or compulsory liquidation,

insolvency or winding-up proceedings or comparable proceedings affecting the issuer of the Basket Components or (B) the holders of the shares of this issuer are legally enjoined from transferring the shares.

A **“Takeover bid”** is a bid to acquire, an exchange offer or any other offer or act of a legal person that results in the related legal person acquiring as part of an exchange or otherwise more than 10% and less than 100% of the voting shares in circulation from the issuer of the Basket Component or the right to acquire these shares, as determined by the Index Calculator based on notices submitted to public or self-regulatory authorities or other information considered by the Index Calculator to be relevant.

With regard to a Basket Component a **“Merger”** is

- (i) a change in the security class or a conversion of this share class that results in a transfer or an ultimate definite obligation to transfer all the shares in circulation to another legal person,
- (ii) a merger (either by acquisition or through forming a new structure) or a binding obligation on the part of the issuer to exchange shares with another legal person (except in a merger or share exchange under which the issuer of this Basket Component is the acquiring or remaining company and which does not involve a change in security class or a conversion of all the shares in circulation),
- (iii) a takeover offer, exchange offer, other offer or another act of a legal person for the purposes of acquiring or otherwise obtaining from the issuer 100% of the shares issued that entails a transfer or the irrevocable obligation to transfer all shares (with the exception of shares which are held and controlled by the legal person), or
- (iv) a merger (either by acquisition or through forming a new structure) or a binding obligation on the part of the issuer of the share or its subsidiaries to exchange shares with another legal person, whereby the issuer of the share is the acquiring or remaining company and it does not involve a change in the class or a conversion of the all shares issued, but the shares in circulation directly prior to such an event (except for shares held and controlled by the legal person) represent in total less than 50% of the shares in circulation directly subsequent to such an event.

The **“Merger Date”** is the date on which a Merger is concluded or the date specified by the Index Calculator if such a date cannot be determined under the law applicable to the Merger.

“Nationalisation” is a process whereby all shares or the majority of the assets of the issuer of the shares are nationalised or are expropriated or otherwise must be transferred to public bodies, authorities or institutions.

“Exchange” is, in respect of the Basket and every Basket Component, the respective primary exchange where the Basket Component has its primary listing. The Committee may decide to declare a different stock exchange the **“Exchange”** for trading reasons, even if the company is only listed there via a Stock Substitute.

“Stock Substitute” includes in particular American Depository Receipts (ADR) and Global Depository Receipts (GDR).

With regard to a Basket Component (subject to the provisions given above under **“Extraordinary Events”**) the **“Trading Price”** in respect of a Trading Day is the closing price on this Trading Day determined in accordance with the Exchange regulations. If the Exchange has no closing price for a Basket Component, the Index Calculator shall determine the Trading Price and the time of the quote for the share in question in a manner that appears reasonable to him.

A **“Trading Day”** is in relation to the Basket or a Basket Component a Trading Day on the Exchange (or a day that would have been such a day if a market disruption had not occurred), excluding days on which trading may be ceased prior to the normal Exchange closing time. The Index Calculator is ultimately responsible as to whether a certain day is a Trading Day with regard to the Index or an Index Component or in any other connection relating to this document.

A **“Business Day”** is any weekday except Saturday and Sunday.

The **“Index Calculator”** is Solactive AG or any other appropriately appointed successor in this function.

The “**Index Currency**” is USD.

The “**Constituent Stock Determination Agent**” is Axioma, (UK) Ltd. or any other appropriately appointed successor in this function.

“**Market Capitalization**” is with regard to each of the shares in the Basket Universe on a Selection Day or during the Rebalancing Period the value published as the Market Capitalization for this day.

As at the date of this document Market Capitalization is defined as the value of a company calculated by multiplying the number of shares outstanding of the company by its share price.

“**Selection Day**” is the last weekday of each month.

“**Rebalancing Day**” is a Business Day in the Rebalancing Period where all exchanges for all Basket Components are scheduled to be open for Business.

“**First Rebalancing Day**” is the day at least three Business Days after the Selection Day where all exchanges for all Basket Components are scheduled to be open for Business. If the first Business Day of the month is a UK Bank holiday, the First Rebalancing Day is delayed by another Business Day.

The “**Rebalancing Period**” are five Rebalancing Days starting on the First Rebalancing Day (included).

“**Current Rebalancing Period**” means the Rebalancing Period where its Rebalancing Days are either equal to or preceding Business Day t.

“**Interest Rate**” means the Federal Funds Effective rate as displayed on Reuters under the RIC “USONFFE=”.

“**Interest Rate Spread**” means 0.5%.

An “**Affiliated Exchange**” is with regard to a Basket Component an exchange, a trading or quotation system on which options and futures contracts on the Basket Component in question are traded, as specified by the Index Calculator.

A “**Market Disruption Event**” occurs if

1. one of the following events occurs or exists on a Trading Day prior to the opening quotation time for a Basket Component:
 - A) trading is suspended or restricted (due to price movements that exceed the limits allowed by the Exchange or an Affiliated Exchange, or for other reasons):
 - 1.1. across the whole Exchange; or
 - 1.2. in options or futures contracts on or with regard to a Basket Component or a Basket Component that is quoted on an Affiliated Exchange; or
 - 1.3. on an Exchange or in a trading or quotation system (as determined by the Index Calculator) in which a Basket Component is listed or quoted; or
 - B) an event that (in the assessment of the Index Calculator) generally disrupts and affects the opportunities of market participants to execute on the Exchange transactions in respect of a share included in the Index or to determine market values for a share included in the Basket or to execute on an Affiliated Exchange transaction with regard to options and futures contracts on these shares or to determine market values for such options or futures contracts; or
2. trading on the Exchange or an Affiliated Exchange is ceased prior to the usual closing time (as defined below), unless the early cessation of trading is announced by the Exchange or Affiliated Exchange on this Trading Day at least one hour before

(aa) the actual closing time for normal trading on the Exchange or Affiliated Exchange on the Trading Day in question or, if earlier.

(bb) the closing time (if given) of the Exchange or Affiliated Exchange for the execution of orders at the time the quote is given.

“Normal exchange closing time” is the time at which the Exchange or an Affiliated Exchange is normally closed on working days without taking into account after-hours trading or other trading activities carried out outside the normal trading hours; or

3. a general moratorium is imposed on banking transactions in the country in which the Exchange is resident if the above-mentioned events are material in the assessment of the Index Calculator, whereby the Index Calculator makes his decision based on those circumstances that he considers reasonable and appropriate.

5 Appendix

5.1 Contact data

Information regarding the Index concept

Email: ol-ubs-dynamic-strategies@ubs.com

5.2 Calculation of the Index – change in calculation method

The application by the Index Calculator of the method described in this document is final and binding. The Index Calculator shall apply the method described above for the composition and calculation of the Index. However it cannot be excluded that the market environment, supervisory, legal, financial or tax reasons may require changes to be made to this method. The Index Calculator may also make changes to the terms and conditions of the Index and the method applied to calculate the Index, which he deems to be necessary and desirable in order to prevent obvious or demonstrable error or to remedy, correct or supplement incorrect terms and conditions. The Index Calculator is not obliged to provide information on any such modifications or changes. Despite the modifications and changes the Index Calculator will take the appropriate steps to ensure a calculation method is applied that is consistent with the method described above.