

Cyber Security

Benefitting from a **dynamic and growing industry**

Open End PERLES on the Solactive Global Cyber Security USD Index

«e-Crime» causing huge damage

The computer world was rocked by the news, when in 2017, tens of thousands of Windows PCs worldwide were found all at once to be infected by the ransomware «WannaCry», which encrypts computers and demands payment of a ransom for their release. According to Europol, the European criminal investigation authority, the attack was of «unprecedented breadth». And yet it was only one of many, and cyber attacks continue to be conducted with increasing frequency. Cybercrime is in fact exacerbated by such innovations as Industry 4.0, cloud computing and the Internet of Things (IoT). Juniper Research estimates that the total cost of data breaches between the years 2017 and 2022 will reach a staggering 8 trillion US dollars. Losses suffered will vary from company to company, depending on the nature and extent of the attack. It is thus clear that IT security will remain a hot topic.

New trends, increasing security spending

IoT devices are particularly at risk in worldwide digital business. According to a study conducted by the IBM Institute for Business Value, the number of IoT devices will be rapidly rising over the next few years, up to 75 billion by the year 2025, as opposed to only 15 billion IoT-capable devices existing in 2015. This will require great investment in security. Market research firm Gartner estimates that IT security spending on the Internet of Things alone will surge from 1.5 billion dollars in 2018 up to 3.1 billion in 2021. That means an average annual rise of 27.9%.

Global growth

Expenditures are not only rising in the IoT area however – businesses, institutions and governments are taking greater steps to counter future attacks. Laws are being sharpened as well, such as the NIST Framework in the US and the EU Cyber Security Framework, which establish minimum standards for security. Juniper Research has forecast that global cyber security investment will grow by one third by the year 2022, increasing by 134 billion dollars annually.

Cyber security: A broad field

Individuals, businesses and institutions are all exposed to increasing threats from viruses, Trojans and worms. Cyber security



SSPA product type

Tracker certificates (1300)

Currency	Valor	SIX symbol
CHF	42853538	KCFJDU
USD	42853539	KCFKDU

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is crucial for smartphones, computers and entire IT infrastructures. UBS CIO WM differentiates between three lines of virtual defense: Security hardware, software and services. Analysts say that security software makers will benefit particularly. They are enjoying above-average growth prospects, solid margins and a high level of stable revenue.

Modern index methodology

Developments have shown that investors interested in profitable opportunities in this area should be long-term oriented and careful to maintain diversification. One well-diversified investment solution is the Solactive Global Cyber Security USD NTR Index. Companies go through a sophisticated selection process before their shares are included in this international pure play index. Quantitative requirements apply: Companies only come into question if they have a minimum market capitalization of 100 million Canadian dollars¹ at the time of inclusion and average daily trading volume over the past three months of at least 2 million Canadian dollars¹. The index designer has also recognized six IT sub-sectors. Candidates must belong to at least one of them. These include security software for various kinds of networks, colocation and data center services, and IT services for governments. To avoid risk concentrations, the regulations

provide for capping of an individual index component at a maximum of 7.5 percent. To keep the index up-to-date, it is reviewed quarterly in January, April, July and October and the weightings adjusted as appropriate. The Index Committee decides on an ad hoc basis whether adjustment is necessary whenever an exceptional event occurs, such as a corporate acquisition.

¹The selection criteria for the index are denominated in Canadian dollars, in accordance with the index policies. The index itself is calculated in US dollars.

Opportunities

- Pure-play investment: Equity-linked participation in the growth potential of the cyber security industry.
- Objective-focused and transparent index design.
- The index provider, Solactive AG, carefully reviews companies prior to inclusion in the index, which consists exclusively of stocks from six IT sub-sectors.
- Always up to date: Quarterly index review.
- Reinvestment of net dividends of the companies included in the index.
- Tradable every trading day under normal trading conditions.
- No fixed term restriction.

Risks

- Technology stocks may exhibit above-average volatility.
- 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 could lose their investment if the issuer files for bankruptcy.
- The issuer intends to ensure liquidity in normal market phases on trading days. However, investors should realize that they may not be able to buy/sell the product at any point in time.
- As the stocks included in the index may be listed in different currencies and the product does not have any currency hedges, the investor may also be exposed to an exchange rate risk, which may adversely affect the value of the product.
- The issuer has the right to terminate the product if certain conditions are met.

Open End PERLES in CHF

Underlying	Solactive Global Cyber Security USD NTR Index
Conversion ratio	1:1
Management fee	0.75% p.a.
Issue day	17 August 2018
Issue price	CHF 202.45
ISIN	CH0428535386
SIX symbol	KCFJDU

Open End PERLES in USD

Underlying	Solactive Global Cyber Security USD NTR Index
Conversion ratio	1:1
Management fee	0.75% p.a.
Issue day	17 August 2018
Issue price	USD 203.60
ISIN	CH0428535394
SIX symbol	KCFKDU

Investor profile

Solutions for investors with experience in stock market topics and structured products and with a medium to increased risk tolerance who would like to participate in the performance of the equities included in the index at little capital and administrative expense.

For other products and information on opportunities and risks visit: ubs.com/keyinvest

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