

## *High-energy* barometer of infrastructure.



### UBS Open End PERLES on Cushing® 30 MLP TR Index (USD)

#### I. Growing hunger for energy as a basis for business

To date, fossil energy sources have not been bypassed at all. According to the Key World Energy Statistics 2013 from the International Energy Agency (IEA), oil, coal and gas together made up more than 80 percent of the global primary energy mix in 2012. Nothing is set to change in the short term: based on calculations in the Annual Energy Outlook 2014, the IEA expects annual energy consumption in the USA alone to increase by around 12 percent by 2040 compared to 2012. To satisfy the global hunger for energy, IEA calculations in the World Energy Investment Outlook 2013 suggest that investments totaling around 40 trillion US dollars must be made in energy provision globally by 2035. Of this, 23 trillion US dollars will be used purely for the extraction of fossil fuels and their transportation and refinement. (As of: October 6, 2014)

The same applies to the infrastructure companies in the energy sector. Firms engaged in the transport of coal, oil and gas play a key role in this respect. This is particularly the case in the US. Ultimately the biggest economy in the world is highly dependent on ensuring that the various fuels are moved quickly and smoothly from the places where they are drilled or extracted, to refineries and consumers. In 1987 the US government under President Ronald Reagan acknowledged the high importance of energy supplies and laid the legal basis for exchange-listed Master Limited Partnerships (MLPs) which are treated preferentially for tax purposes. By providing the high-cost infrastructure that was required, they also enabled the extraction of shale oil and shale gas to be expanded on a massive scale. The MLP market has now developed into an asset class of its own in the US.

#### II. Master Limited Partnerships (MLPs)

Master Limited Partnerships (MLPs) are exchange-listed companies with two types of partners. Firstly, MLPs provide for fully liable partners (General Partners), who manage the company. Secondly, there are partners with limited liability (Limited Partners), who invest financially in the company. These shares in the ownership of MLPs are traded on stock exchanges.

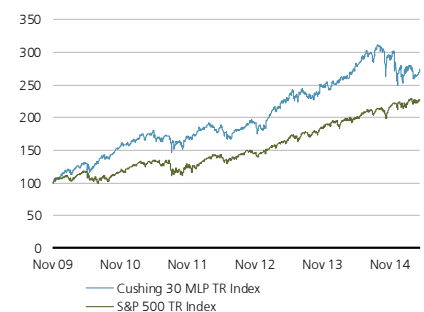
#### SVSP Product type

Tracker certificate (1300)

#### Currency: Valor / SIX symbol

USD: 21169536 / MLPP30

#### Cushing® 30 MLP TR Index vs. S&P 500 TR Index (USD)



As of: April 24, 2015, Source: Bloomberg  
Past performance is not indicative of future performance.

#### 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:

[www.ubs.com/keyinvest](http://www.ubs.com/keyinvest)

### III. Tax advantage granted to MLPs

The US tax authorities accommodate MLPs by not demanding any corporate tax on profits from them. This is an advantage compared to other forms of enterprises since, from an investor's viewpoint, companies in the US are usually subject to double taxation since profits are taxable both on the company level and on the investor level. In the case of MLPs, in contrast, taxes are applied exclusively at the level of the investors. In return, MLPs must distribute a large part of their profits to their owners.

### IV. Business with high certainty of planning

In order to benefit from this special tax treatment, MLPs must engage in an eligible cost-intensive activity such as the creation or maintenance of a functioning infrastructure for energy. Specifically, at least 90 percent of income must originate from an eligible segment of that type. For this reason, many MLPs operate pipelines, fuelling terminals, intermediate storage facilities or processing plants for oil and gas. This means that they are operating in an area of the economy that is growing slowly but steadily.

These service providers belong to the midstream sector of the energy industry. Their sales and profits are linked much more closely to the trend in energy demand than to the prices of energy commodities, as is the case for (upstream) companies that produce crude oil and natural gas, for example. In many cases, midstream companies have long-term transit and supply contracts that often include inflation indexing. Since the transit charges are sometimes regulated by the state, the prospects for the infrastructure companies can usually be forecast relatively well, even in an inflationary environment.

### V. MLP – a successful partnership

The US government's plan to kick start the energy service sector with the launch of MLPs has worked. According to data from the National Association of Publicly Traded Partnerships, a good 100 MLPs are now listed on Wall Street. A large portion of these are partnerships active in the areas of energy and natural resources. As a result of these investments in the infrastructure the US has, for example, been able to increase its production capacity for shale gas and shale oil substantially within a relatively short period of time. (As of: October 6, 2014)

### VI. Cushing@ 30 MLP TR Index (USD)

The Cushing@ 30 MLP TR Index (USD) was developed by Swank Capital, LLC, while the index is calculated and published by Standard & Poor's. The Cushing@ 30 MLP TR Index (USD) comprises an equal weighting of 30 North American energy infrastructure MLPs, which mainly operate pipelines and storage facilities for oil and gas. A proprietary points system developed by Swank Capital, LLC is used to select the index members. It takes into account both qualitative and quantitative aspects using a top-down and bottom-up approach.

The composition of the index is reviewed and, if necessary, adjusted on a quarterly basis, as is the restoration of the equal weighting. As a result of this equal weighting the barometer tracks the MLP sector in a more balanced way than a market-weighted index, for example, since it avoids a concentration on just a few large MLPs.

Company	Weighting
Targa Resources Corp	3.75%
Targa Resources Partners LP	3.70%
EQT Midstream Partners LP	3.63%
MarkWest Energy Partners LP	3.57%
EnLink Midstream LLC	3.51%
Western Gas Partners LP	3.49%
Williams Cos Inc/The	3.46%
Plains All American Pipeline L	3.43%
Tesoro Logistics LP	3.41%
Plains GP Holdings LP	3.40%
ONEOK Partners LP	3.38%
Crestwood Midstream Partners L	3.37%
Williams Partners LP	3.35%
Enterprise Products Partners L	3.31%
DCP Midstream Partners LP	3.30%
Boardwalk Pipeline Partners LP	3.30%
NGL Energy Partners LP	3.30%
MPLX LP	3.29%
Enbridge Energy Partners LP	3.29%
Magellan Midstream Partners LP	3.29%
Energy Transfer Equity LP	3.28%
Sunoco Logistics Partners LP	3.24%
Suburban Propane Partners LP	3.23%
AmeriGas Partners LP	3.21%
Sunoco LP	3.14%
Energy Transfer Partners LP	3.11%
Regency Energy Partners LP	3.10%
Phillips 66 Partners LP	3.08%
Alliance Resource Partners LP	3.06%
EnLink Midstream Partners LP	3.01%

As of: April 24, 2015

Source: Bloomberg (Further information regarding the index are published on [www.swankcapital.com](http://www.swankcapital.com))

## VII. The product solution

UBS Open End PERLES on the Cushing@ 30 MLP TR Index (USD) track the index performance cost-effectively on a one-to-one basis, taking into account the tax-free profit distributions of the index members.

## VIII. Product information

<b>Issuer</b>	UBS AG, London Branch
<b>Underlying asset</b>	Cushing@ 30 MLP TR Index (USD)
<b>SVSP Product Type</b>	Tracker-certificates (1300)
<b>Currency</b>	USD
<b>Issue price</b>	89.05
<b>Conversion ratio</b>	10:1
<b>Management fee</b>	1.50% p.a.
<b>Issue date</b>	12 April 2013
<b>Expiry</b>	Open End
<b>ISIN / Valor / SIX symbol</b>	CH0211695363 / 21169536 / MLPP30

## IX. Opportunities

- UBS Open End PERLES enable investors to participate in the performance of the Cushing@ 30 MLP TR Index (USD).
- MLPs benefit at present from special tax treatment by the US government, which currently has a favorable effect on index prices.
- Any distributions by the MLPs are reinvested fully in the index.
- High certainty of planning, since MLPs operating in the area of energy infrastructure generally have predictable income streams through long-term transit and supply contracts that are often inflation-indexed.
- MLPs usually have lower volatility compared to equities of conventional commodities companies, since they are normally less dependent on commodity price fluctuations.
- Transparent target-oriented index concept without limited maturities, with quarterly review of the index, provides accurate long-term tracking of the most important MLPs in the US energy infrastructure segment.

## X. Risks

- No capital protection: investors bear the risk of losing the capital invested.
- MLPs bear a regulatory risk. A regulatory change in the treatment of MLPs and its distributions can lead to a price loss of the MLPs and thus of the index.
- No currency hedging: possible changes in the currencies in which the equities of the index members are traded against the trading currency of the certificate can have a negative impact on the certificate value.
- The issuer intends to provide for trading liquidity in normal market phases on trading days (over the counter). The sale of a certificate, however, may not always be possible at any given time.
- Each investor bears the general risk that the financial situation of the issuer may worsen. In the event that the issuer becomes insolvent, the products are direct, unsecured and subordinated liabilities of the issuer.
- The issuer has the right to call the certificate under certain circumstances.

## XI. Contact

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