Knowledge

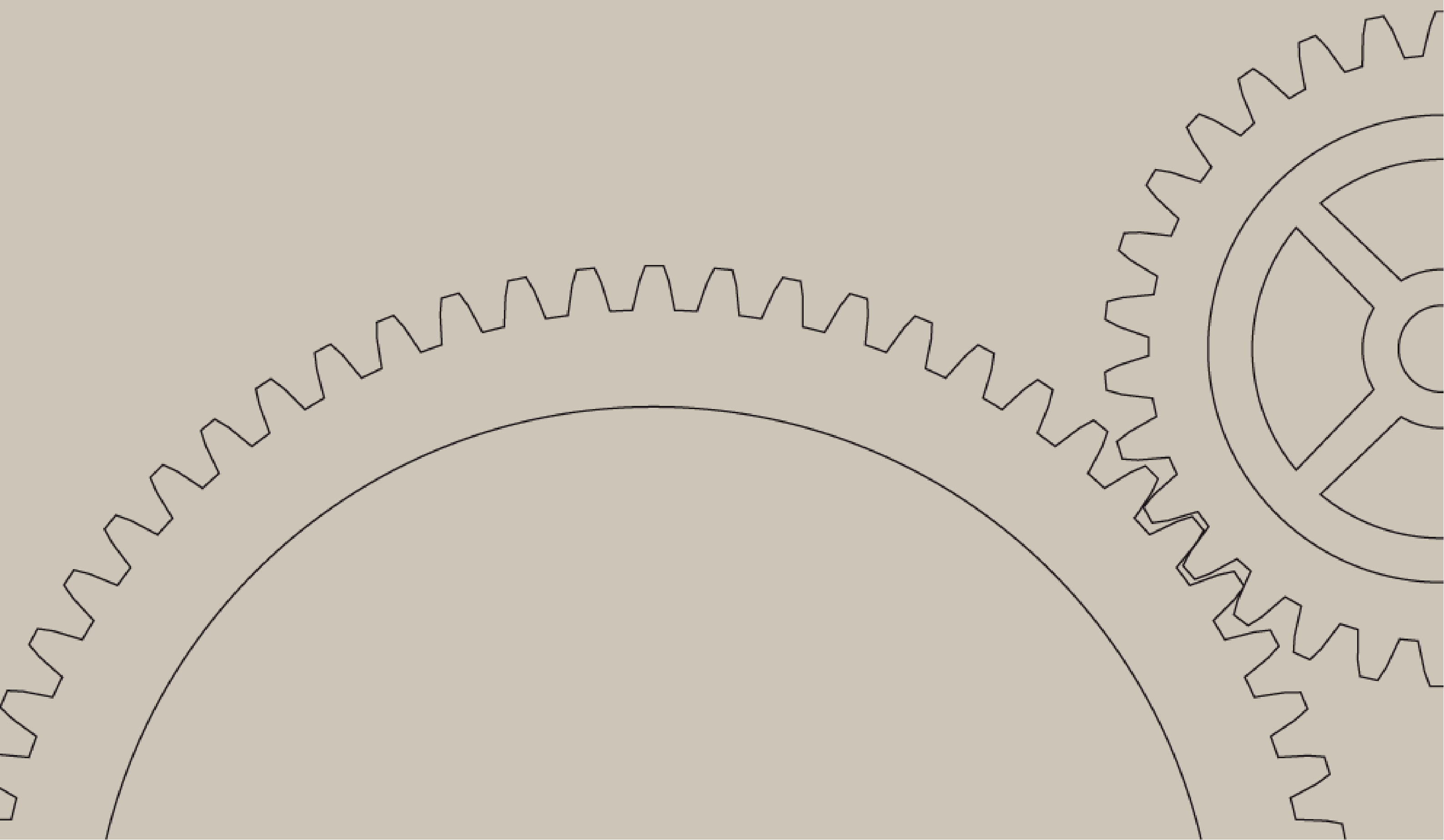
in a nutshell

For UBS marketing purposes – Swiss edition

UBS Structured Products
for more options

UBS

Table of contents.
Modern instruments for obtaining your goals.

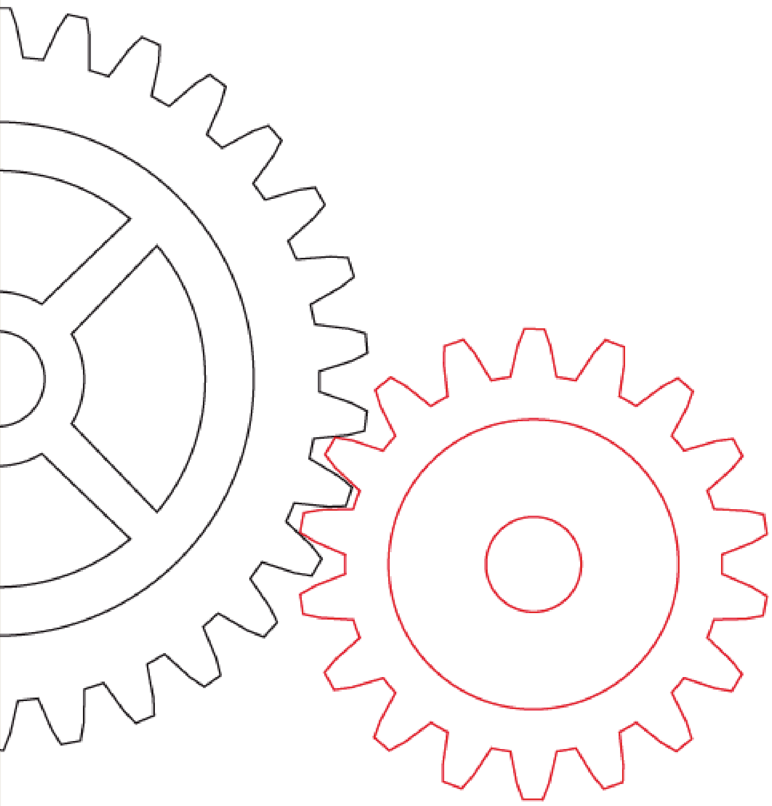


Foreword.

This brochure aims to give you a general insight into the world of structured products. Nevertheless it does not represent a comprehensive description of all criteria and risks that need to be taken into account when purchasing a product of this kind. Before concluding a transaction you should read the product-specific documentation carefully and bear in mind the principles outlined in the "Special risks in securities trading" brochure. In addition, you should seek adequate advice on legal, fiscal, financial and accounting-related matters in connection with structured products and make your purchase decision (including an assessment of whether a specific product suits your needs) according to your own judgment and on the basis of the advice provided by the specialists consulted by you.

Structured products are characterized by their flexibility and efficiency. They enable private investors to access a wide variety of asset classes and subjects that were only available to institutional investors for a long time. The brochure outlines the various types and possible applications of structured products as well as the risks and opportunities associated with them. All explanations are illustrated by means of specific product examples and place a wealth of additional information at your fingertips.

First, however, the brochure will take a look at how things were in the past. Here you will discover that structured products are anything but a short-lived, modern-day brainchild. The origins of these investment vehicles date back to way before our times.

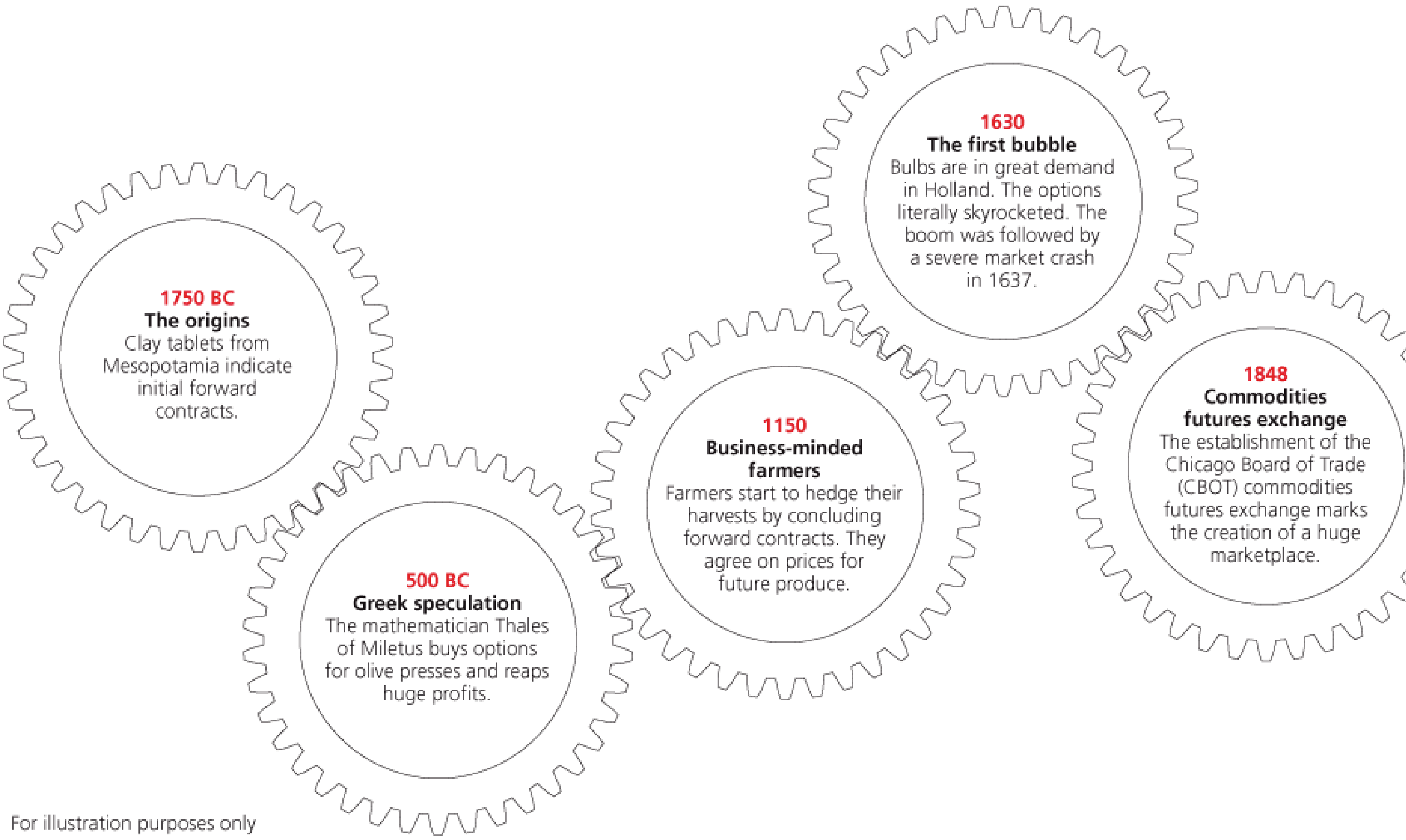


Modern financial investment
with a long tradition.

All structured products are based on forward contracts. These involve a bilateral agreement concerning the purchase or sale of certain commodities. The transaction is not executed immediately following conclusion, but at a later point in time. Forward contracts have a long tradition. Clay tablets from Mesopotamia indicate that forward contracts were concluded long before our times. In 500 BC, the mathematician Thales of Miletus pulled off a veritable coup: In anticipation of a bumper olive crop, he stocked up on options on oil presses early on in the year. To understand the background, we should explain that options are a kind of forward contract. Here the option buyer acquires the right (but not the obligation) to decide whether he wishes to conclude the transaction agreed with the option seller on predefined terms. Such transactions are also referred to as a "contingent forward contract" in connection with options. The terms of an option include the underlying asset, the price, the quantity and the maturity. Thales of Miletus proved successful with his option transaction. When the farmers really did bring in an enormous harvest, olive presses were in great demand. The mathematician exercised his options – he acquired the presses, in other words his underlying asset, at the low, previously agreed price and sold them to the olive farmers at a vast profit. Ancient Greece thus saw the birth of the futures market.

Forward trading was to go down in history again many centuries later in 1630. When Dutch breeders started to crossbreed different varieties of tulip to create kaleidoscopic floral wonders out of previously monochrome blooms, the tulip soon became the new cult object. Rare breeds of tulip bulbs were soon traded like equities on the Dutch exchanges. Thus it was possible to buy an option for the

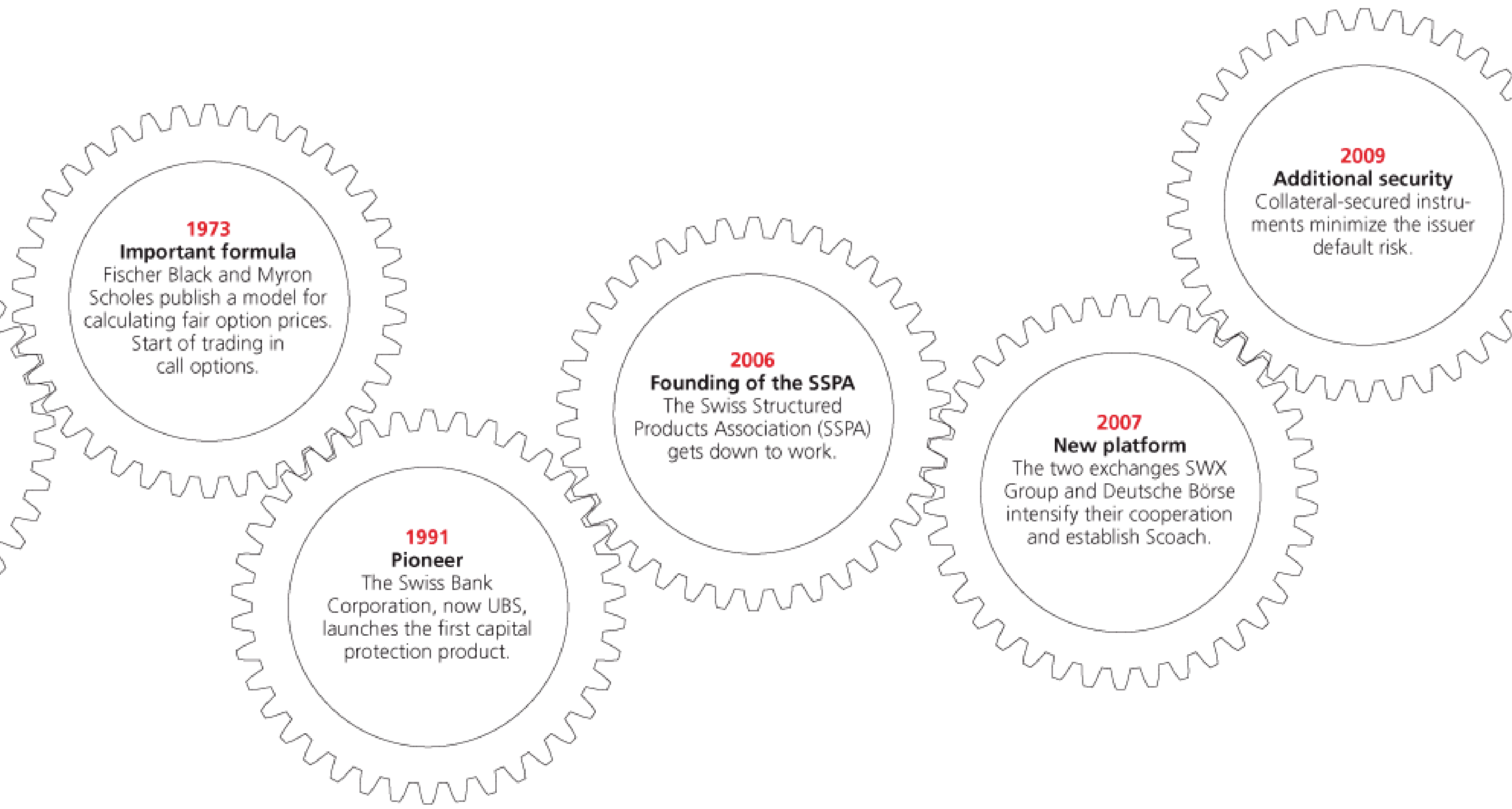
A journey through the history of the world of derivatives and structured products



For illustration purposes only

desired tulip variety entitling the buyer to receive a certain quantity of bulbs at a specific price upon expiry of three, six or nine months. The options were in great demand and their value increased rapidly. However, a short time later extensive profit taking promptly caused prices to return to normal, thus correcting the overheated market.

However, unlike options (contingent forward contracts), unconditional forward contracts include the obligation and the actual exchange of goods. Such transactions serve to manage risks: Farmers have always sold their harvests for future delivery, in order to hedge potential fluctuations in price. This allows them to rest assured that the other contracting party will buy the agreed quantity at the previously agreed price at the agreed point in time. The buyers in such forward contracts always included and still include companies from the food industry. Such contracts help them to plan their costs, since they have a clear calculation basis for future expenditure (commodity purchases) before it is incurred. The first futures market eventually came into being in the Japanese city of Osaka around the end of the 17th century. A future is a standardized, unconditional forward contract that is traded at a futures exchange. Buyers and sellers trade on a platform that is based on standardized contractual norms. Founded in 1848, the Chicago Board of Trade (now trading as CME Group) is today regarded as a global epicenter for futures trading in agricultural products.



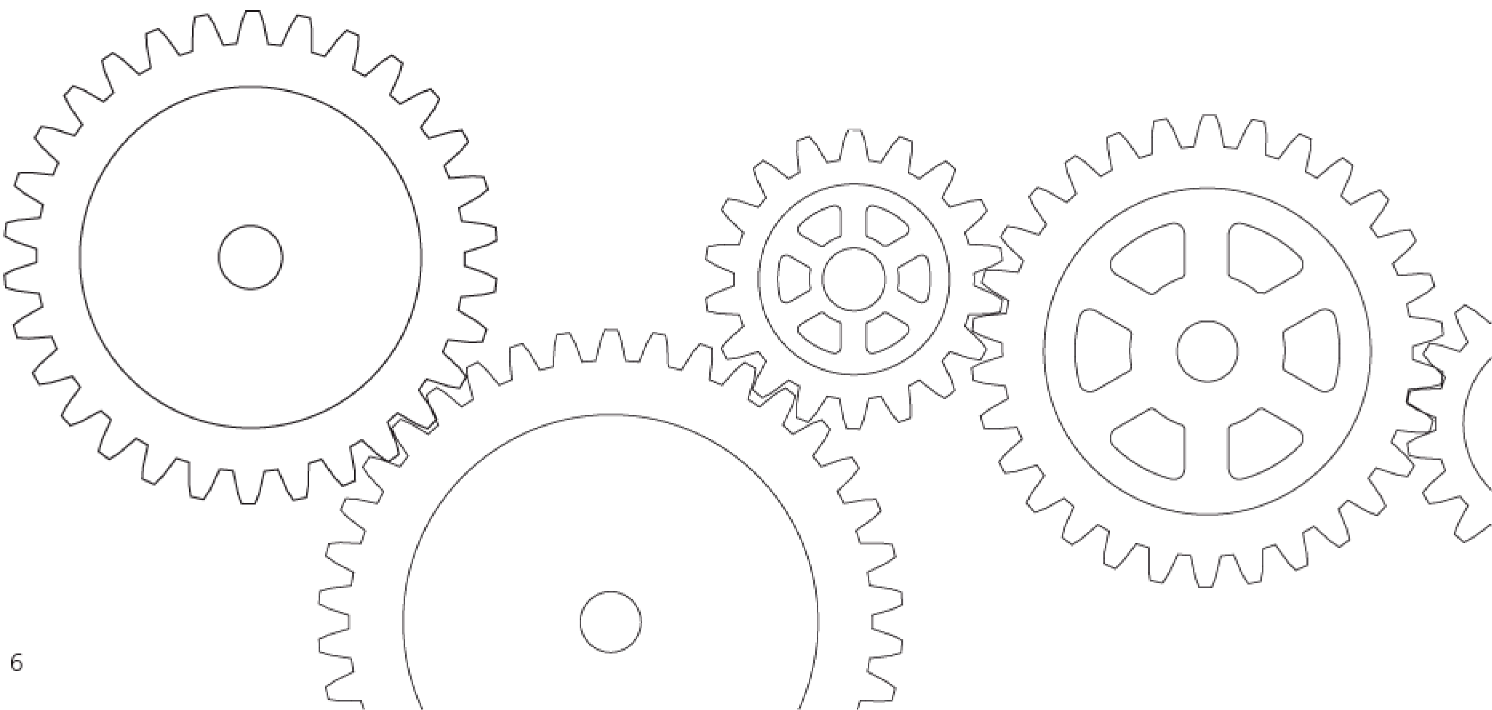
It took until well into the 20th century before options also became viable for private investors. The decisive breakthrough was made by the financial economists Fischer Black and Myron Scholes. In 1973, they presented a model with which they were able to calculate the fair price of an option. Based on this revolutionary scientific paper and constantly increasing IT performance and capacities, it has been possible to continue the success story of structured products up to the present day. Structured products represent the combination of various product components, including for example the aforementioned options.

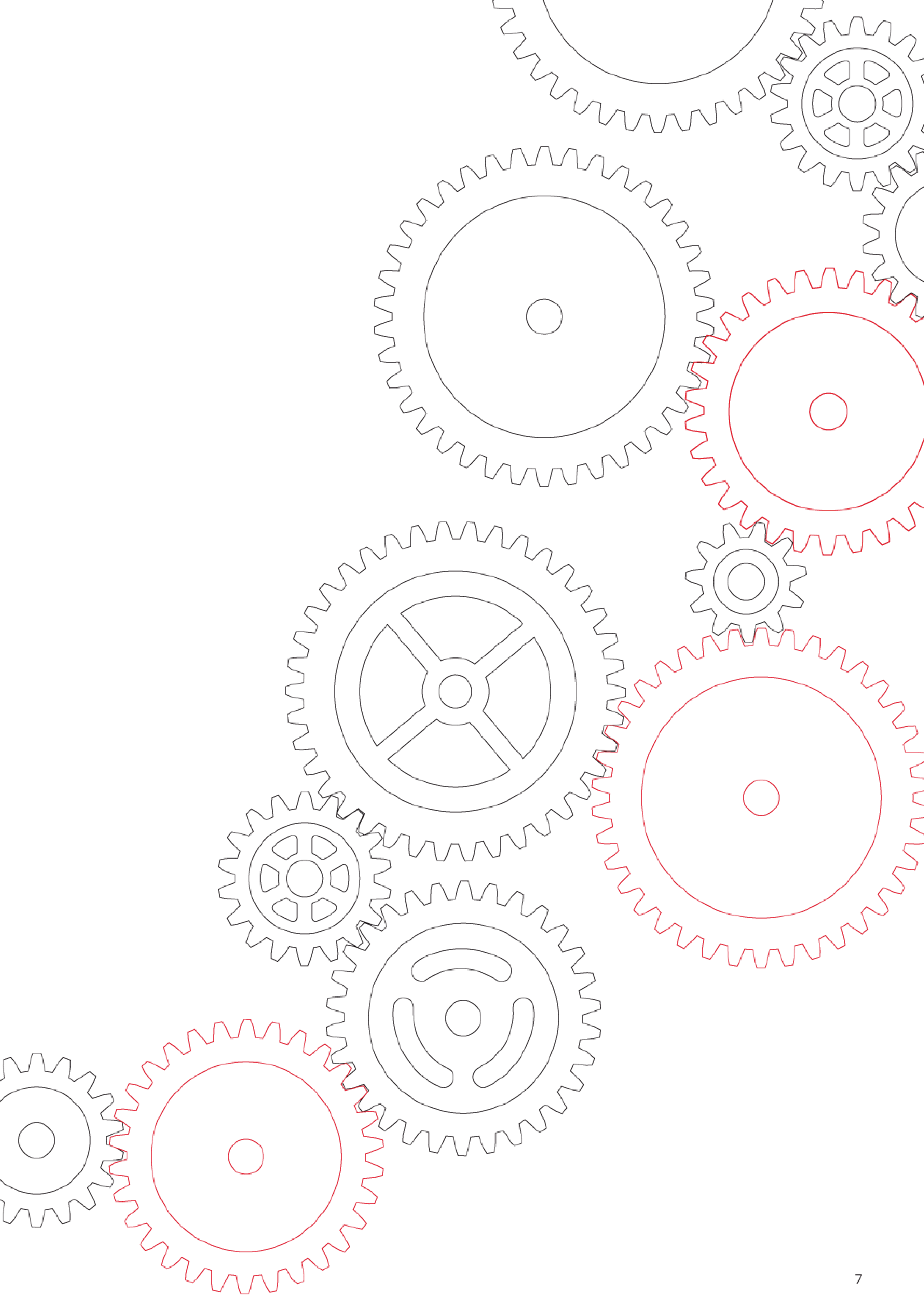
Owing to the many possible variations and the high degree of flexibility, it is possible to put together a solution to suit virtually any investment needs. You will learn more about this in the course of this brochure. The first fully electronic derivatives exchange was also an important turning point. The Swiss Options and Financial Futures Exchange, SOFFEX for short, began life in Zurich in 1988. Three years later, the Swiss Bank Corporation (now UBS AG) launched the first structured product in Switzerland, with the issue of the GROI (Guaranteed Return on Investment), a capital protection certificate.

What is a structured product?

Structured products are among the fastest-growing financial vehicles. They are regarded as innovative yet complex. Structured products derive their name from the fact that they are made up of a variety of different elements. They are always based on an underlying asset, for example an equity, a bond, an index, foreign exchange or commodities such as gold, copper, crude oil or sugar. With the aid of one or more derivative instruments, the right or obligation arises to buy or sell the underlying asset or some other asset at specific terms. These derivative instruments are referred to as derivatives (a word with a Latin root).

The most well-known forms of derivatives include options or futures. The financial experts use one or several derivatives to make up the structured product. They determine how and on what terms the returns generated by this combination are to be paid out. Thanks to the many possible variations, they are able to take into account specific client needs and structure a solution suitable for any risk profile and market expectation. From a legal perspective, structured products are what are referred to as bearer debt instruments. Here, the investors assume the role of the creditor, while the issuer acts as the debtor. As with conventional bonds, it is also necessary in this connection to take into consideration the issuer's default risk.





Structured products –
a flexible all-rounder.

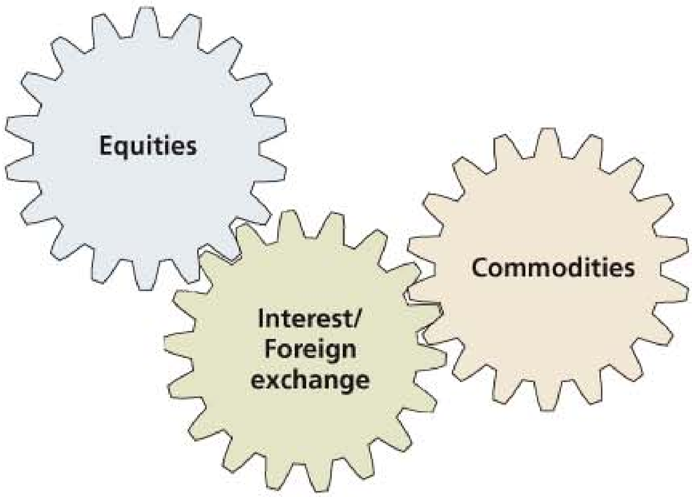
Timing is always everything

In our globally networked world, speed is of the essence. Success is only possible if you are flexible and able to react promptly. This is all the more true of the capital market, since trends can occasionally emerge virtually overnight. Structured products have a clear edge over many other forms of investment in this regard. The conception of a new product – from the initial idea to the issue – can be implemented rapidly, in most cases within the space of only a few days. Issuers have always responded promptly to current market changes, subjects and trends. Structured products therefore not only enable investors to implement long-term strategies, but also to make tactical use of short-term market opportunities.

Speed is essential not only when it comes to the issue process; trading in the products must also be quick and trouble-free. Under normal market conditions, exchange-listed structured products are traded in a liquid manner throughout the entire term until maturity.

Today it might be gold that forms the current trend on the capital market, tomorrow it could be the emerging markets, and a week later energy commodities. While this may be somewhat of an exaggeration, investment trends do often emerge overnight. Developments need to be understood rapidly. UBS helps you do so with its individual and capital market-oriented structured products.

Short procedure, rapid effect



For illustration purposes only

Nowadays it is possible to invest in current investment trends simply and conveniently using structured products.

1. Idea and design
2. Subscription and sale
3. Regular trading

Market efficiency

Countless opportunities
Globalization has changed the world with lasting effect. Political and economic boundaries are a thing of the past. In the 21st century, trade flows span all continents and cultures. This development has also impacted financial investment. The choice of investments has long since ceased to be restricted to domestic securities or savings vehicles. Today, you can invest your capital in countless markets and asset classes. In this regard, structured products are an ideal companion. They give private investors access to areas that were hitherto only available to professional investors. With the aid of individual investment solutions, structured products enable simple and efficient access to the global capital markets. But that is not all. These modern investment vehicles also allow you to invest in specific subjects and strategies.

Investing in a market with a single transaction
A single transaction is often enough in order to make a broadly diversified investment in a specific asset class. Take the Swiss Market Index (SMI) for instance: With the help of a tracker certificate, you can, for example, participate in the price movements of the 20 largest Swiss blue chips and thereby simply and cost-effectively participate in the development of the domestic equity market.

In addition, this investment is ideally scalable. A glance at the state of the SMI is enough for you to be able to see how your position has developed. The same also applies in the commodities segment. Structured products make diversified participation in the price movement of oil, grain and similar commodities possible.

Equity markets – at the heart of the economy
The large equity markets with familiar leading indexes like the S&P 500, EURO STOXX 50, NIKKEI 225 or Swiss Market Index (SMI) have become a widely noted benchmark for the development of the corresponding national economies. At the same time, in addition to the established exchanges of Western industrialized nations, newcomers from emerging countries such as Brazil, Russia, India and China are coming to the fore. According to data published by the World Federation of Exchanges, the exchanges in the Asia-Pacific region outperformed Europe in 2009 in terms of equity trading volumes. Irrespective of the market or region in which you would like to invest, structured products allow you to include a wide variety of investment regions in your portfolio.

Whether in the daily newspapers, on TV or online, investors are confronted with a daily glut of information. In this regard, the talk is often of megatrends. The so-called "emerging markets" are also among the most commonly cited bywords. This term stands for so-called emerging countries that are currently experiencing rapid economic growth thanks to the effects of globalization, technical progress and, in some cases, a vast wealth of mineral resources. This development is headed by the so-called BRIC countries, comprising Brazil, Russia, India and China.

The BRIC states: a synonym for growth

Under the acronym **BRIC**, Brazil, Russia, India and China have become a byword for emerging growth markets. The most important common factor of this foursome is their strong economic growth. However, the four nations do not only produce cheap goods for the global market or export commodities; due to growing domestic prosperity, they are now also demonstrating considerable growth potential at home. Economists predict that the BRIC countries will supersede today's developed economic powers within only a few decades.

Forecast gross domestic product (GDP) development until 2050

Position 2009	Country	GDP in USD bn.
1	USA	14 256
2	Japan	5 068
3	**China**	**4 909**
4	Germany	3 347
5	France	2 649
6	Great Britain	2 175

Position 2050	Country	GDP in USD bn.
1	**China**	**51 180**
2	USA	37 876
3	**India**	**31 313**
4	**Brazil**	**9 235**
5	Japan	7 664
6	**Russia**	**6 112**

Source: World Bank, PWC; as of: July 2011

Commodities – a booming but tricky market
Trading in natural resources has a long tradition. Clay tablets from Mesopotamia show that commodities were traded as long ago as 1750 BC. In recent years, the price behavior of commodities like crude oil, gold or industrial metals has attracted considerable public interest. The prices of many commodities have multiplied, especially due to the rising demand from the emerging economies – above all those of China and India. For example, investors are starting to focus on precious metals. As a result, the prices of some precious metals have risen sharply in recent years. Investors are also beginning to hone in on energy commodities as investment goods.

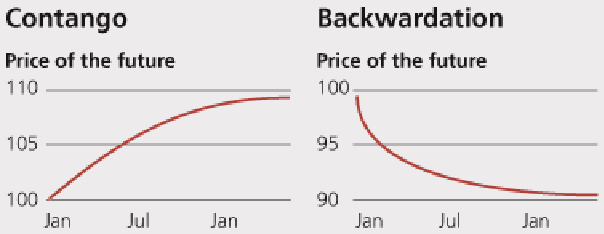
In practice, the lion's share of commodities trading takes place via futures contracts. This means commodity traders buy or sell so-called futures that represent fixed commitments to deliver or purchase the commodities in question at a specific point in time in the future. Futures are standardized contracts that are traded on futures exchanges. Physical delivery of the commodities traded under commodity futures normally takes place on maturity. It is here at the latest that things start to get difficult. After all, very few investors are likely to want to actually take delivery of the goods. For instance, the crude oil future traded at the Intercontinental Exchange (ICE) relates to 1,000 barrels or roughly 160,000 liters of oil. Given the immense transport and storage costs involved, any physical handling of commodities would be virtually impossible for private investors.

It is here that structured products offer an intelligent way for investors to benefit from developments on the commodities markets, however without any actual commitment to physically supply or purchase the commodity in question. Corresponding structured products are now available for many commodities and commodities indexes.

Contango or Backwardation?

Anyone trading in commodities will often base their transaction on a financial future. Liquid futures contracts usually have a term until maturity of only a few months. In order to avoid physical delivery, open contracts must therefore be replaced accordingly by new ones from time to time (before the delivery date). This procedure, referred to in technical jargon as "rolling over", permits commodity investments without limited maturities. Irrespective of the current development on the commodities market, the exchange of futures can however influence the value of an investment. Roll-over effects occur as soon as the price of the newly envisaged futures contract deviates from the selling price resulting from the sale of the maturing future. Roll-over effects can therefore have a positive or negative impact on the performance of the investment in question. Whether roll-over gains or losses accrue depends on the prevailing market situation.

The term **"Contango"** describes a situation in which the futures prices of an asset with a delivery date in the future are higher than spot prices for the same asset. A switch to the next, higher-priced contract is therefore more expensive. Storage and insurance costs can, for example, lead to commodities with a delivery date in the future being more expensive than at the current point in time. The opposite applies if the future is subject to what is referred to as **"Backwardation"**. This means that the future forward rates are below the current price that would be due in the case of immediate delivery. This makes roll-over gains possible. Following the roll-over procedure, the investor now holds more contracts than before at the same value. Backwardation occurs if the market values the immediate availability of a commodity higher than a subsequent delivery. The reason for this could be supply bottlenecks, for example.



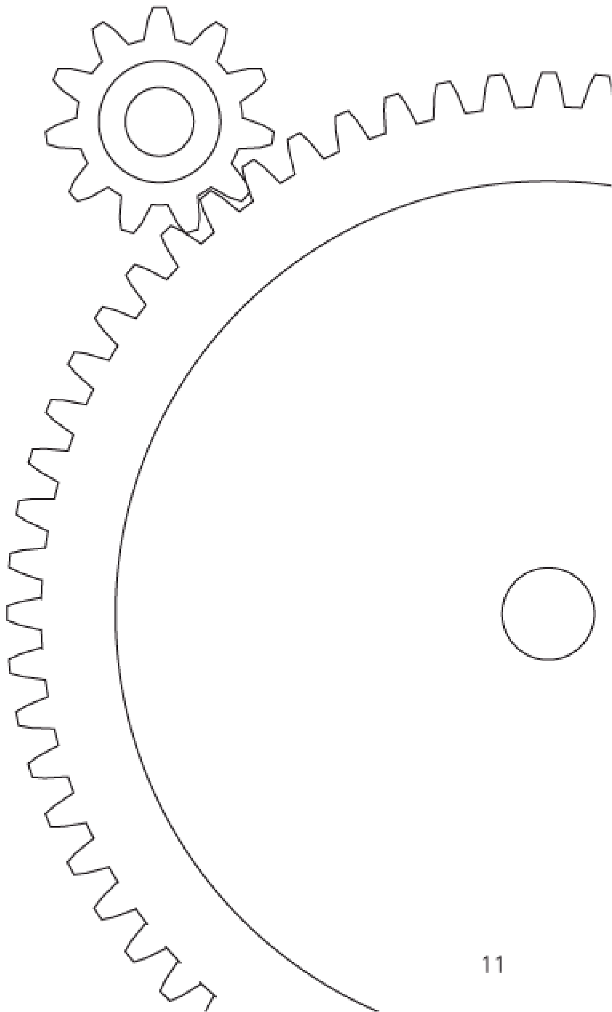
For illustration purposes only

Interest and currency investments round off the portfolio

Structured products also offer you an efficient way to access the asset classes of interest/bonds and foreign currencies. Trading in bonds is among the oldest segments of the capital market. Bonds were traded in Lombardy as early as the 13th century. The first liquid bond markets emerged in Amsterdam and London. Since the 1980s the number of companies issuing bonds has increased drastically. Fixed income securities have meanwhile become a fundamental part of institutional portfolios – especially at insurance companies and pension funds, but even as collateral for financial market transactions. The market structure of the bond markets is fairly fragmented owing to the wide variety of attributes as far as debtor solvency, maturity and product characteristics are concerned. With bonds, we generally distinguish between three major debtor segments: government debtors – in other words countries like Switzerland, Germany or the USA – which are referred to as "Sovereigns"; debtors with an implied guarantee from a state or community of states including organizations such as the European Investment Bank EIB or the World Bank ("Supranationals"), for example; and finally companies ("Corporates").

The market segments are traditionally subdivided into the money and the bond markets: The former focuses on maturities of up to one year. The key interest rates for financing or investment in the short-term money market are known as LIBOR rates (e.g. CHF LIBOR or EURIBOR). The "London Interbank Offered Rates" (LIBOR) are an international benchmark based on which banks can borrow or lend funds from or to other banks on the market. Using the wide variety of available structured products it is also easily possible to focus on specific interest rate markets with regard to individual investment needs. The term "bond market" refers to bonds with a maturity of in excess of one year. The bond issuer is referred to as the debtor. It owes the creditor the agreed interest as well as the repayment of the par value upon maturity. Debtors can also include states like Switzerland ("Confederation"), Germany ("federal bonds") or the USA ("US Treasuries").

The exchange rate relations between the various states are attracting increasing attention. The developments on the foreign exchange markets are of course relevant for all investors investing outside of their domestic currency. Meanwhile it is also possible to use structured products to specifically invest in certain anticipated developments on the foreign exchange markets without any difficulty. Investors can therefore even use structured products to map macroeconomic investment strategies in their portfolios.
If, for example, a national economy performs at an above-average level, this generally also helps revalue the respective currency of the country concerned compared to the currencies of other economically weaker states. Likewise, fiscal deficits and the level of the prime rate can also influence the exchange rate development of a country or economic area.



Whether a bull or bear market – precise implementation of market expectation

Those wishing to invest their money in the capital markets face the same dilemma. When is the ideal time to enter the market? As no-one can say for certain when this might be, investors automatically take a risk when they purchase an equity, because the investment would only be worthwhile if share prices increase. But equities, like other asset classes, don't just move in one direction; they can trend upwards, downwards and even sideways. There has been a significant increase in fluctuation since the turn of the millennium. While the volatility barometer VIX stood at 18.8 percent on average during the 1990s, it had risen to 23.1 percent during the first decade of the new millennium. During the bursting of the New Economy bubble in 2001 to 2003 and the 2008 financial crisis, the fluctuation margin soared to historic peak values. Thus, for example, the VIX index gained just under 500% within the space of just five months. In other words, finding the right time to enter the market is becoming increasingly difficult.

The right product at the right time

It is in the nature of investors to prefer to invest in rising markets. With structured products this is possible in a wide variety of different ways. Depending on the investors' risk appetite, UBS offers a variety of different options. Tracker certificates, for instance, are an ideal solution for investors seeking a simple way to invest in rising markets.

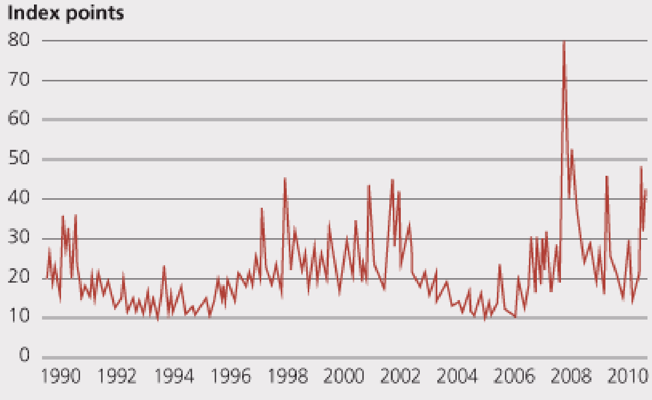
However, pinning one's hopes exclusively on rising prices isn't always a good idea. Especially during periods of market stagnation, investments that primarily benefit from rising prices are usually destined to fail. Structured products from the "yield optimization" segment come into their own in situations like this. The catchword here is using opportunities to improve earnings during periods when the markets are trending sideways. The clear benefit is the chance to generate attractive earnings opportunities in markets that are trending sideways or even slightly downwards. This means that attractive earnings can be achieved even if the underlying asset is stagnating, thus enabling a genuine excess return compared to a direct investment.

As already described above, recent years have shown that prices can also plummet. With structured products it is also possible to generate earnings in a "bear market". With tracker short certificates, for example, it is possible to act on a negative view of the market, because the value of this product increases if the price of the underlying asset should fall.

VIX – the nervousness benchmark.

The VIX volatility index illustrates the anticipated fluctuation margin of the world's most important share index, the S&P 500. The index is calculated on the basis of option prices. A higher index value indicates a restless market, whereas low quotations signify less volatile price fluctuations. The VIX and S&P 500 usually display opposing trends.

VIX development from Jan. 1990 to Sept. 2011



Source: Bloomberg; as of September 13, 2011
For illustration purposes only

Individual solutions for all kinds of investors

In principle, the investment strategy should be tailored to the investor's personal circumstances. It is often possible to derive the financial goals from the investor's personal goals in life. This can then also be used to deduce the individual's risk appetite. For instance, investors who wish to start investing money upon completing their training or studies often favor higher returns while at the same time accepting higher risks. But their risk appetite may also change once they decide to start a family. After all, they will need to give increasing thought to the future cost of educating their children. Once it comes to well-earned retirement, the focus often tends even more to security and the preservation of the capital they have worked so hard for. The primary goals are to ensure that the savings last as long as possible or to actually go on that long-awaited world tour. Regardless of your personal circumstances, it is important to bear in mind the entire portfolio when making an investment decision. Only the right combination of return and security will enable you to maintain your personal risk-return profile. This also applies to the maturities of the various products. An optimized combination will enable you to achieve the best possible results here too.

Before taking an investment decision, you should be clear in your mind about your own personal risk appetite, market expectations and goals. Not every product is suitable for every investor. The UBS advisory system pursues a clear four-point approach here. First the needs and financial goals are determined, and then a suitable solution is sought and ultimately implemented.

When making an investment, upside potential should not be the sole basis for your decision. An investment's returns and risks are always inextricably linked. Higher upside potential is generally also associated with higher risks. Before taking any investment decisions it is therefore essential that you determine your personal risk-return profile first.

The UBS client experience

For illustration purposes only

Risk preferences at a glance

Low risk preference

Investors with a low risk tolerance regard security as their top priority when investing. Nevertheless, this rather conservative type of investor would still like to participate in the opportunities on the capital market at least partially. In this regard, his most important current sources of income are interest and dividend income, supplemented by low capital gains. Potential price fluctuations in his defensive investments should be as low as possible. Capital preservation is generally of primary importance to this rather conservative type of investor.

Moderate risk preference

This type of investor pursues a moderate investment strategy and in this connection would like to achieve a long-term increase in the value of his investments. Due to his moderately higher risk appetite, investments that – as previous experience has shown – demonstrate moderate and hence slightly higher fluctuations in price or value while at the same time offering greater opportunities are suitable for him. For this reason the moderate type of investor favors a balanced combination as far as his risk-return profile is concerned. The most important current sources of income are interest and dividend income, supplemented by capital gains.

High risk preference

This type of investor's primary goal is to generate considerable long-term growth in the value of his investments. In so doing, he pursues an aggressive investment strategy geared towards generating above-average returns. The risk-oriented individual also implements his strategy ad hoc and is at the same time willing to accept increased fluctuation margins. His principal sources of income include capital gains, normally supplemented by nominal current interest and dividend income returns.

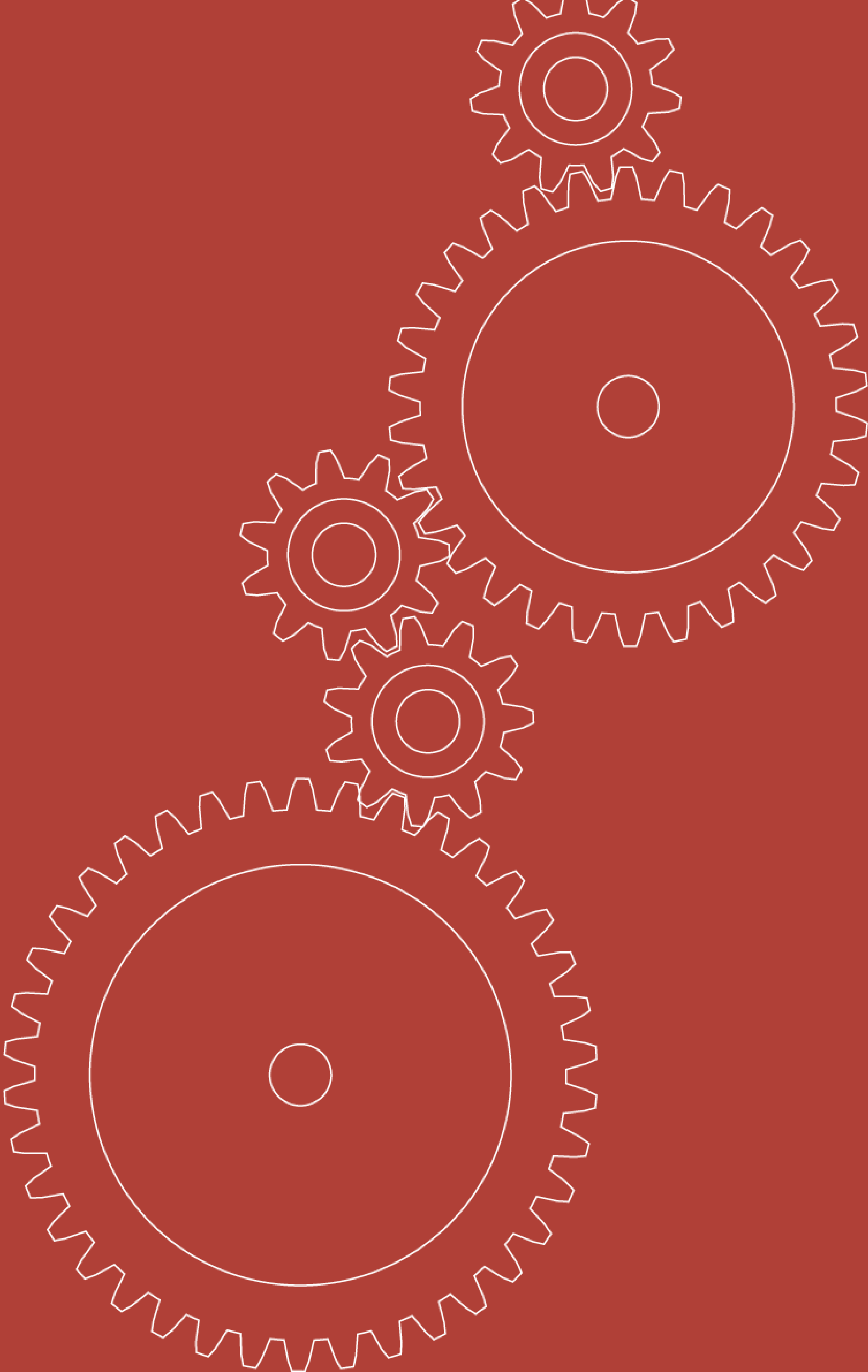
Investors differ in the way they think, feel and act. Individual investment strategies are therefore necessary in order to be able to accommodate needs in line with risks and opportunities. Regardless of whether the investor demonstrates a low, moderate or high risk preference, the overall package comprising the investor profile and product must add up in the context of the overall portfolio. The general rule for financial products is: The greater the potential for returns, the higher the risk. UBS offers perfectly tailored solutions for all investment objectives and any risk appetite.

At a glance

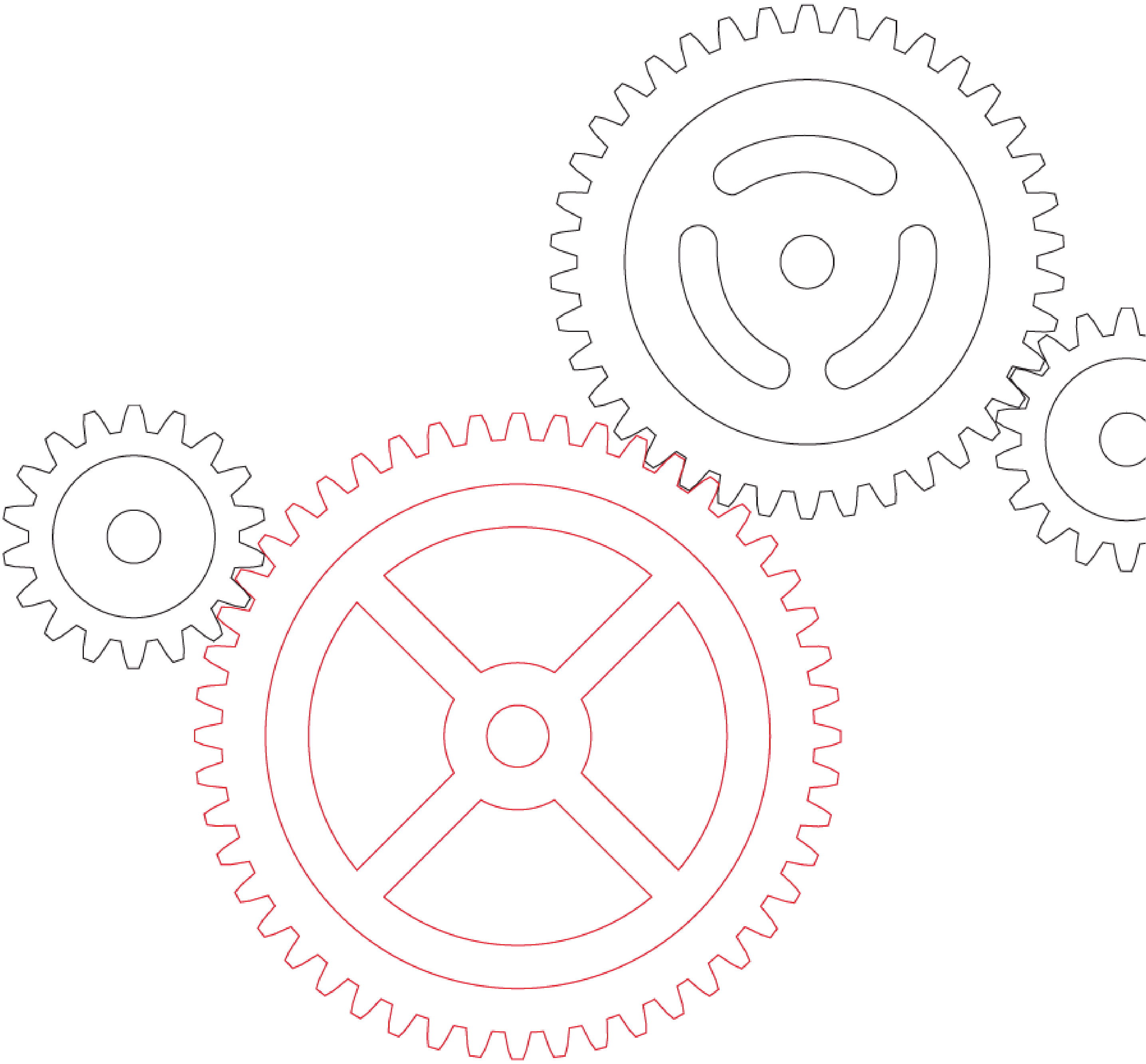
Key strengths of structured products:

Flexible Any market expectation can be realized	**Individual** The right product for any type of investor
Comprehensive Access to a wide range of markets, subjects and asset classes	**Liquid** The products can be purchased and sold at any time under normal market conditions

For illustration purposes only

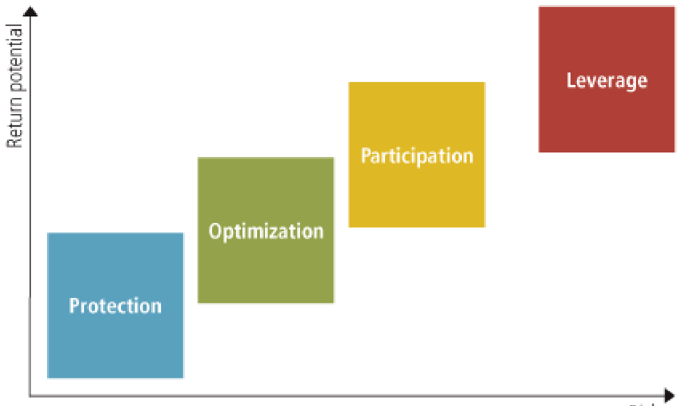


First-hand
tailored solutions.

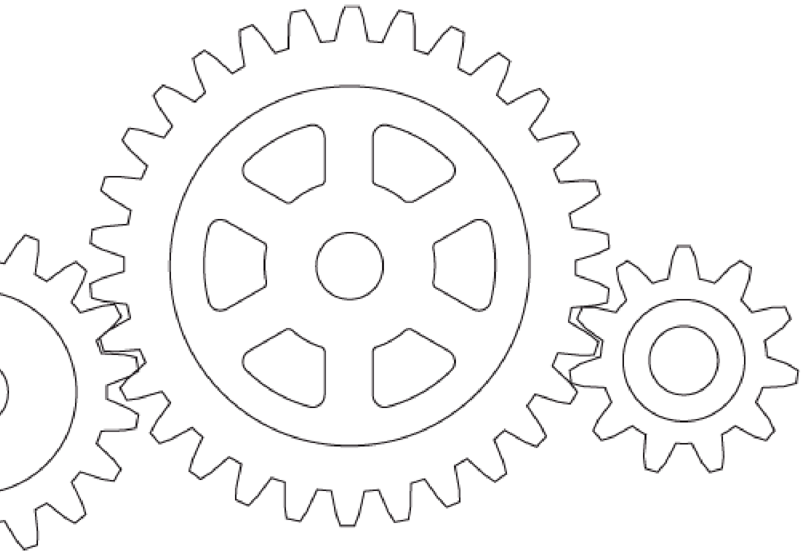


Individual solutions for all kinds of investors

UBS has subdivided the structured products into the following main categories, in a clear and easy-to-understand form: Protection, Optimization, Participation and Leverage. The starting point for the allocation is the relationship between a product's earning potential and risk. In this regard, the categorization ranges from more defensive protective products to the higher-risk leverage securities. A specific color code (from blue "Protection" to red "Leverage") provides you with a visual aid to help you find your way around the dynamic environment in no time.



For illustration purposes only



SSPA risk indicator

With the aid of the SSPA risk indicator, investors are able to estimate the systematic risk of a structured product. The indicator is based on the value-at-risk (VaR) method. Investments are divided into a total of six risk categories. A category 6 investment is associated with the greatest risk, whereas category 1 implies the lowest risk.

Risk Class	Risk Perception	Comparable to
1	low	Money Market, Deposits
2	moderate	Bonds
3	medium	Mixed Portfolio Bonds/Shares
4	increased	Blue Chips
5	high	Small/Mid Caps, Emerging Markets
6	very high	Options (Leverage products)

Source: Swiss Structured Products Association (SSPA)

Investment objective – Protection

The recurring periods of market volatility in recent years have increased many investors' need for security. The "Capital Protected Note" (CPN) is one of the best-known and at the same time oldest structured products. This is a product from the "Protection" category. The Swiss Structured Products Association (Schweizer Verband für Strukturierte Produkte – SSPA) lists these products in the "capital protection" category.

Capital protection products are the most defensive form of structured products and are therefore suitable for investors with a low to moderate risk tolerance. One thing that all products of this kind have in common is that they all endeavor to achieve high or complete protection of the nominal amount. This normally relates to the value at maturity. This means the investor receives a minimum repayment at maturity. During the term until maturity, the structured product may, however, be quoted at below the capital protection level. The capital protection at maturity ranges between 90 and 100% of the nominal amount, depending on the product features. The issuer risk is excluded from capital protection. If the issuer defaults, protective products may be subject to losses as with conventional bonds. The upside potential of "Capital Protected Notes" is also attractive: If the price of the underlying asset rises, investors participate in the gain according to the predefined participation rate. Depending on the product features, average, above-average or below-average participation is possible. At the same time, the capital protection level and participation rate are usually linked. If, for example, investors select a higher level of capital protection, this is normally at the expense of the participation rate.

By far the largest product range offering the best capital protection is in the interest rate segment. In the case of the Callable Daily Range Accrual Note (CDRAN), for instance, the coupon payments are not known in advance and are therefore variable. These are contingent upon the number of days the underlying money market interest rate was quoted within the predefined bandwidth during the coupon period. Depending on the number of days that this condition is recorded as having been met, this product can result in higher yields than a traditional bond.

Example
Callable Daily Range Accrual Note (CDRAN) on the 3-month USD LIBOR

A CDRAN, for example, is based on the 3-month USD LIBOR. For each day during which the money market interest rate is quoted within the defined bandwidth of 0% to 5% p.a. during a relevant interest period, investors receive pro rata interest amounting to 5.125% p.a. on the interest payment date. The variable interest payments accumulated using this method are distributed to the investor on a quarterly basis. The repayment of the nominal amount is 100% protected on the (early or regular) repayment date.

Detailed product features are available in writing in the term sheet, which is amended periodically. Please also take particular note of the relevant risk warnings.

The SSPA lists this product under "Capital Protection with Coupon" (1140).
SSPA risk classification: 1 2 3 4 5 6

Callable Step-Up Notes (CSUN) are another popular investment vehicle. CSUN – just like the CDRAN – offers attractive coupon opportunities that can be above those of conventional bonds. With a CSUN, the investor gets a bond with coupon payments that rise incrementally as this term progresses. The nominal amount is 100% protected on the early or regular repayment date.

Example
CHF Callable Step-Up Notes (CSUN)

In the case of the CHF Callable Step-Up Note, the annual interest payments are already fixed upon issue. For example, from an initial 2.00% p.a., the coupons increase annually by 0.1% up to 2.60% p.a. The CHF Callable Step-Up Note offers investors an attractive alternative to traditional interest or money market offers. The repayment of the nominal amount is 100% protected on the (early or regular) repayment date.

Detailed product features are available in writing in the term sheet, which is amended periodically. Please also take particular note of the relevant risk warnings.

The SSPA lists this product under
"Capital Protection with Coupon" (1140).
SSPA risk classification: 1 **2** 3 4 5 6

Opportunities and risks

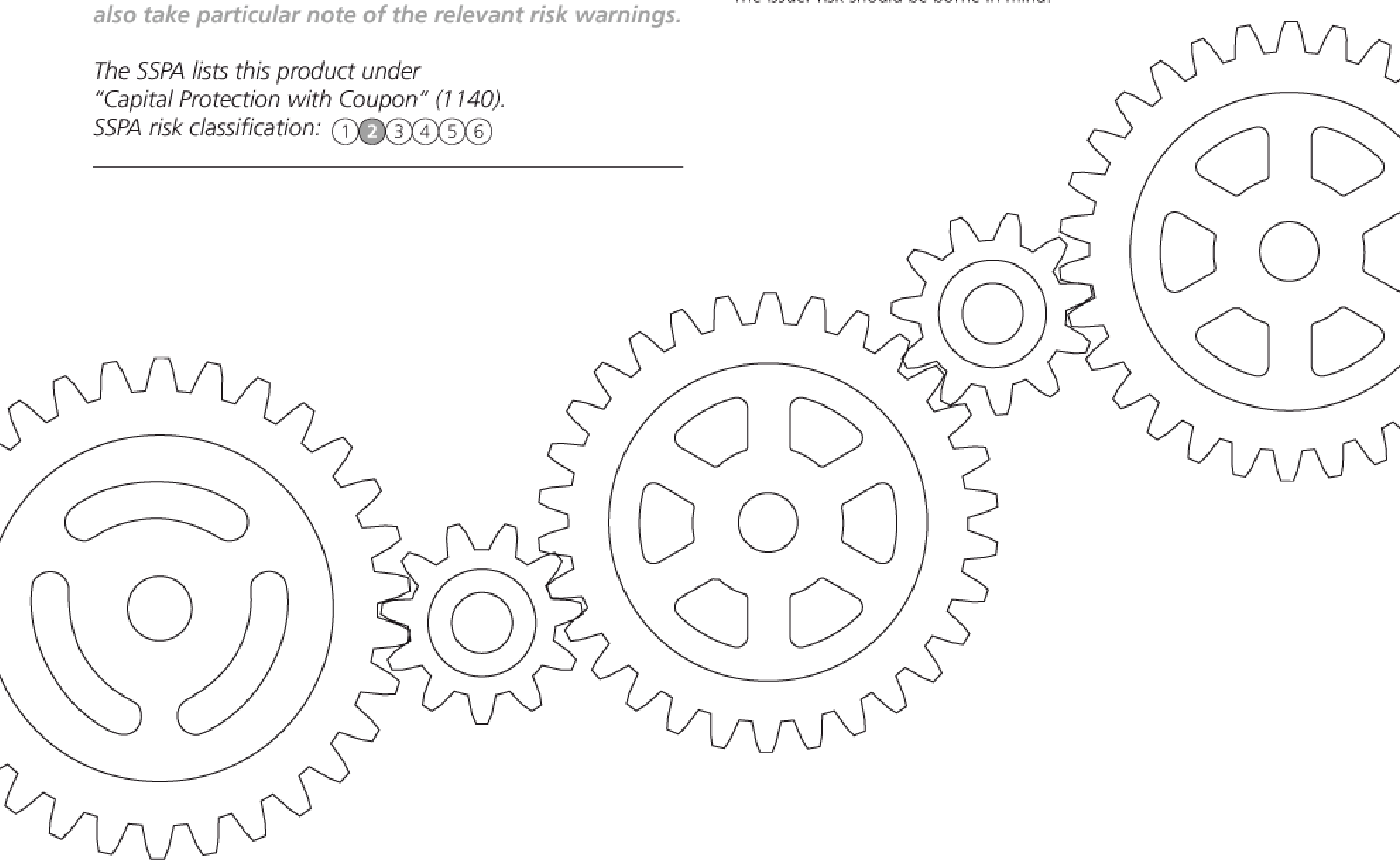
+
- Participation in performance potential or increased coupon opportunities compared to conventional bonds
- High or full capital protection*

–
- Capital protection only takes effect at maturity
- Fluctuations are possible during the term until maturity
- Partial reduction of opportunities in favor of greater protection

Popular UBS products

- Capital Protected Notes (CPN)
- Callable Step-Up Notes (CSUN)
- Callable Daily Range Accrual Notes (CDRAN)
- Floating Rate Notes (FRN) / Fixed Rate Notes

* The issuer risk should be borne in mind.



Investment objective – Optimization

The right investment strategy is the cornerstone of any efficient investment. But what happens if the markets are stuck in a sideways trend? With the right structured products you can optimize your portfolio and consequently your profit prospects. Under its "Optimization" category UBS offers products for investors with a moderate to high risk tolerance who wish to get more out of their investment portfolio during markets that are tending sideways.

GOAL (Geld-Oder-Aktien-Lieferung, German for "cash or share delivery") is the name of the structured products which are among the most popular UBS investment vehicles owing to their high-opportunity structure. These are generally referred to as "reverse convertibles". With GOALs it is necessary to distinguish between the payment of the coupons and the repayment of the capital. You receive the attractive coupons at regular intervals irrespective of the price development of the underlying asset. However, the return opportunities are not for free. Whether or not the nominal amount is repaid in full upon maturity depends on the underlying asset. The repayment amount depends on the price development of the underlying asset. If, for example, the price of an equity is at or above the predefined base price ("strike") at maturity, the nominal amount will be returned to you in cash. If, however, the price of the equity is below the strike price, you will receive either the predefined cash equivalent or equities depending on the type of product involved. In this case, a loss will be incurred if the paid coupons are unable to compensate for the negative price development. As with all structured products, the issuer risk should also be borne in mind here. If the issuer defaults, losses must be taken into account as with conventional bonds, irrespective of the performance of the underlying asset.

In contrast to GOALs, Kick-In GOALs also offer a safety buffer: If the underlying asset fails to reach or falls below a defined loss threshold during the term to maturity, 100% of the nominal amount will be repaid at maturity in addition to the last coupon. Otherwise, the Kick-In GOAL behaves identically to a conventional GOAL.

Example

Kick-In GOAL on ABB

The Kick-In GOAL relates to the industrial holding company ABB. The investor receives a regular, fixed coupon payment amounting to 7.11% p.a., irrespective of the performance of the underlying share price. If the ABB share price remains above the price threshold of CHF 11.69 (70% of the strike price) for the entire term until maturity, the investor will receive 100% of the nominal amount at maturity.

If a so-called Kick-In event occurs, the Kick-In GOAL behaves identically to a conventional GOAL: If the closing price of the ABB shares at maturity is quoted at or above the strike price again, the investor will be repaid 100% of the nominal value in cash at maturity.

However, if the closing price is quoted below the strike price, the investor's portfolio will be credited the number of ABB shares fixed upon issue according to a defined subscription ratio. In this case, a loss will be incurred if the price loss generated by the share is no longer compensated by the periodically paid coupons.

Detailed product features are available in writing in the term sheet, which is amended periodically. Please also take particular note of the relevant risk warnings.

The SSPA lists this product under "Barrier Reverse Convertible" (1230).
SSPA risk classification: 1 2 3 **4** 5 6

Over the course of time, a wide variety of forms and types of product have emerged in the "Optimization" category. For example, Kick-In GOALs are similar in nature to discount certificates. With its discount certificates or BLOCs (Buy Low Or Cash), UBS offers investments at a discount. The granted discount acts as a safety buffer or return benefit compared to a direct investment in the underlying assets. As is also the case with the GOAL products, the earning potential is limited to a certain maximum. This makes these structures especially suitable when the markets are moving sideways, and compared to direct investment offers the chance to improve earnings.

Example
BLOC on Zurich Financial Services

A BLOC (Discount Certificate) gives investors a head start. This is because the product provides an initial discount on the price of the underlying asset. However, investors must pay for this benefit by accepting a cap on profits. For example, a BLOC on the equity of Zurich Financial Services features a discount of 14.55% and a maximum return of 16.94% p.a. upon issue. This is achieved if the underlying Zurich Financial Services equity's quote is at least at the cap level of CHF 169.95 at maturity. In this case, investors receive a cash repayment amounting to the cap level. If the closing price at maturity is quoted below the cap level, the investor will in this case receive the equities at a subscription ratio of 1:1. A loss will be incurred if the discount granted initially is no longer able to compensate a possible depreciation.

Detailed product features are available in writing in the term sheet, which is amended periodically. Please also take particular note of the relevant risk warnings.

The SSPA lists this product under "Discount Certificate" (1200).
SSPA risk classification: 1 2 3 4 5 6

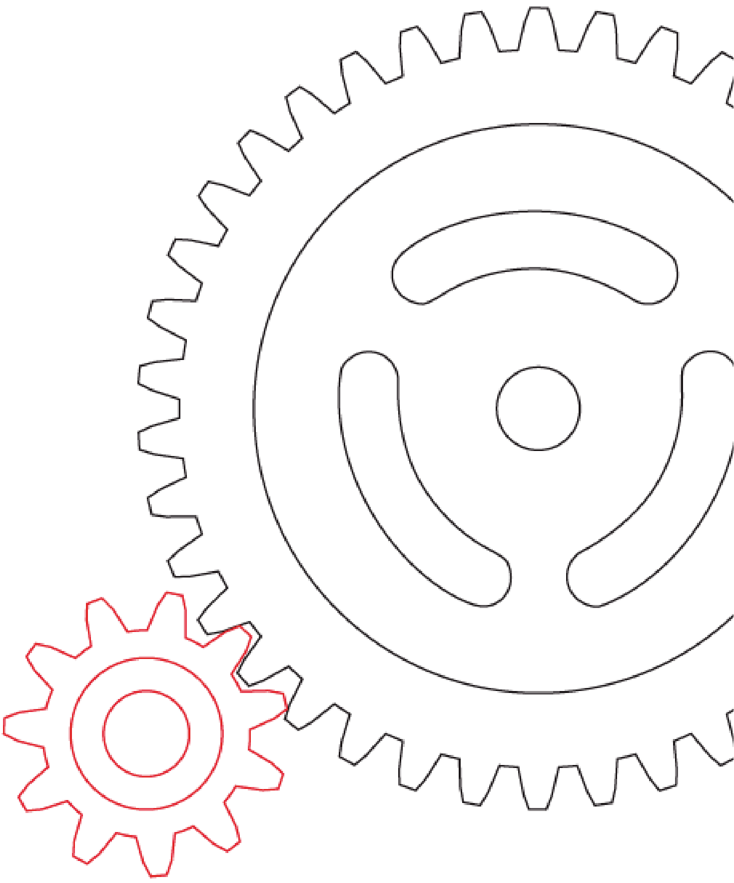
Opportunities and risks

\+
- Optimization of returns when the markets are moving sideways
- Outperformance possible compared to direct investment
- Possible safety buffer offers partial protection

–
- No capital protection
- Risk of loss in the event of deviations from market expectations
- Limited upside potential

Popular UBS products

- GOAL ("Geld-oder-Aktien-Lieferung")
- Kick-in GOAL
- BLOC (Buy Low or Cash)
- DOCU (Double Currency Unit)
- Express Certificate



Investment objective – Participation

Products from the "Participation" category are suitable for investors with a moderate to high risk tolerance who wish to participate in the price development of an individual equity, market or market segment with a minimum of effort. Many investors would like to participate fully in the performance of a diversified portfolio without restriction. It is, however, very difficult and relatively expensive for private investors to buy into individual parts of an index, for instance.

With the "Participation" asset class, UBS is meeting the demand for simple and efficient access to a broadly diversified investment. Tracker certificates such as PERLES, Exchange Traded Commodities (ETCs) or Exchange Traded Trackers (ETTs) in particular enable full and unlimited participation in the performance of an index or a basket of specific individual equities or indices. UBS offers tracker certificates on a wide variety of underlying assets.

This enables investors to not only map the performance of the share indexes virtually identically, but even strategic subjects such as commodities, alternative investments or dynamic investment strategies, for instance. In addition, with its "Leveraged PERLES", also known as outperformance certificates, UBS offers investors the opportunity to benefit from the underlying asset's upside to an above-average and unlimited degree upwards of a predefined price level (the so-called strike level). The investor participates 1:1 in potentially negative price developments (as with a conventional PERLES), without any above-average participation in potential losses.

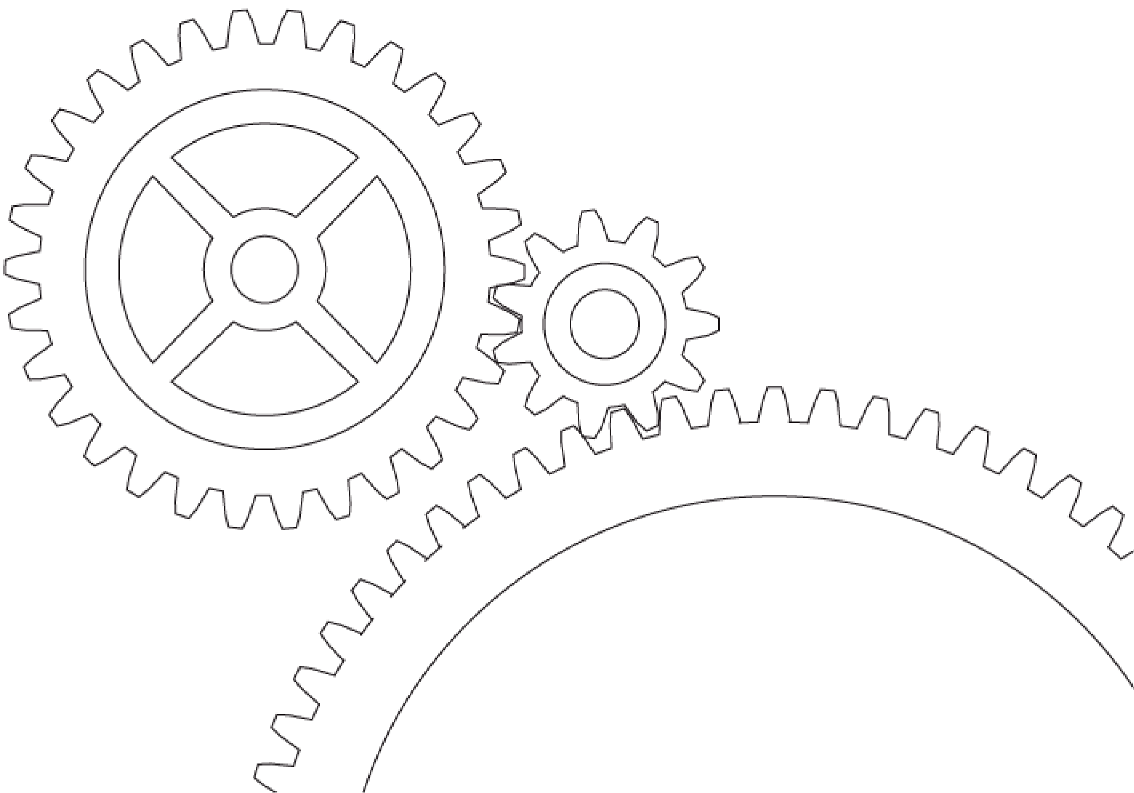
Example

Exchange Traded Tracker (ETT) on the SMI Total Return Index

For example, by buying an Exchange Traded Tracker on the Swiss benchmark index SMI, investors count on a positive development of the 20 largest groups in Switzerland. An ETT maps the price development of the underlying asset in question 1:1. Since the selected underlying asset is a so-called "total return alternative", the dividends of the relevant index members (companies) benefit the product. Moreover, the ETT ensures adequate portfolio diversification, enabling investors to make a broadly diversified investment in the entire index without any difficulty with just a single transaction. A further benefit is the product's unlimited term. This enables the holding period to be tailored individually to the investor's personal preferences.

Detailed product features are available in writing in the term sheet, which is amended periodically. Please also take particular note of the relevant risk warnings.

The SSPA lists the product under "Tracker Certificates" (1300)
SSPA risk classification: 1 2 3 **4** 5 6



Of course, direct 1:1 participation even in potentially falling prices isn't necessarily everyone's cup of tea; certain investors are very reluctant to dispense with a safety buffer. After all, especially when the markets are trending sideways, investors should allow for falling prices too. In this case, a safety buffer can provide a certain degree of protection against unpleasant consequences. Known as "PERLES Plus", UBS offers a product that offers a minimum repayment provided that a predefined price threshold is not reached or overstepped at any time during the term until maturity. This allows investors to hedge against depreciation up to a certain limit. And the best thing is that despite this partial hedge, the product offers the full upside potential. However, the contingent capital protection will lapse if the price reaches or falls below a kick-out level during the term until maturity, and the repayment depends on the price development of the underlying asset, as with traditional PERLES. Investors participate 1:1 in both potential price gains as well as potential price losses. The SSPA lists PERLES Plus under "Bonus Certificates" (1320).

As with all structured products, the issuer risk should also be borne in mind with participation products. If the issuer defaults, losses must be taken into account as with conventional bonds, irrespective of the performance of the underlying asset.

Example
PERLES Plus on Novartis (kick-out level 70%)

A PERLES Plus, also known as a bonus certificate, enables full and unlimited participation in the performance of an underlying asset (in this case, the Novartis share price). A minimum repayment of 110% of the initial value occurs if the Novartis equity does not reach or fall below the predefined threshold of 70% of the initial value at any time during the product term. If the price reaches or falls below this barrier during the term until maturity, the PERLES Plus behaves just like a conventional tracker certificate and the investor participates in both potential gains and losses of the Novartis equity 1:1.

Detailed product features are available in writing in the term sheet, which is amended periodically. Please also take particular note of the relevant risk warnings.

The SSPA lists this product under "Bonus Certificates" (1320).
SSPA risk classification: 1 2 3 **4** 5 6

Opportunities and risks

+
- Simple and efficient way to benefit from a market or trend
- Unlimited upside potential
- Limited protection of the nominal amount possible (safety buffer)
- Minimum payment possible when the markets are moving sideways

–
- No capital protection
- Risk of loss in the event of deviations from market expectations

Popular UBS products

- PERLES/Exchange Traded Commodities (ETC) / Exchange Traded Trackers (ETT)
- Leveraged PERLES
- PERLES Plus
- Money Market Certificates / Bonds Basket Certificates

Investment objective – Leverage

Leverage products permit investments in rising or falling markets with little capital expenditure. The above-average participation in price changes in the underlying asset is particularly appealing to speculative investors. Leverage products are transparent, exceptionally efficient and are an increasingly popular modern trading instrument. Leverage products are ideal for investors wishing to benefit to an above-average extent and at the same time flexibly from the trends on the capital markets. Products in this category allow investors to increase their upside potential to an above-average extent by enabling them to benefit far more from an anticipated price movement in the underlying asset than they would by investing directly in the underlying asset in question. This makes it possible to exploit even relatively small exchange movements effectively. However, since the leverage has an analogous effect in the event of losses, those investing in leverage products should have a distinctly high risk appetite and sufficient experience.

Depending on their preferences and strategy, investors have a variety of different products at their disposal. In addition to traditional warrants, the UBS product range is complemented by special alternatives like Mini Futures. As with all leverage products, the multiplier function is both a risk and an opportunity at the same time. This is because the leverage works both ways: It can multiply profit, but can also increase the impact of falling prices – including even the risk of a total loss. Owing to the considerable risks, only experienced investors should use leverage products.

The issuer risk also needs to be borne in mind with leverage products. If the issuer defaults, leverage products may be subject to losses irrespective of the performance of the underlying asset.

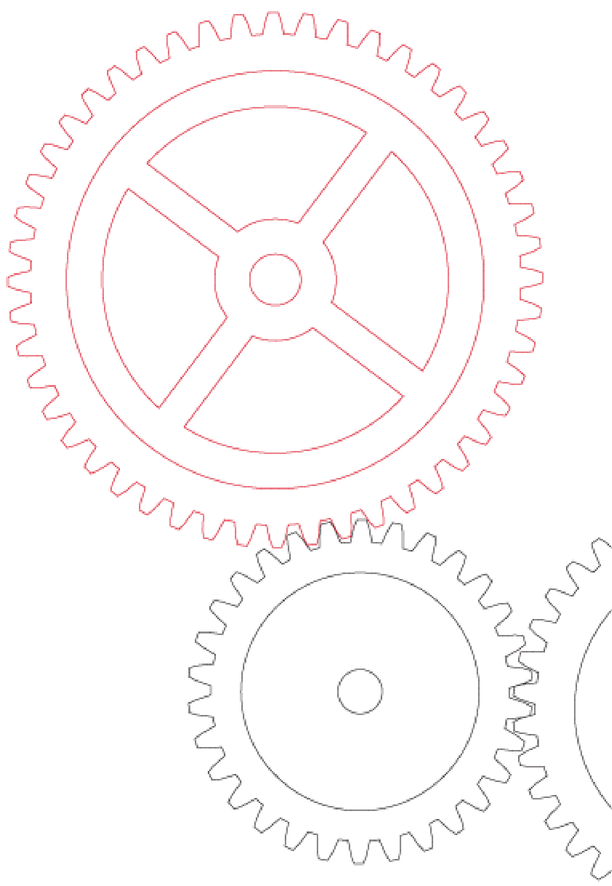
Example

Call Warrants on the SMI index, strike 5,600 points, maturity 12/20/2013

A Call Warrant on the Swiss benchmark index SMI allows the investor to participate in a potentially rising index to an above-average degree. With the Call Warrant, the investor invests only a fraction of the current market value of the SMI index, while counting on a rising index. The small capital expenditure creates what is referred to as leverage. Conversely, the leverage can also increase the impact of falling prices – including even the risk of a total loss.

Detailed product features are available in writing in the term sheet, which is amended periodically. Please also take particular note of the relevant risk warnings.

The SSPA lists this product under "Warrants" (2100).
SSPA risk classification: 1 2 3 4 5 6



However, under certain circumstances, the use of leverage products can also be advisable for more security-conscious individuals. This is because it is possible to hedge positions in the portfolio at relatively little expense with the aid of the integrated multiplier. Thus, for example, conservative investors, whose portfolios predominantly contain bonds, will be adversely impacted by a potential rise in interest rates. This usually results in falling bond prices. Investors wishing to sell their respective bond prior to maturity would incur losses in such a case. The "rising interest, falling bond prices" scenario can, however, be selectively hedged with the aid of Mini Futures (Short) that count on falling bond prices.

Example
Mini Future (Short) on CBOT 10Y US Treasury Note Front Month Future

A portfolio comprising US dollar bonds can be hedged against falling US government bond prices by purchasing Mini Futures (Short) on US government bonds. If the general interest rate in the USA should increase, this would tend to have a negative impact on the price development of the bonds issued in US dollars, while the Mini Future (Short) gains in value. Investors whose portfolios already contain bonds denominated in US dollars can therefore hedge their holdings by buying Mini Futures (Short).

Detailed product features are available in writing in the term sheet, which is amended periodically. Please also take particular note of the relevant risk warnings.

The SSPA lists the product under "Mini Futures" (2210).
SSPA risk classification: 1 2 3 4 5 **6**

Opportunities and risks

+
- Above-average participation in price movements
- Unlimited upside potential
- Also suitable as a hedging instrument

–
- No capital protection
- High fluctuation margin
- Total loss may occur suddenly

Popular UBS products

- Warrants
- Mini Futures

What is *important.*

Structured products enable investors to selectively implement specific market expectations. However, it is important to distinguish between the payoff diagram at maturity and the price development of the structured product during the term until maturity. In addition to the underlying asset's performance itself, the value of the certificate during the term until maturity is influenced by further factors that no longer impact the payoff diagram at maturity. The various different risks that can occur during the lifecycle of a structured product are described in this section.

Examination at maturity

Every structured product is generally furnished with a payoff diagram, i.e. the repayment is clearly predefined for every market scenario, provided that the product remains in the portfolio until maturity and the issuer does not default. With certificates with a limited term until maturity, the relevant mechanism takes effect on a predefined due date. This cutoff date, which is also referred to as the final fixing date, determines whether or not the investor's calculation will add up and the product yield the intended returns.

Factors influencing the price of a structured product during the term until maturity

During the term until maturity, structured products are influenced by a variety of different parameters. These can have both a positive and negative impact on the price of the structured product. During the term until maturity, the price of a structured product therefore usually deviates from the previously described payoff diagram applicable at maturity. With the exception of the price of the underlying asset, all effects listed below will no longer have any effect at maturity at the latest. Here it is important to bear in mind that the explanation for the factor in question only applies on the assumption that the remaining determinants remain unchanged.

1. Price of the underlying asset
The price development of the underlying asset plays a central role when it comes to the price development of the structured product during the term until maturity. With products geared towards rising or stable quotations, the following applies: If the price of the underlying asset should rise, the value of the certificate will also increase. However, in the case of structures that anticipate falling quotations, this rule of thumb produces the opposite result. Here, downwardly trending underlying asset prices have a positive influence on the value of the product. If the underlying asset's price develops contrary to the payoff diagram of the product, investors must accept a decline in product value during the term until maturity.

2. Changing fluctuation margin (volatility)
With structured products, the anticipated fluctuation margin (expected volatility) is an important aspect to consider and it must be remembered that there are two sides to the coin. This key ratio is the anticipated fluctuation margin of the price of a particular security expressed as a percentage. Since the anticipated volatility has a decisive influence on the price of options, it also plays a significant role in the performance of structured products. The extent to which the volatility impacts the price of a certificate depends on the structure and type of products. A rising fluctuation margin can therefore have both a positive as well as a negative impact on the price of the product. As expected, increased volatility will have a negative impact on the price development of the structured product if this results in a higher risk of loss, and vice versa. Depending on the type of product, the volatility can, however, have a positive impact on price development.

3. Changing refinancing costs
In general it can be said that the refinancing costs of a bond issuer are comprised of the risk-free interest rate as well as the risk premium with regard to potential defaults on the part of the issuer (credit risk). These two elements may move in parallel and hence accumulate. They may, however, also develop in opposite directions. One impact can therefore also be (partly or completely) compensated by the other. Bonds (for example, capital-protected products) are a commonly used element of structured products. In general, it can be said that rising refinancing costs will cause the price of a bond, and hence also the price of a capital-protected structured product, to fall, and vice versa.

Changing risk-free interest rate

The risk-free interest rate compensates a risk-free financial investment for a given time horizon. Rising interest rates will generally cause the present value to fall. The risk-free interest rate therefore has a decisive influence on the price development of bonds. The higher the interest rate, the lower the current price of the bond, and vice versa. The price of a capital-protected structured product, for example, will respond accordingly and will therefore tend to fall if the risk-free interest rate increases during the term until maturity.

Changing credit risk

An issuer's credit risk is reflected by the amount of the so-called credit spread among other things. The credit spread refers to the premium or discount on the return generated by bonds subject to a default risk. In principle, the following applies: The greater the credit spreads, the poorer an issuer's creditworthiness, and vice versa. A poor creditworthiness indicates a greater likelihood of default. In this case, investors will generally have to expect falling bond prices. The same applies to the price of a capital-protected structured product, for example.

4. Anticipated dividends

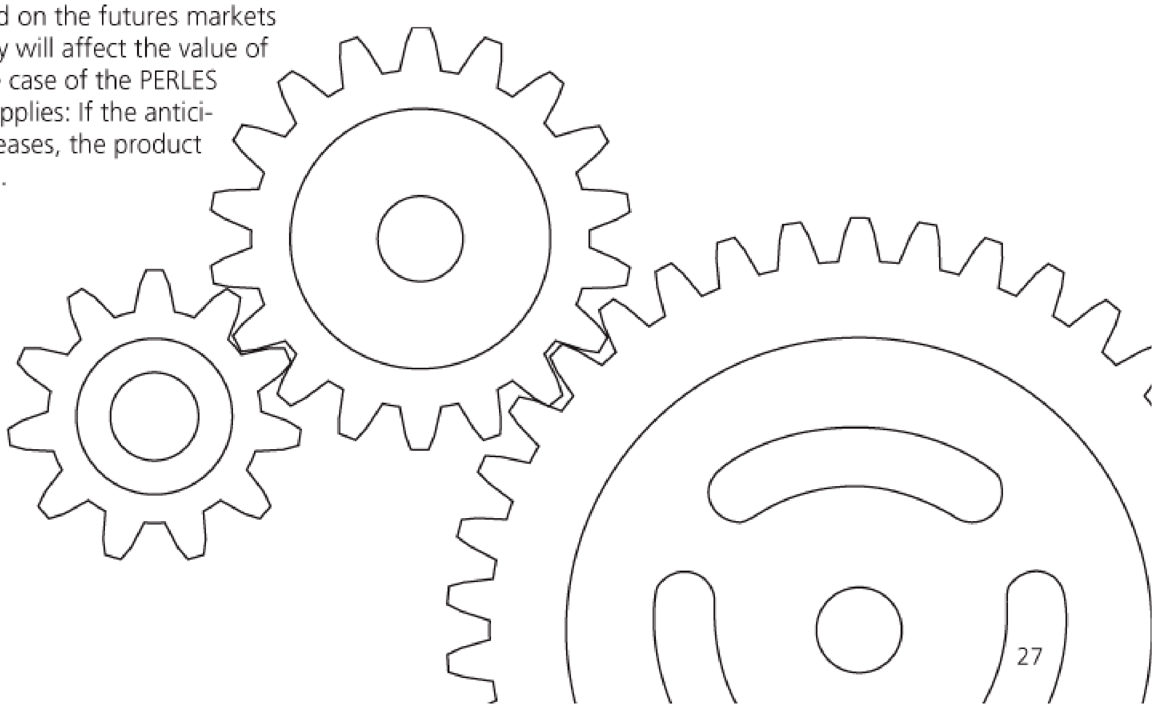
The anticipated dividend payments from an equity are taken into consideration when determining the price of an option. In this regard, they can also impact the value of structured products during the term until maturity, if the products concerned involve an equity investment. With some certificates, the issuer uses the dividend payments of the underlying security to finance the payoff diagram. This is the case with the PERLES Plus (Bonus Certificates), for example, where the investor receives additional upside potential in a market that is moving sideways, in exchange for waiving the dividend. Any change in the future dividends of the underlying asset traded on the futures markets during the term until maturity will affect the value of the structured product. In the case of the PERLES Plus the following generally applies: If the anticipated dividend payment increases, the product will lose value, and vice versa.

5. Influence of the interest rate on the option components

It should also be noted that a rising risk-free interest rate generally has a positive impact on the value of options geared towards rising underlying asset prices (call options). Conversely, the value of such options will fall if interest rates fall. By contrast, with options that count on falling prices (puts), rising interest rates will lead to a drop in the value of the option, and vice versa. Structured products commonly include several option components that could be geared towards both rising and falling prices. The influence of the interest rate on individual option components may vary greatly, be similar or cancel one another out. There is therefore no straightforward way of telling whether the impact on the price of the structured product will be positive or negative. This depends on the specific payoff diagram of the selected product. In the case of a BLOC (discount certificate), for example, rising interest rates will generally lead to a falling certificate price, and vice versa.

6. Residual term to maturity

The term remaining until the final fixing date can impact the value of a structured product in a variety of different ways. Strictly speaking, this factor must be examined in connection with the other factors, in particular the price of the underlying asset. The residual term can also have both a positive or negative impact on the price development of the structured product. The likelihood of sustaining losses during this residual term is of decisive importance here.



The foreign exchange markets play a role

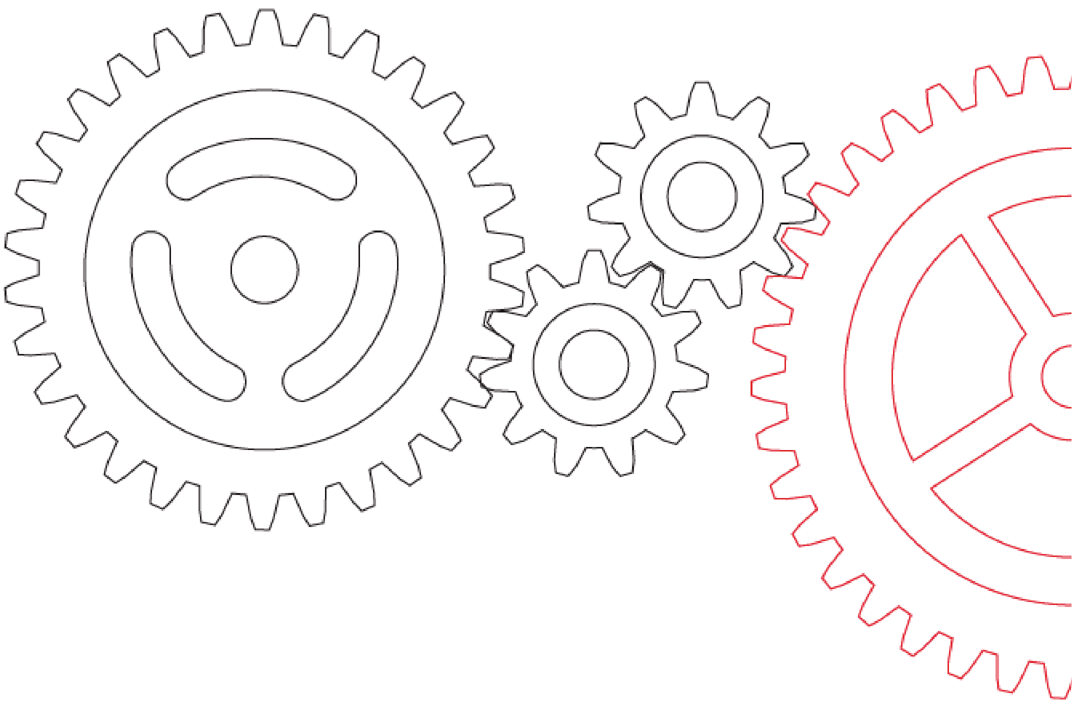
The investment universe of structured products is not subject to any geographic limitations. A certificate's underlying assets can therefore originate from a wide variety of countries and regions. It is important to bear in mind the currency risk where the product currency deviates from the currency of the underlying asset. This means that the development of the relevant exchange rates may impact the value of the product irrespective of the price development of the underlying security. Exchange rates can have both positive as well as negative impacts. Products that are issued in Swiss francs, but which relate to an asset class denominated in US dollars, for example, are traditionally subject to a currency risk. This combination exists in the case of participation products on US share indexes like the S&P 500, for instance. Here, investors must not only monitor the price development of the underlying asset, but also keep track of the currency pair US dollar vs. Swiss franc. If the US dollar loses ground against the Swiss franc, this usually impacts the performance of the structured product. If, however, the dollar gains ground, holders of the certificate will earn additional exchange rate profits. In 2010, for example, the S&P 500 gained 12.6% in value. At the same time the US dollar fell by almost ten percent against the Swiss franc. As a result, investors whose portfolios contained participation products denominated in francs hardly benefited at all from the boom on Wall Street.

Quanto is the solution

The certificate industry has developed a way to eliminate currency risk. The solution goes by the name of "Quanto". This abbreviation stands for "Quantity Adjusted Option". With Quanto certificates, exchange rate influences can be ignored completely. This is made possible by a mechanism integrated into the product structure by the issuer. This currency hedge does, however, involve additional costs. How much depends on several parameters, including for example the interest spread, correlation and fluctuation margin (volatility) of the exchange rate.

What you should bear in mind

Whether or not you opt for a Quanto structured product should depend on a number of different considerations. First of all, you need to bear in mind the fact that Quanto products can be more expensive than structures without a currency hedge. Projected over the year, they could quite well erode performance by several percent. It is important to know that, in exchange, Quanto products do not enable additional earnings from exchange rate developments.



The product architect – a profile

From a legal perspective, structured products are what are referred to as bearer debt instruments. In the case of certificates, the buyer assumes the role of the creditor, while the issuer acts as the debtor. Structured products come under article 5 of the Swiss Collective Investments Act (Schweizer Kollektivanlagegesetz – KAG), but are not in fact collective investments (investment funds) and hence do not actually constitute special assets specifically protected by law. By contrast, in the case of the certificate, the issuer is only liable with their asset – generally speaking no further collateralization exists. This legal framework gives rise to some important consequences for investors. Each purchase of a structured product involves a risk that goes beyond the systematic risk – namely that the issuer is unable to make the repayment at maturity.

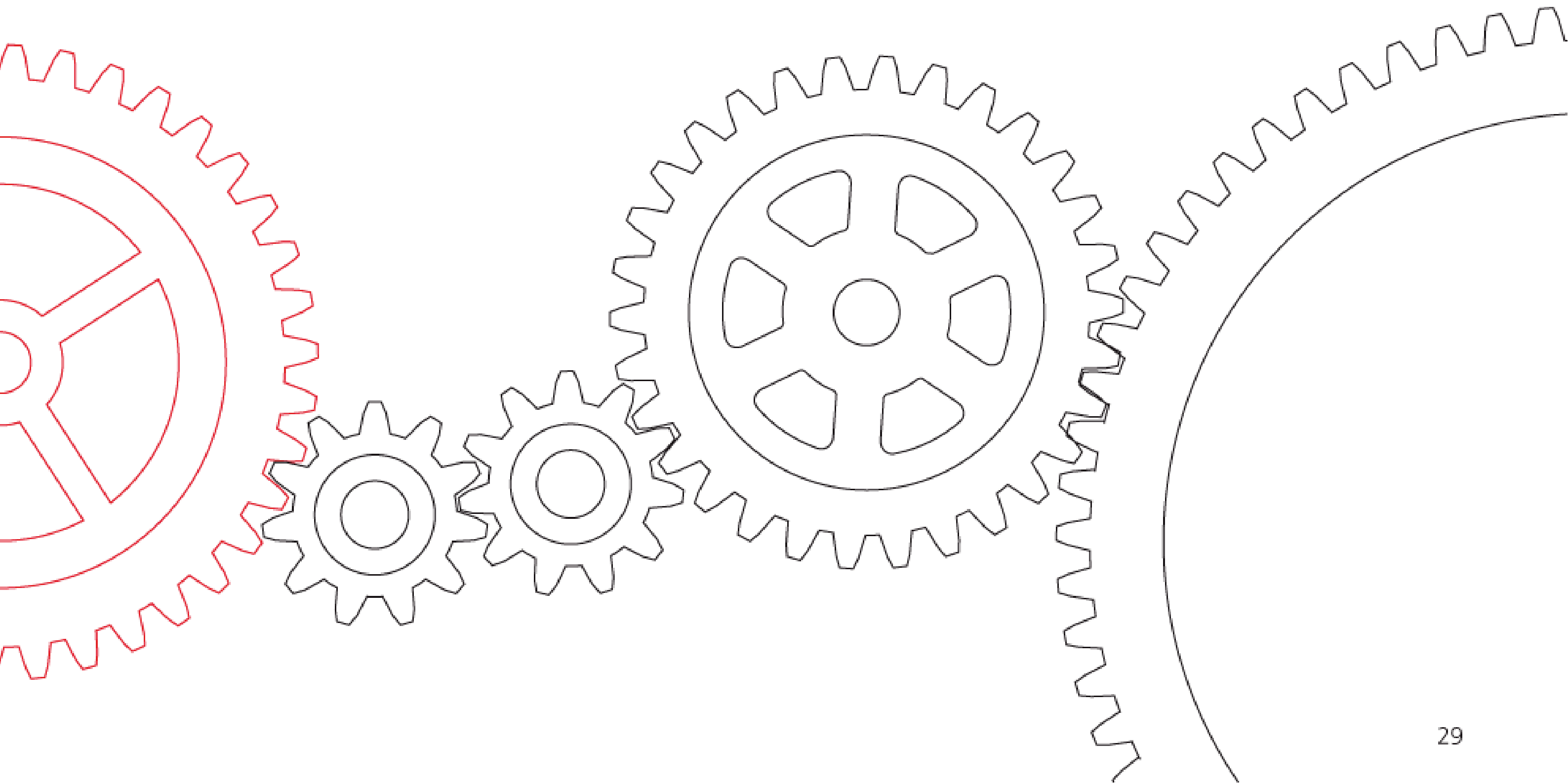
Issuer ratings

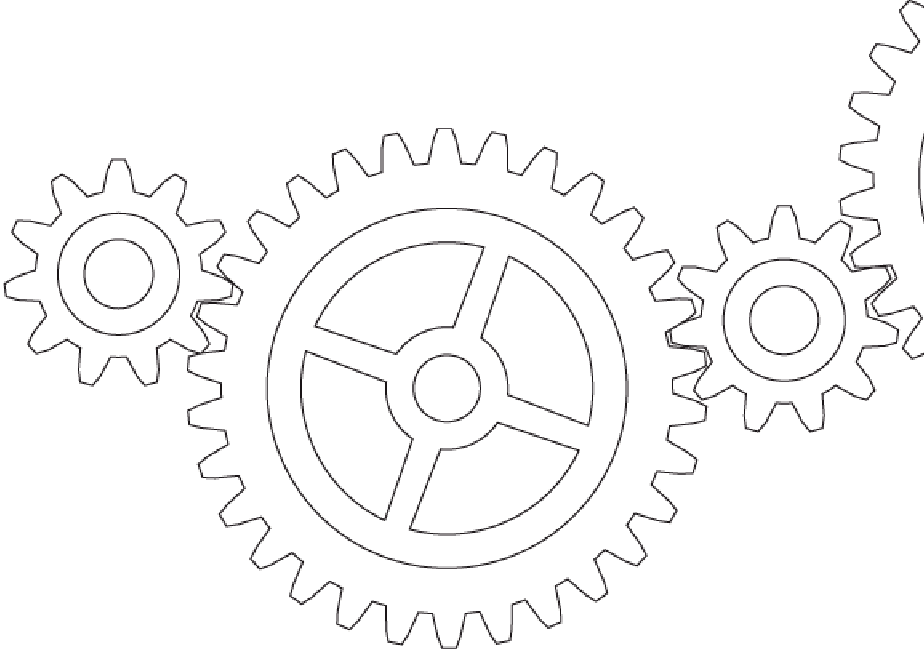
Given the issuer risk, you should form an impression of the issuer before buying any structured product. However, a number of indicators exist to help you get some idea of the financial strength of a bank. The technical term here is creditworthiness. With the aid of so-called ratings it is possible, among other things, to assess the debtor's ability to repay borrowed capital on time. Even if the agencies responsible for issuing these ratings were the subject of harsh public criticism during the course of the financial crisis, ratings are still regarded as the central benchmark for creditworthiness on the capital markets. Worldwide there are three large debtor rating agencies. The industry is dominated by the two American agencies Standard & Poor's (S&P) and Moody's. Europe's Fitch Ratings is the global number three.

So-called credit spreads can be used as a further indicator for assessing the solvency of debtors. The **credit spread** is a premium or discount on the return generated by bonds subject to a default risk. At the same time, its amount reflects the issuer's credit risk. In principle, the following applies: The greater the credit spreads, the poorer an issuer's creditworthiness, and vice versa. Credit spreads are published in base points and are derived from the Credit Default Swap (CDS) market. Since this dynamic indicator is subject to considerable fluctuation, it should not be viewed in isolation. On the contrary, it is advisable when assessing the issuer risk to consider both the credit spreads and the ratings issued by the agencies.

Useful sources of information

Up-to-the-minute information on UBS's current rating is available online at *www.ubs.com/ratings*. The SSPA publishes a range of information on the creditworthiness of the individual association members on its homepage. This includes both ratings and credit spreads. The URL is as follows: *www.svsp-verband.ch* (under the heading "Issuer creditworthiness").



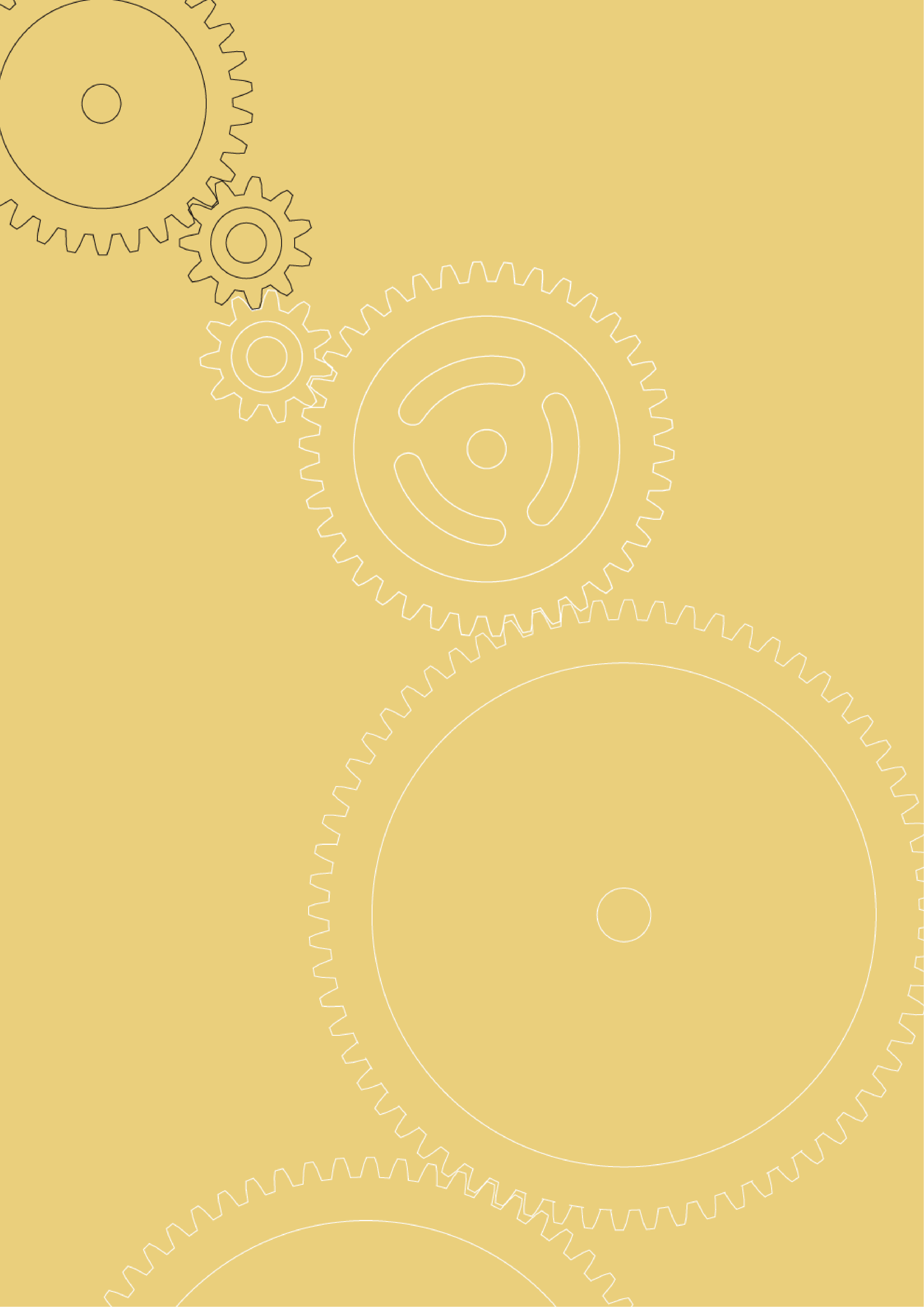


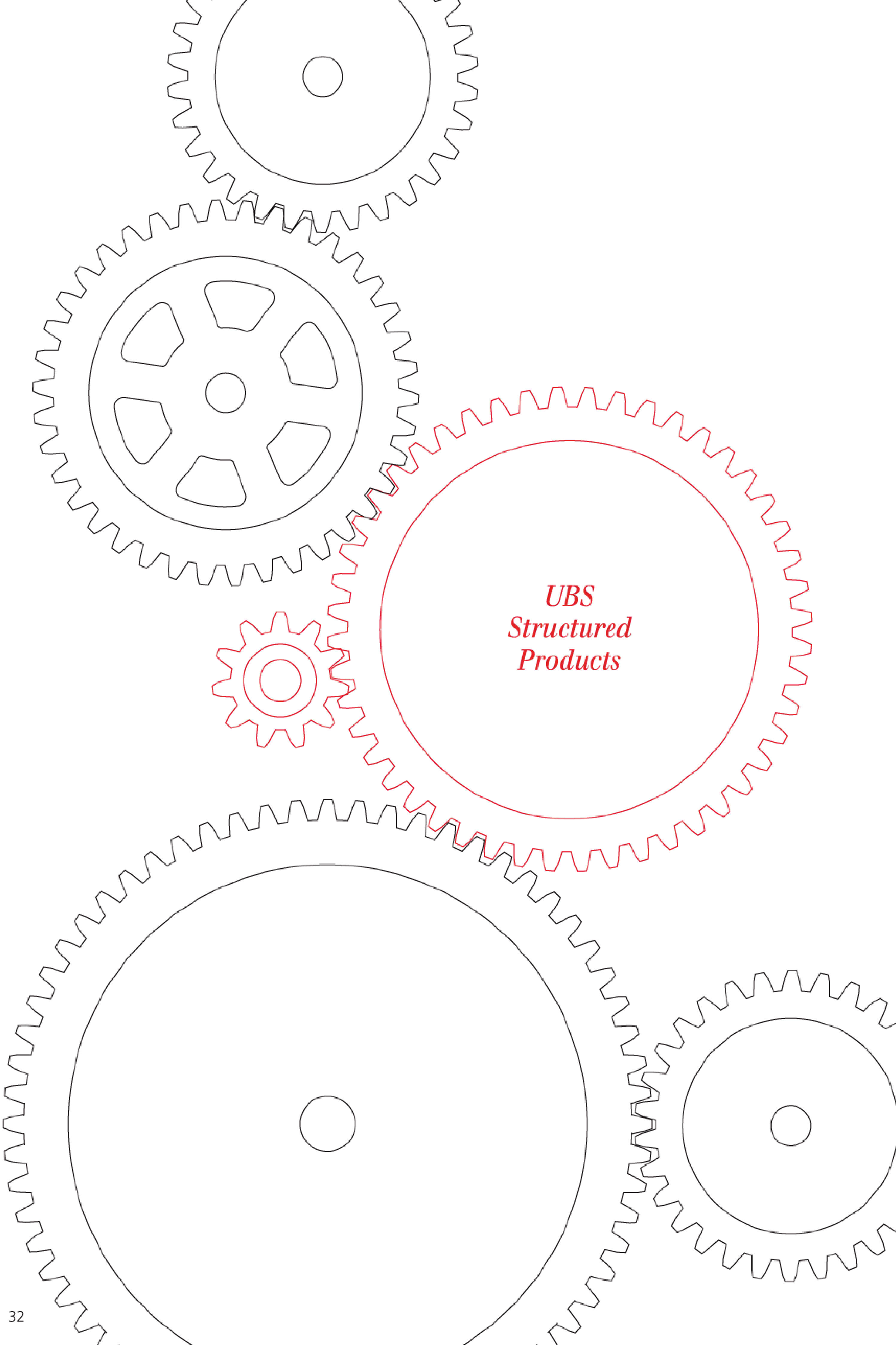
Rating

The statements of rating agencies are always taken into account on the capital markets. After all, their judgments are just as authoritative for the investment policy of funds as for the refinancing of companies and governments. Issuer creditworthiness can also deliver important pointers when selecting structured products. Essentially, the agencies evaluate the default risk of companies and governments. The ratings issued can be subdivided into the "Investment segment" and the "Speculative segment".

S&P	Moody's	Fitch	Definition
Investment segment			
AAA	Aaa	AAA	Issuer/Bonds have exceptionally strong credit quality. AAA is the best credit quality..
AA+ AA AA-	Aa1 Aa2 Aa3	AA+ AA AA-	Issuer/Bonds have very strong credit quality.
A+ A A-	A1 A2 A3	A+ A A-	Issuer/Bonds have high credit quality.
BBB+ BBB BBB-	Baa1 Baa2 Baa3	BBB+ BBB BBB-	Issuer/Bonds have adequate credit quality. This is the lowest Investment Grade category.
Speculative segment			
BB+ BB BB-	Ba1 Ba2 Ba3	BB+ BB BB-	Issuer/Bonds have weak credit quality. This is the highest Speculative Grade category.
B+ B B-	B1 B2 B3	B+ B B-	Issuer/Bonds have very weak credit quality.
CCC+ CCC CCC-	Caa1 Caa2 Caa3	CCC CC C	Issuer/Bonds have extremely weak credit quality.
CC C	Ca	RD	Issuer/Bonds have very high risk of default.
D	C	D	Obligor failed to make payment on one or more of its financial commitments. This is the lowest quality of the Speculative Grade category.

Source: UBS Wealth Management Research




UBS
Structured
Products

Your personal investment *in only a few steps.*

In 2011, a ground-breaking innovation in the Swiss structured products market celebrated its tenth anniversary. 2001 saw UBS launch "UBS Investor". Using this web-based tool it is possible to create a customized certificate within a matter of minutes. UBS Investor allows you to develop a customized solution in accordance with your personal plans. The choice is huge: In the equities asset class, UBS uses "Equity Investor". This tool now places 380 individual securities as well as 30 indices at your disposal. Popular structures such as GOAL, BLOC or PERLES Plus can be implemented with an investment of as little as 10,000 Swiss francs. In addition to the equity market, UBS also offers customized solutions in the currency segment. "FX Investor" is available to you for investments of upwards of 50,000 US dollars. In terms of structures, you can choose between DOCUs and BLOCs. They offer you interesting opportunities to actively manage your cash positions. No additional costs are incurred in the process. The fees are determined exclusively by the customary market conditions, which vary depending on the product type and underlying asset. Your client advisor can freely determine the individual features of your structured product in accordance with your personal requirements.

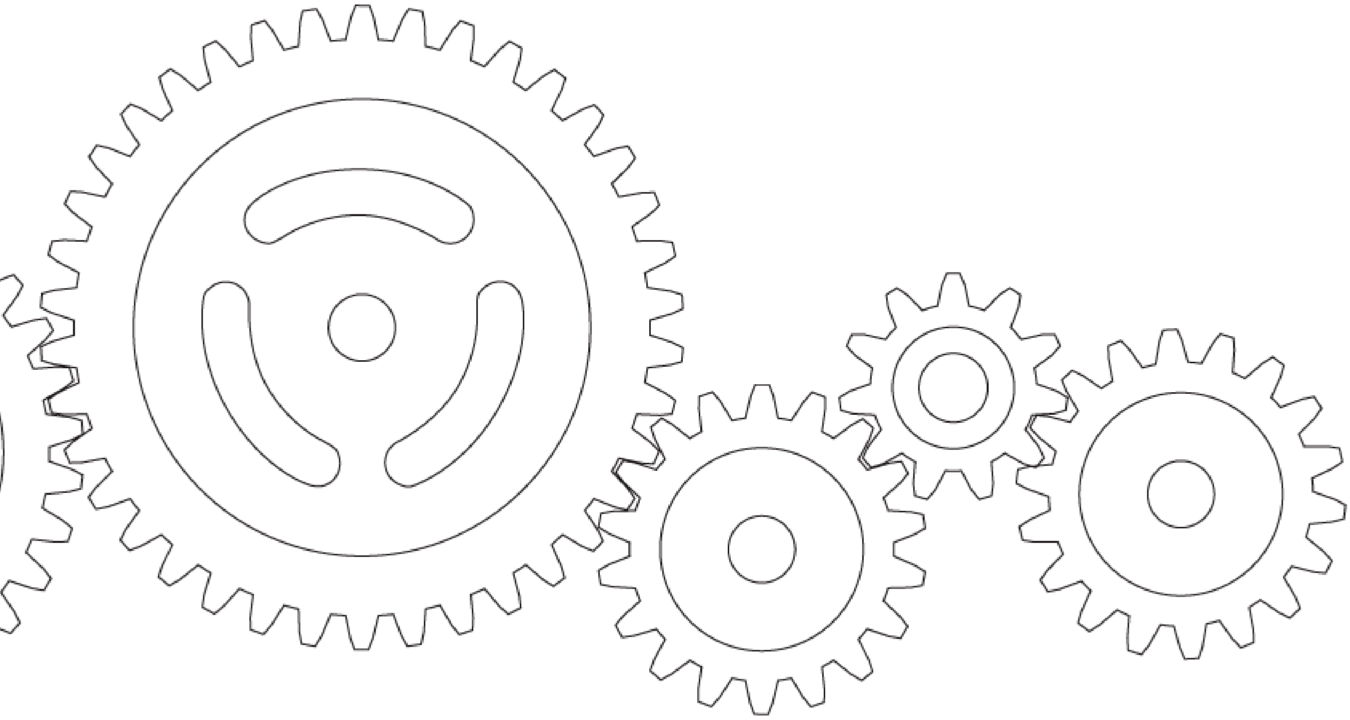
A look that pays off – "Equity Investor Marketplace"

UBS gives you the option of taking a non-binding look at "Equity Investor".

You can get detailed information about the opportunities of this innovative tool at **www.ubs.com/equityinvestor**. The website offers an overview with regard to the implementable currencies, product types, maturities and underlying assets, in addition to general explanations. With the help of a special matrix you can get information about the terms currently valid. You'd like to know how high the bonus return for the PERLES Plus on the SMI turns out? No problem. Equity Investor Marketplace transparently shows the interplay of risk and return. If you have questions or want to implement your own individual product, your UBS client advisor will be happy to assist you further.

UBS Investor online

Equity Investor:	*www.ubs.com/equityinvestor*
FX Investor:	*www.ubs.com/docu*



All opportunities *in your hands.*

Each decision must be well considered. This applies all the more for investment decisions associated with a certain risk of loss. Even with structured products it is important that you observe a specific set of rules before making a purchase decision. To help you, we have compiled a checklist comprising the ten most important aspects.

1. Does the product suit your investment needs?

In principle, the investment strategy should be tailored to your personal needs. It is often possible to derive the earning goals from your personal goals in life. Your investment needs may change if your personal circumstances change. Before investing in a structured product you should therefore be clear in your mind about your personal investment goals.

2. Does the risk profile of the selected product suit your risk appetite?

Your investment decision should not be based exclusively on the aspect of upside potential. An investment's returns and risks are always inextricably linked. Higher upside potential is generally also associated with higher risks. Before investing, it is therefore first of all necessary to consider the maximum risk of loss you are willing and able to accept depending on your personal risk appetite. Every structured product has its own risk profile, which should correspond to your personal risk appetite. The classification model, which groups each structured product according to its payment mechanism, provides you with useful information. Preservation, Optimization, Participation and Leverage products all have varying risk/return profiles. In other words, each group contains products displaying similar earning potential or risk.

3. Does the product's term until maturity correspond to your selected investment horizon?

The prerequisite for any investment decision is your choice of investment horizon, i.e. the period during which you are able to forgo the tied-up capital. Structured products can be furnished with a limited or unlimited term until maturity. In the case of products with an unlimited term until maturity, the holding period can be tailored conveniently and flexibly to the investor's personal preferences under normal market conditions. Make sure that the issuer is always willing and able to calculate the current value of the product and can ensure liquid trading at fair bid and offer prices under normal market conditions.

Even structured products with a limited term until maturity can usually be traded in a liquid manner. However, the maturity date is of particular importance here. This is because price development may deviate from the payoff diagram depicted during the term until maturity, resulting in a development that is detrimental to investors. The following applies for products with a limited term until maturity: If you wish to benefit safely from the opportunities arising from the described payoff diagram, you should generally be prepared from the onset to hold the product until maturity.

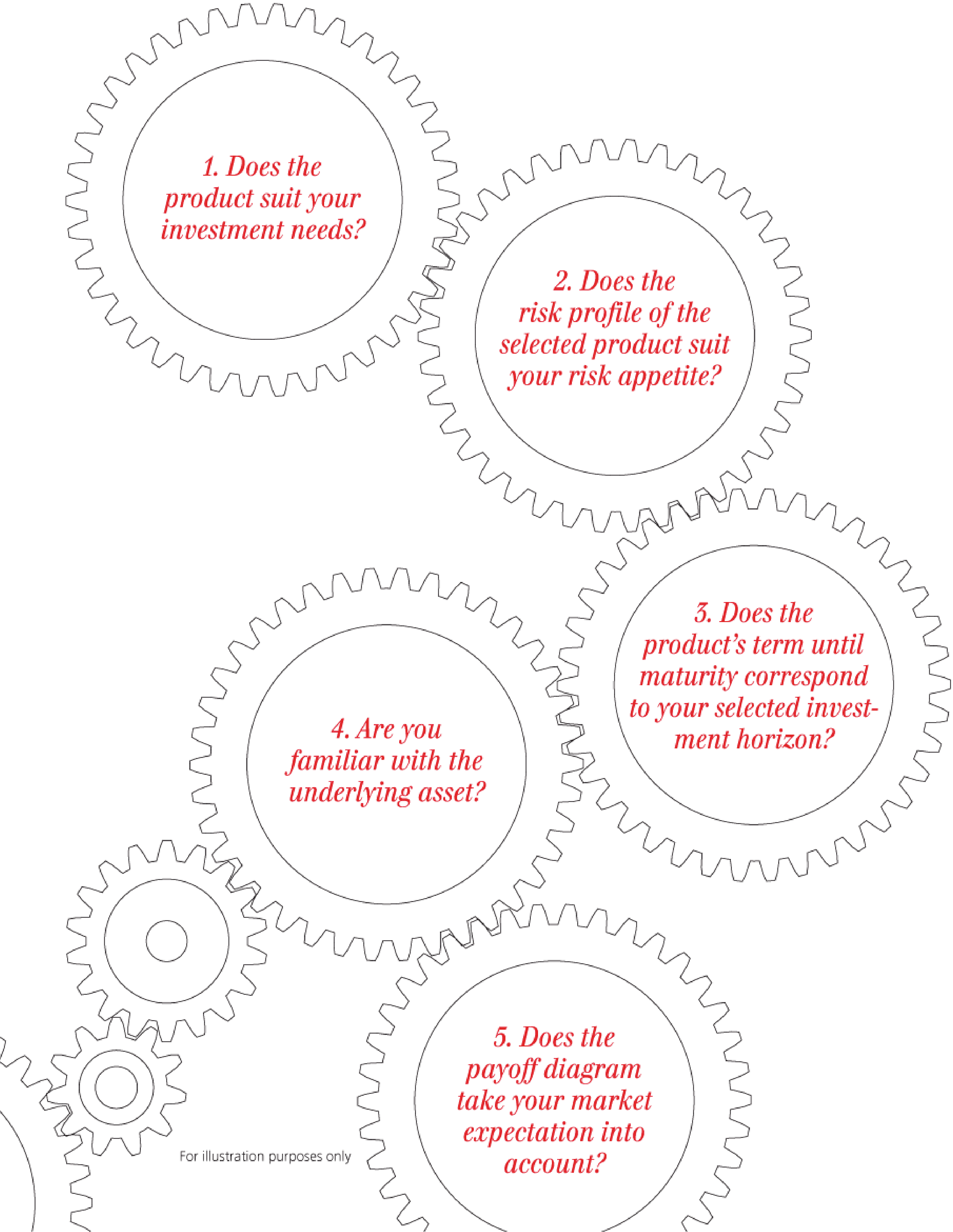
4. Are you familiar with the underlying asset?

The redemption value of structured products can depend on the performance of one or more underlying assets. It is therefore important that you look into the underlying asset carefully before deciding to buy. This means informing yourself about and assessing the underlying asset. To which asset class does the underlying asset belong? What specific risks and opportunities are associated with the underlying asset? Which macroeconomic and specific influencing factors is it subject to? What are the current assessments of independent analysts? Are you in a position to assess the development potential adequately? In general, you should also bear in mind that, with a structured product in an equity investment, possible dividend payments are already factored into the structure and, moreover, that you do not normally have any further claim to these.

5. Does the payoff diagram take your market expectation into account?

Prior to deciding to invest, you should already have formed an opinion of the market based on the information on the underlying asset. Do you expect the underlying asset to gain in value, move sideways or even lose value during your selected time horizon? Make sure that the payoff diagram of your selected structured product is capable of precisely and clearly realizing your personal market expectations.

The checklist with the decisive questions that investors need to ask themselves before making an investment decision:



For illustration purposes only

6. Are you familiar with all the possible market scenarios of the product?
Irrespective of your opinion of the market, a structured product is capable of implementing these personal market expectations precisely. If the underlying asset develops in the desired direction, the payoff diagram should also yield an attractive return in this market scenario. But what happens if the underlying asset does not develop as expected? Even in such unfavorable market situations, the payoff diagram can identify clear redemption scenarios in advance. You should think over all possible market scenarios, i.e. both positive and negative repayment scenarios. Before investing, you should be clear in your mind about a potentially lesser return or even a potential loss and decide whether you are willing and able to accept this risk.

7. Have you informed yourself about the issuer's creditworthiness?
From a legal perspective, structured products are what are referred to as bearer debt instruments. Here, the investor assumes the role of the creditor, while the issuer acts as the debtor. As with conventional bonds, it is also necessary in this connection to take into consideration the issuer's default risk. Thus, the value of the investment vehicle does not only depend on the development of the underlying asset, but also on the issuer's creditworthiness. Even products offering capital protection are subject to an issuer risk. If the issuer defaults, such products may be subject to losses as with conventional bonds.

The issuer's creditworthiness may even change (improve or deteriorate) during the structured product's term until maturity. So only contemplate buying those structured products that boast an issuer risk you feel happy with.

8. Does the product fit into the overall context of your portfolio?
It is not only the risk profile of your selected product that is of decisive importance for you; you should also bear in mind how the investment influences the risk-return profile of your entire portfolio. Generally speaking, you should never put all your eggs in one basket. Depending on which investment products your portfolio already contains, your overall portfolio risk could be reduced, but may even increase significantly due to clustering, for instance.

9. Have you read all important information?
Are you sure that you have consulted all relevant information? The most important sources of information include, above all, the product description, the legally binding term sheet as well as the "Special risks in securities trading" brochure. It is vitally important that you inform yourself about the general risks associated with structured products as well as the product-specific risks. Before making any investment decision it is also vital that you address the relevant fiscal consequences. For detailed information on the fiscal implications, you should consult an independent tax advisor. You should also bear in mind that tax law and how it is applied may change at any time and may have retroactive consequences.

10. Are you sure that you have understood everything?
Before purchasing the structured product, you should carefully review all the aforementioned points again and decide whether you really have given intensive consideration to all relevant aspects. Minor details can often lead to major differences in product features. You should only invest in the product selected by you if you are confident that you have understood how the product works and all its associated risks. Please feel free to contact your client advisor with any unresolved questions you may have.

The checklist with the decisive questions that investors need to ask themselves before making an investment decision:

6. Are you familiar with all the possible market scenarios of the product?

7. Have you informed yourself about the issuer's creditworthiness?

8. Does the product fit into the overall context of your portfolio?

9. Have you read all important information?

10. Are you sure that you have understood everything?

For illustration purposes only

Better *informed.*

Prospective investors have a wide range of information channels at their disposal.

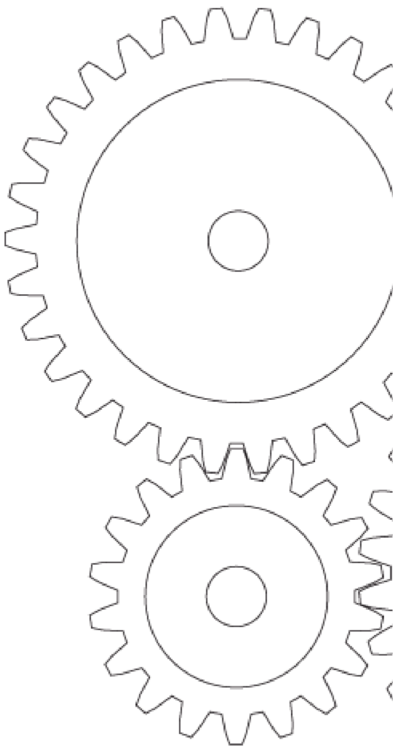
"UBS KeyInvest" –
the UBS Investment Bank portal
In addition to global market data, "UBS KeyInvest" provides you with comprehensive information on structured products and derivatives offered by UBS Investment Bank. The user-friendly navigation – from market to product – reproduces the standard process for making investment decisions and guides you through the extensive range of available information.
www.ubs.com/keyinvest

"UBS Quotes": always in the picture
"UBS Quotes" provides you with not only market data on blue chip equities, but also a huge choice of other financial instruments. "UBS Quotes" gives you a summary of the products currently available for subscription, in addition to offering a "Product Finder" for outstanding products. *www.ubs.com/quotes*

More information about mobile services is available at *www.ubs.com/mobile.*

UBS Equity Investor Marketplace
Using UBS Investor, your client advisor can create a structured product that is tailored to your personal needs. You can inform yourself in advance using UBS Equity Investor Marketplace. **Up-to-date price** information on the wide range of customized investment products is available in the Equity section. The prices displayed are indicative live prices and thus afford you an entirely new degree of price transparency. The service aims to help you gather information and make your investment decision.
www.ubs.com/equityinvestor

General information on structured products is available here: *www.ubs.com/structured-products.*



UBS Structured Products

This document is intended exclusively for **information and marketing purposes** and is not to be construed as an offer, recommendation or solicitation to conclude a transaction. Nor is it to be construed as investment advice.

This information is not advice on which a prospective investor should rely. Structured transactions are complex and may involve a high risk of loss. Prior to entering into a transaction 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 a transaction) based upon your own judgment and advice from those advisors you consider necessary. Save as otherwise expressly agreed, UBS is not acting as your financial advisor or fiduciary in any transaction. The terms of any investment will be exclusively subject to the detailed provisions, including risk considerations, contained in the Information Memorandum, Prospectus or other issuer documentation for the respective issue.

UBS makes no representation or warranty relating to any information herein which is derived from independent sources. This publication may not be copied or reproduced without UBS's prior written permission. No action has been or will be taken in any jurisdiction that would not permit distribution of this publication. Certain products and services described herein are subject to legal restrictions in some jurisdictions and cannot be offered worldwide on an unrestricted basis. Offering and distribution of such products must be in accordance with all applicable selling restrictions in the jurisdictions in which they are sold. Not for distribution in the United States or to US persons.

UBS AG
PO Box
CH-8098 Zurich
www.ubs.com

UBS

Printed in December 2011. 83644E