

Into the future with hydrogen

Sustainable opportunities: Bank on **hydrogen specialists** in a diversified way

PERLES on the Hydrogen Basket

Decarbonization: Struggle against climate change

At the end of 2019, the European Union (EU) introduced its Green Deal. If the EU Commission has its way, Europe will be climate-neutral by 2050. The focus of the plan is on what is called decarbonization, which is a drastic reduction of carbon emissions. The struggle against climate-changing CO₂ is not only taking place on the old continent but worldwide. Hydrogen is regarded as a core building block of the energy transition. No element is as common in the universe as this colorless, odorless gas. Electricity can be produced with hydrogen without creating carbon dioxide. If hydrogen is separated using renewable sources of energy, the entire production chain remains carbon-neutral. This finding is not new, but there have been repeated setbacks with developing and distributing hydrogen.

Hydrogen: The race to catch up is on

Currently, hydrogen has a clear cost disadvantage compared to fossil fuels such as diesel or natural gas. According to UBS CIO GWM, government incentives combined with CO₂ taxes could, however, ensure that production picks up speed.¹⁾ This evaluation is in line with a study published by the Hydrogen Council at the beginning of 2020. Together with the consulting company McKinsey & Company, the Hydrogen Council examined 40 technologies in 35 different applications. The range of applications extends from road transportation to air traffic to building heating. All in all, the authors came to the conclusion that costs for a wide variety of fields of application for hydrogen could fall up to 50 percent in this decade. In this way, hydrogen would reach the competitiveness of other climate-friendly options and in some cases the competitiveness of conventional options.²⁾

Case study: Migros drives with hydrogen

Soon the efforts of industrials to have clean logistics on Swiss roads will be observable. In March 2020, Hyundai would like to deliver its first "Xcient" in Switzerland. This truck is equipped with two 95 KW fuel cells, fills up with almost 35 kilograms of hydrogen and has a range of more than 400 kilometers. It can drive much further than currently available heavy trucks with a battery-powered drive. A two-megawatt electrolysis system set up in Gösigen provided the hydrogen for the innovative trucks. This 18-ton truck is first being used by members of the "H2 Mobility Switzerland" Association. Some of the members of the association are the retailer Migros and



SSPA product type

Tracker certificates (1300)

Currency	Valor	SIX symbol
CHF	52466273	HYDROU

the dairy company Emmi. By 2025, Hyundai would like to put up to 1,600 "Xcients" on the road in Switzerland. This year similar projects are supposed to start in two other European countries.³⁾

Investment idea: Selected hydrogen shares

Because of the outlined forecasts and specific plans, it is no surprise that the subject of hydrogen is playing an increasingly important role on exchanges as well. Investors now highly desire equities related to this forward-looking topic. However, even for specialists, there can be disappointments and price setbacks since this market is in an early stage. Overall, a diversified approach to this investment subject seems appropriate. That is right where UBS is providing an ample solution with the new Hydrogen Basket. This selection includes 13 companies that are initially weighted equally. Among these companies are the industrial gas companies Air Liquide and Linde. The latter has a stake in Hydrosponder AG which operates the electrolysis plant in Gösigen.⁴⁾ While the two large caps have a broad operative base, the Canadian company Ballard Power Systems focuses on producing fuel cells. NEL is another genuine "Pure Play" basket member. The Norwegian company offers technical solutions for production, storage and distribution of hydrogen based on renewable resources.

Hydrogen Basket: included stocks

Stock	Currency	Country
Linde	EUR	Germany
Air Liquide	EUR	France
Weichai Power Co	HKD	China
Toray Industries	YEN	Japan
Ballard Power Systems	USD	USA
Hanwha Solutions	KRW	South Korea
NEL	NOK	Norway
Plug Power	USD	USA
PowerCell Sweden	SEK	Sweden
CERES Power Holdings	GBP	United Kingdom
ITM Power	GBP	United Kingdom
Air Products & Chemicals	USD	USA
Wanhua Chem Group Co	CNY	China

Product solution

Investors can include the Hydrogen Basket in their portfolio by using UBS PERLES. This gives them select, diversified access to this promising, highly current investment subject. With a duration of seven years, a classic buy and hold approach is just as possible as a rather short-term positioning. The net proceeds of any dividend payments from any company included in the basket are reinvested in that company's equities.

Opportunities

- Equity-based participation in companies that are active in the area of hydrogen technology
- Diversified basket with equities from various market segments and regions
- Reinvestment of net dividends of the companies included
- Tradable every trading day under normal trading conditions
- Net dividends from the companies included in the index are reinvested to benefit the investor
- Under normal conditions, the product can be traded on every trading day
- Duration of seven years

Risks

- Hydrogen shares may exhibit above-average volatility
- No capital protection: investors run the risk of losing their capital investment if the price of the underlying index worsens
- Investors bear the issuer risk and so could lose their capital investment if the issuer files for insolvency
- The issuer intends to ensure liquidity in normal market phases on trading days. However, investors should realize that they may not be able to sell the product at every point in time

- As the assets included in the basket may be listed in different currencies from the product and the products do not have any currency hedges, the investor may also be exposed to exchange rate risk, which may adversely affect the value of the product
- The issuer has the right to cancel the products if certain conditions are met

PERLES in CHF

Underlying	Hydrogen Basket
Conversion ratio	1:1
Management fee	0.50% p.a.
Issue date	24 February 2020
Expiry date	25 March 2027
Issue price	CHF 100.00
ISIN	CH0524662738
SIX symbol	HYDROU

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.

The product documentation, i.e. the prospectus and the Key Information Document (KID) as well as information about opportunities and risks can be found on ubs.com/keyinvest.

- 1) Source: UBS CIO GWM, Chemicals Sector, „Hydrogen: Expert Call - a big opportunity but with some big issues to tackle“, 05.02.2020
- 2) Source: Hydrogen Council, „Path to hydrogen competitiveness A cost perspective“, 20.01.2020
- 3) Source: Thomson Reuters, Medienbericht, 28.02.2020
- 4) Source: hydrospider.ch, 04.03.2020

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