

Gaming Industry

Participating playfully in the future

PERLES on the Gaming Industry Basket

New games culture

Gone are the days when «video gamers» were only seen as adolescent loners, hunched over their computers. Cult figures like Mario Bros. & Pokémon achieved respectability long ago. The gaming sector has now actually become the world's biggest entertainment industry. Gamers are offering serious competition even to conventional sports events. Esports competitions, conducted between people with the aid of computers, fill giant stadiums. They reach enormous proportions. For example, on two weekends in 2018, more than 169,000 fans met up in the Spodek Arena in Katowice, Poland, for the Intel Extreme Masters Event. The prize money amounted two million US dollars.

Global billion-dollar market

This increasing enthusiasm for video games can also be expressed in figures. Since 2012 the global market volume, then 70.6 billion US dollars, has virtually doubled within six years. According to the calculations of market researchers Newzoo, spending amounted to 134.9 billion US dollars in 2018. And this upward trend is set to continue. Market volume is forecast to rise to 174 billion US dollars by 2021. (Source: <https://newzoo.com/insights/articles/newzoo-cuts-global-games-forecast-for-2018-to-134-9-billion/>) In the field of global gaming, the pace is being set by Asia, and in particular by China. For example, the Middle Kingdom alone has around 620 million gamers. (Source: <https://newzoo.com/insights/infographics/china-games-market-2018/>) These could well be spending even more money for their passion in future: UBS CIO GWM anticipates that sales by the video game industry in Asia will increase to 200 billion US dollars by 2030, which corresponds to an average annual growth rate of 9.5 percent. Viewed globally, the USA is number two, with a market share of one quarter. (Source: UBS CIO GWM, Game on, Asia, 19.09.2018)

Increasing entertainment factor

The gaming sector has many imaginative ideas to keep its fans happy. These include additional content, as well as technical innovations such as virtual reality headsets and streaming. True to the motto «one plays, others watch», gamers can transmit all



SSPA product type

Tracker certificates (1300)

Currency	Valor	SIX symbol
CHF	45605813	GAMECU

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their moves via live stream on the Internet for all their fans – for example on Twitch or Youtube Gaming. In addition, the publishers also boost client loyalty to individual titles. Companies often provide the players with chargeable content. This also applies to the free-to-play versions, which are actually free of charge. And the willingness of gamers to spend more and more money for additional virtual content is increasing.

Strong growth-drivers

The big growth-drivers in the video game sector also include esports and mobile games. The esports market virtually doubled between 2015 and 2017 and is forecast to double again to 1.5 billion US dollars by 2020. The number of esports enthusiasts is set to rise to 286 million by then. This represents around 50 percent growth compared with 2017. Mobile games are another growth driver. Newzoo forecasts that the global market for mobile games will account for 52 percent of total revenue in 2021; in 2018 that figure was around 47 percent. (Source: <https://newzoo.com/insights/articles/newzoo-cuts-global-games-forecast-for-2018-to-134-9-billion/>) The number of mobile gamers is also expected to rocket. According to the Digital

Market Outlook produced by Statista, mobile gamers will increase from 1.16 billion in 2017 to 1.65 billion in 2023, a rise of 42 percent. (Source: <https://de.statista.com/outlook/211/100/mobile-games/weltweit#market-revenue>)

Diversified basket

In view of the positive growth prospects, the gaming sector represents an interesting investment area. But the old maxim still applies in the innovative games sector: «Good diversification means few regrets.» A diversified approach has the advantage that spreading the capital investment across several companies reduces the risk. Consequently UBS has compiled an gaming basket that takes account of as many different profitable players in the sector as possible. The equity basket contains a total of 13 international companies. These include, for example, market leader Tencent from China, games console pioneer Nintendo from Japan, and Zynga, the US company specializing in games inside social networks.

The product solution

The PERLES on the Gaming Industry Basket offers a diversified investment in the sector. The product fully reflects the performance of the underlying equity basket, minus the management fee of 0.50 percent p.a. Possible net dividends will be reinvested in the basket members. The expiration date is February 13, 2026. The issuer is also entitled to extend the term by an additional seven years.

Opportunities

- Equity-linked participation in the growth potential of the gaming sector.
- Transparent and carefully focused basket composition.
- Diversification within the gaming industry.
- Tradable every trading day under normal trading conditions.
- Net dividends reinvested in basket.
- Predictable term of seven years with the option to extend the term by another seven years.

Risks

- Technology stocks may exhibit above-average volatility.
- No capital protection: Investors run the risk of losing their capital investment if the price of the underlying basket worsens.
- The issuer intends to ensure liquidity in normal market phases on trading days. However, investors should realize that they may not be able to buy/sell the product at every point in time.
- As the assets included in the basket are listed in different currencies from the product and the product does not have any currency hedge, the investor is also exposed to an exchange rate risk, which may adversely affect the value of the product.
- The issuer has the right to cancel the product if certain conditions are met.

PERLES in CHF

Underlying	Gaming Industry Basket
Conversion ratio	1:1
Management fee	0.50% p.a.
Initial fixing	14 February 2019
Expiration	13 February 2026
Issue price	CHF 100.00
ISIN	CH0456058137
SIX symbol	GAMECU

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 basket at little capital and administrative expense.

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