

Sustainable investing

Benefit from **ESG companies** with low volatility

Open End PERLES on the UBS ESG Low Volatility Global Equity Premium L/O Index

Increasing awareness of sustainability

Discussions about sustainability issues such as climate change are increasingly becoming the focus of public attention. In this context, the umbrella term ESG is also regularly used (environmental, social and governance). As a result, it is not surprising that compliance with these ESG criteria is also gaining importance in the financial market. Companies whose business practices indicate a responsible approach to the environment and society are increasingly valued at a higher level, with demand among investors particularly high. It is a major challenge, however, to make these qualitative factors objectively measurable in order to filter out the most sustainable companies from the whole set. It is not normally something that private investors can do. But there are companies that have specialized in this area and have developed suitable models for assessing the sustainability of companies.

ESG analysis from Sustainalytics

Sustainalytics is one of the leading independent providers of evaluation models for corporate ESG performance. The company's experts have developed an assessment system based on ESG criteria that allows businesses to be quantified in this respect. Because the system is flexible, it can also take into account specific features of the different sectors. It is also possible to apply a filter for controversial ESG events, which are systematically recorded by Sustainalytics. These could be environmental violations, arms deals, contentious issues in dealing with employees, etc.

ESG criteria as a basis for investment decisions

The assessments and filters provided by Sustainalytics on the basis of publicly available corporate data serve as the basis for determining the index components of the UBS ESG Low Volatility Global Equity Premium L/O Index. The index replicates the performance of 200 companies selected using the ESG evaluation and filtering process. In addition, preference is given to companies whose share prices indicated low volatility in the past year.

The product solution

D The Open End PERLES on the UBS ESG Low Volatility Global Equity Premium L/O Index mirrors the performance of the underlying index, which reinvests the net dividends paid to the



SSPA product type

Tracker certificates (1300)

Currency	Valor	SIX symbol
CHF	48735131	ESGLVU

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index members (net total return), after deducting a management fee of 1.00 percent p.a. with no expiry.

Transparent index methodology

The UBS ESG Low Volatility Global Equity Premium L/O Index is managed and calculated by Solactive AG. The index was first calculated on 2 May 2019. Its aim is to replicate the price performance of an equity portfolio whose composition is based on ESG filters and volatility data. With the aid of the data and the associated matching assessment and filtering methods from the service provider Sustainalytics, equities of companies are selected on the basis of their ESG performance. Then, out of the shares from which the index is constructed, the 200 stocks with the lowest volatility (range of price fluctuation) over the previous year are selected from the remaining shares. The equities included in the index are selected on a monthly basis and weighted equally on the respective adjustment date.

Equity selection process in detail

The companies in the MSCI World Index are initially used as the index universe. These are sorted on the basis of their daily trading volume; the 20 percent with the lowest volume are removed from the universe to ensure tradability of the index. Sustainalytics applies its proprietary assessment and filtering methods to this index universe. First, the companies are grouped into sectors. An ESG rating is then determined for each company on the basis of general and sector-specific criteria. Within the sector groups, a ranking list is created on

this basis and the lowest ten percent is removed. Out of all the remaining companies, companies that are involved in controversies relating to ESG matters are excluded. Examples of these issues could include arms deals or a bad approach when dealing with employees, clients and suppliers. The securities that are now still included are sorted according to the realized volatility in the previous year. An algorithm then selects the equities that have the lowest possible volatility and, at the same time, allow the index to be composed in a way that is as neutral as possible from a regional and sector-related viewpoint, with the aim of avoiding concentration risk in relation to sectors and regions.

Opportunities

- Participation in a share index with global companies selected monthly on the basis of ESG criteria.
- The index pursues a low-volatility approach. This means that companies are selected whose share prices have historically seen comparatively low fluctuations. This is intended to provide the index with a certain stability.
- Reinvestment of net dividends of the companies included in the index.
- Tradable every trading day under normal trading conditions.
- No fixed term restriction

Risks

- The equities are selected using a rule-based method and ESG filters, which Sustainalytics develops on the basis of its own research. The historical volatility of the equities is also used as a criterion.
- No capital protection: investors run the risk of losing their investment if the price of the underlying index worsens.
- Investors bear the issuer risk and could lose their investment if the issuer files for bankruptcy.
- The issuer intends to ensure liquidity in normal market phases on trading days. However, investors should realize that they may not be able to buy/sell the product at any point in time.
- As the stocks included in the index may be listed in different currencies and the product does not have any currency hedges, the investor may also be exposed to an exchange rate risk, which may adversely affect the value of the product.
- The issuer has the right to terminate the product if certain conditions are met.

Open End PERLES in CHF

Underlying	UBS ESG Low Volatility Global Equity Premium L/O Index (USD)
Conversion ratio	2.21271699:1
Management fee	1.00% p.a.
Issue date	6 August 2019
Issue price	CHF 100.00
ISIN	CH0487351311
SIX symbol	ESGLVU

Investor profile

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

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

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