

Return-oriented investing

Real added value: **quality stocks** from the US paying high dividends

Open End PERLES on the UBS US Quality Dividend Payers Index

Proven strategy for success

Dividend and old-fashioned – not so! Dividend stocks have long since shed their boring image. Rightly so: analyses of historical data show that, over the long term, profit distributions make a major contribution to the overall performance of an equity investment. High dividend yields are nevertheless not always a seal of quality. A high yield may also be due to losses resulting from falling stock prices. So when making a selection, it is essential to pay attention to the required quality of the companies. The UBS Global Quality Dividend Payers Index, which was launched in 2012, demonstrates what a profitable selection could look like. Since its introduction, the 30 selected value stocks have consistently outperformed their benchmark, MSCI World. At the end of 2019, the global strategy for success was then transferred to the US market. From this strategy, which is aligned and optimized with the large-cap universe, the UBS US Quality Dividend Payers Index has derived.

Professional dividend strategy

The US and dividends have always been a good match. As early as the 1930s the US economist Benjamin Graham, regarded as the forefather of value investing, pointed out the importance of profit distribution as a selection criterion for equity investments. Of course, not every private investor has the time or the resources to filter out suitable equities from the enormous Wall Street universe. The UBS US Quality Dividend Payers Index provides a solution. The new strategy barometer uses an innovative multi-factor approach to maximize the potential return on an investment. Quantitative criteria are used as well as the qualitative assessments from UBS’s knowledgeable experts. The goal is to find high-quality companies with sustainable dividend payments that ultimately offer good prospects for a high total return. One of the key characteristics of these first-class companies is a strong foundation: healthy balance sheets, positive cash flows and sustainable growth are crucial features.

Optimized selection process

The quantitative selection process is based on three factors: expected dividend growth, the probability of a dividend cut and the forecast of relative return. Using a machine learning algorithm, known as “random forests” in technical jargon, the equities are ranked according to the defined criteria. Qualitative assessments, i.e. the analyst ratings from UBS Research, play an equally important role in the selection process. In



SSPA product type

Tracker certificates (1300)

Currency	Valor	SIX symbol
CHF	51975210	UQDPCU
USD	52137714	UQDPUU

addition, the dividend yield and liquidity of each of the companies are scrutinized closely.

Quality has priority

A glance in the rear-view mirror shows that the UBS US Quality Dividend Payers Index has what it takes to outperform the overall market over the long term. Between 2014 and 2019, the strategy barometer outperformed the S&P 500 in 61 percent of quarters, especially in periods of falling share prices. In the backtesting phase, for example, there were 16 quarters in which the S&P 500 booked losses. In 14 of these 16 periods, the UBS US Quality Dividend Payers Index outperformed the benchmark. The overall result is also impressive: the annualized return over the period under review is 11.5 percent for the innovative strategy index, compared to only 8.9 percent for the S&P 500.¹⁾

Product solution

With a global dividend strategy, personal asset allocation can be optimized over the medium to long term. The UBS US Quality Dividend Payers Index provides easy access to dividend hits from overseas markets. The underlying asset is always kept fresh: each quarter, the UBS US Quality Dividend Payers Index is subject to review and is adjusted if necessary. Investors may purchase the high-quality equity selection through UBS Open End PERLES with just a single transaction.

Opportunities

- Easy and cost-effective access to quality stocks from the US paying high dividends
- Objective-focused and transparent index design
- Multi-factor approach: sophisticated quantitative and qualitative selection criteria
- Regular review of index composition
- 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
- The product does not have a fixed term restriction

Risks

- 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 index 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

Open End PERLES in CHF	
Underlying	UBS US Quality Dividend Payers Net Total Return Index
Conversion ratio	50.065126375:1
Management fee	1.00% p.a.
Issue date	10 February 2020
Issue price	CHF 100.00
ISIN	CH0519752106
SIX symbol	UQDPCU
Open End PERLES in USD	
Underlying	UBS US Quality Dividend Payers Net Total Return Index
Conversion ratio	51.2831:1
Management fee	1.00% p.a.
Issue date	10 February 2020
Issue price	USD 100.00
ISIN	CH0521377140
SIX symbol	UQDPUU

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.

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