

Electric Car Beneficiaries

Invest in the **most promising suppliers of the e-car industry**

PERLES on the Electric Car Beneficiaries Basket

An energized industry

The disruptive shift has now also gripped the automotive industry. E-mobility and driver assistance systems in particular ensure a sustained transformation of the sector. Numerous companies are involved in the evolution from conventional combustion engine to the power outlet, right up to self-driving chassis. Alongside traditional manufacturers, suppliers like the German firm Continental – who among other things has developed a wireless system for charging – are driving the e-trend forward with their propensity for innovation. Companies outside of the sector are also deeply involved here, above all from the semiconductor industry. They all want to profit from the global growth trend. The Center of Automotive Management (CAM) estimates that e-cars will already have a global market share of 25 percent by 2025, which will increase to 40 percent by 2030. (Autoinstitut.de, September 17, 2018)

The technologized world of cars

Indispensable to the functionality of an electric car is the electrified powertrain connected to the power electronics. Here the power electronics' task is to connect the batteries' energy storage with the electrical load in the vehicle. Semiconductors play a decisive role here, since they are the switching point, as it were, in every electrical network. An area which, among others, is covered by Infineon with its highly efficient performance chip. From the perspective of UBS CIO WM, German companies are in a strong position, both in terms of silicon and the relatively young silicon carbide technology. Above all the latter semiconductor material has an important role, since it is smaller, more efficient and more heat resistant. (UBS-Research, «Semis: Who's powering Tesla's Model 3?», August 15, 2018) In 2017, the market for automotive semiconductors amounted to «just» 34.63 billion US dollars, by 2023 it is estimated to increase to 92.96 billion dollars, with an average annual growth rate of 17.89%. (Mordorintelligence.com, May 2018)



SSPA product type

Tracker certificate (1300)

Currency	Valor	SIX symbol
CHF	43269471	ECARSU

ubs.com/e-cars

The future is autonomous

On the path towards the «car of the future», electrification goes hand in hand with digital networking and autonomous driving. This requires intelligent vehicle platforms and high processing power. The US technology giant Intel forecasts that self-driving cars will generate an immense volume of data, estimated at around 4 terabytes per day. A development through which the chip industry will gain new significance. Admittedly, no has yet to progress to the so-called «level 5», that is fully automated driving. According to Intel's estimates, this point will be reached in 2025. (Intel, September 17, 2018) But according to calculations from UBS Evidence Lab, semiconductors worth in excess of 1,500 dollars are already being installed in vehicles at level 2 (partially automated). As a comparison: in a traditional car this part amounts to around 400 dollars. (UBS-Research, «Semis: Who's powering Tesla's Model 3?», August 15, 2018) According to data provider Statista, as early as 2035, global production could amount to 48 million fully and partially automated vehicles. (Statista.com, September 17, 2018) This explicitly demonstrates the structural growth opportunities in the area of semiconductors for the automotive industry.

There is no going back

Electro-mobility has long passed the practical test, something which is not least demonstrated by the portfolio development of previous years. Between 2012 and 2017, the number of worldwide approvals has increased from around 200,000 to 3.2 million electric cars. (Statista.com, September 17, 2018) As if that was not enough, a quota system in China, the world's biggest e-car market, could strengthen this trend even further. The Middle Kingdom has stipulated that a certain number of cars sold must be electric as of 2019. It is all the more important for companies now that they do not fall behind. Regardless of whether they are automotive suppliers like Continental or Valeo, or chip specialists like Infineon and Intel, the groups are already in a position to participate in the e-car megatrend.

A sophisticated basket

On the search for the potential «winners of tomorrow», the selection of companies is large. But it is not yet certain who will actually win the race. A broadly diversified system solution consequently offers clear advantages. For this reason, on the basis of the results of the primary research experts from the UBS Evidence Lab, the Electric Car Beneficiaries Basket was designed. The UBS Evidence Lab does not only distinguish itself through its quantitative market research and data science. In order to gain a far reaching insight into the topic, the team went as far as dismantling various electric vehicles into their individual components. Among other things, analysis was done on the individual components with regard to which company had produced them and what proportion they account for of the total value of all components installed in the vehicle. From these findings, a total of eight international groups were selected who could sustainably profit from the e-car trend. These were selected as basket members.

The product solution

The UBS PERLES on the Electric Car Beneficiaries Basket directly corresponds to the performance of the underlying equity basket minus the management fee of 0.5 percent p.a. Possible net dividends will be reinvested in the basket members. The duration amounts to seven years and ends on September 26, 2025. The issuer nonetheless has the right to increase the duration to an additional seven years.

Opportunities

- The electric vehicle industry in a single package: Equity-linked participation in the growth potentials of the future trend.
- Transparent and targeted basket composition based on the research results of the UBS Evidence Lab.
- Diversification within the e-car industry.
- Tradable every trading day under normal trading conditions.

- Duration limit of seven years with the opportunity for extension.

Risiks

- It remains unclear which companies will assert themselves in the e-car sector.
- No capital protection: investors run the risk of losing their capital investment if the price of the underlying basket 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 buy/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 product doesn't 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 early redeem the product if certain conditions are given.

PERLES in CHF

Underlying	Electric Car Beneficiaries Basket
Conversion ratio	1:1
Management fee	0.50% p.a.
Listing date	06 September 2018
Expiry	26 September 2025
Issue price	CHF 100.00
ISIN	CH0432694716
SIX Symbol	ECARSU

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.

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