

Space Economy

Investment exposure to the **farthest reaches out of space**

Open End Tracker on the Euronext Helios Space Index

Plenty of satellites

According to the Satellite Industry Association (SIA), 4,852 satellites were orbiting the earth at the end of 2021. Their numbers had thus increased 179 percent over a five-year period. In 2021 alone, 1,713 commercial satellites entered orbit – a good 40 percent more than in the previous year. Launches thus set a record for the fourth consecutive year. Satellites are used for applications ranging from satellite TV and radio to broadband internet to navigation systems. According to the SIA, the commercial satellite business generated USD 279 billion in revenue in 2021. The segment thus accounts for nearly three quarters of the global space industry. The space economy as a whole grew four percent to USD 386 billion in the reporting year.¹⁾

Shrinking costs

This sector could break the sound barrier of USD 1 billion by 2040, according to a forecast by UBS CIO GWM. Growth drivers listed by the experts include private sector investment, rapid advances in satellite technology, new application areas and, most importantly, shrinking rocket launch costs. A few facts about that last driver: The first rockets took off in the 1960s. At that time, it cost more than USD 100,000 per kilogram in inflation-adjusted terms to transport a payload to a low earth orbit (LEO). Falcon 9, the launch vehicle operated by aerospace company SpaceX, made it possible to carry out LEO flights for USD 2,500 per kilogram starting in 2010. The Falcon Heavy is now in operation. Since several components are reusable and its payload capacity is much higher, the transport costs for this rocket were lowered to around USD 1,500 per kilo.

Playground for billionaires

The space industry has benefited immensely from the involvement of several New Economy billionaires. SpaceX belongs to the empire run by Elon Musk, the co-founder and CEO of Tesla, an electric car manufacturer. Amazon's founder and former CEO Jeff Bezos has invested considerable capital in the space company Blue Origin, while music and airline magnate Richard Branson is taking off for the farthest reaches of space with Virgin Galactic. This trio is also focused on space tourism.²⁾ Virgin Galactic charges USD 450,000 per ticket, with one third paid



SSPA product type

Tracker certificates (1300)

Currency	Valor	SIX Symbol
CHF	124834366	SPACEU

ubs.com/space

up front. There are 800 customers on the waiting list for a trip in which they shoot up 80 kilometers on the VSS Unity and then spend around ten minutes in zero gravity. Commercial flights are expected to begin in the second quarter of 2023, following some delays.³⁾

Jointly to the moon

In addition to private sector initiatives, many governments are still keenly interested in space exploration. In 2022, the European Space Agency (ESA) received approval from its 22 member countries to increase its budget by 17 percent. In addition to rapid, reliable crisis interventions, policymakers believe the funds will make communications and shipping safer and more secure and enable climate change to be monitored and contained.⁴⁾ The Europeans are also involved in US space agency NASA's plans to return to the moon 50 years after its first landing on it. An unmanned spacecraft has already flown around Earth's natural satellite as part of the Artemis mission. A four-person crew will then embark on a similar trip in 2024 before moving to the next stage – landing on the moon – with Artemis III.⁵⁾

Systematically constructed indicator

The ESA's vast expertise has informed the development and composition of the Euronext Helios Space Index. It aims to track the stock market performance of companies that operate in the space industry and are based in the Old World. Non-European companies may be included if they benefit from EU funding for these topics. The index universe includes the service providers on the ground just as much as the developers and manufacturers of space systems and the associated launch vehicles. Communications, navigation and satellite companies may be included as well. In addition to ESA-reviewed qualitative premises, the selection process also has to clear hurdles regarding average daily trading volume and market capitalization. All the companies that make it into the index are weighted based on their free-float market price. Fractional shares are limited to no more than ten percent.

The entire range of the space economy

The initial line-up of the Euronext Helios Space Index contains 30 securities. One of the heavyweights is Airbus. And with good reason. The company is an important player in the European space economy. In addition to the broadly positioned aviation corporation, the new index also includes engine manufacturers such as MTU Aero Engines and Rolls-Royce. It also contains satellite operators such as Eutelsat or high-caliber security specialists such as Britain's Qinetiq – to name just a few examples.

The product solution

UBS tracker certificates directly track the performance of the Euronext Helios Space Index, minus an administrative fee. The CHF-denominated participation products have an unlimited term. Since the underlying asset is a net total return index, the net dividend payments made by the constituent companies are reinvested. It provides investors with an effective, cost-efficient vehicle for investing in a sector with a positive long-term outlook.

Opportunities

- Participation: tracking of the Euronext Helios Space Index.
- Diversification: underlying asset contains space companies from various market segments.
- Rebalancing: regular checking and any necessary adjustment of the underlying asset. New companies that meet the criteria may be admitted at a later stage.
- Reinvestment: net dividend payments from the constituent companies are reinvested into the index.
- Liquidity: tradable every trading day under normal trading conditions.
- Flexibility: unlimited maturity.

Risks

- No capital protection: investors run the risk of losing their capital investment if the price of the underlying index 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 sell the product at every point in time.
- Systematic risk: the return performance depends on respective market conditions.
- Each investor bears the general risk that the financial situation of the issuer may worsen. In the event of insolvency of the issuer, the products are direct, unsecured and subordinated liabilities of the issuer.
- As the assets included in the index may be listed in different currencies from the product and the certificate does 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 product if certain conditions are met.

Open End Tracker certificate in CHF

Underlying	Euronext Helios Space NR Index (EUR)
Subscription ratio	58.68647: 1
Management fee	0.50% p.ca.
Pricing Date	5 April 2023
Issue price	CHF 100.00
ISIN	CH1248343662
SIX symbol	SPACEU

Investor profile

Solutions for investors who have experience with the stock market and structured products, who have medium to elevated risk tolerance and who would like to participate in the performance of the equities contained in the index with little administrative effort and minimal capital cost.

The product documentation, i.e. the prospectus and the Key Information Document (KID), as well as information on opportunities and risks, is available under: ubs.com/keyinvest.

Sources:

- 1) Satellite Industry Association, press release, 29 June 2022
- 2) UBS CIO GWM, Space Economy Longer Term Investments, 07 September 2022
- 3) Refinitiv, press release, 28 February 2023
- 4) ESA, press release, 23 November 2022
- 5) www.nasa.gov/image-feature/artemis-ii-map

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