

# UBS Market Growth Instalments (“SSE” & “SSF” Series)

Peter Mermelas  
Director

April 2013



# Disclaimer

---

This information has been prepared by UBS AG, ABN 47 088 129 613 AFSL 231087 ("UBS"). This information does not take into account the objectives, financial situation or needs of any particular investor. This information is not to be construed as a solicitation or an offer to buy or sell any securities, derivatives or related financial products.

This document has been issued by UBS AG Australia Branch (ABN 47 088 129 613, AFSL 231087) (UBS) for information purposes only. Before making an investment decision, clients should read the relevant Product Disclosure Statement (PDS) dated 23 May 2011 and Supplementary Product Disclosure Statements (SPDS) dated 8 May 2012, 7 May 2012, 29 June 2011 27 June 2011 and 23 May 2011 for the relevant Series including the Risks section in the PDS. To obtain a copy of the PDS and SPDS, call UBS on 1800 633 100 or visit the website [www.ubs.com/instalments](http://www.ubs.com/instalments).

This document is not to be construed as a solicitation or an offer to buy or sell any particular financial product. The final terms and conditions of the investment and loan are contained in the PDS and SPDS, which are available from UBS by calling 1800 633 100 or from [www.ubs.com/instalments](http://www.ubs.com/instalments). Potential investors should read the PDS and SPDS in their entirety and base their decision to invest in the product upon the information contained in those documents only and any such investigation as the investor deems necessary.

This document does not take into account your investment objectives, financial situation or particular needs. Accordingly, nothing in this document or the PDS or SPDS is a recommendation by UBS or its related entities or by any other person concerning investment in the Units and before acting on this information, you should consider its appropriateness having regard to your situation. We recommend that you not only consider the information in the PDS and SPDS but also obtain independent financial, legal and taxation advice as to the suitability of an investment in the Units for you (bearing in mind your investment objectives, financial situation and particular needs).

This document does not constitute an offer of the any investment in any place in which, or to any person to whom, it would not be lawful to make such an offer. The distribution of this information in jurisdictions outside Australia may be restricted by law and any person who resides outside Australia into whose possession this information comes (including nominees, trustees or custodians) should seek advice on and observe those restrictions. Any securities, derivatives or related financial products mentioned herein may not be offered or sold in the United States of America ("US") or to, or for the account of or benefit of, US persons.

No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the financial products, markets or developments referred to in the materials. UBS is under no obligation to keep current the information in this document. It should not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in this material are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS as a result of using different assumptions and criteria. None of UBS, its directors, employees or agents accept any liability for any loss or damage arising out of the use of all or any part of these materials. This material is strictly for specified recipients only and may not be reproduced, distributed or forwarded in any manner without the permission of UBS.

UBS and its related entities and/or their directors, officers and employees may have or have had interests or long or short positions in, and may at any time make purchases and/or sales as principal or agent, or UBS may act or have acted as market-maker in the financial instruments or underlying securities discussed in this document or which investors buy or sell in relation to the product. Furthermore, UBS may have or have had a relationship with or may provide or has provided investment banking, capital markets and/or other financial services to any companies mentioned in the materials. UBS's trading and/or hedging activities related to this transaction may have an impact on the price of the underlying asset and may affect the likelihood that any relevant barrier is crossed. UBS has policies and procedures designed to minimise the risk that officers and employees are influenced by any conflicting interest or duty and that confidential information is improperly disclosed or made available.

UBS AG, Australia Branch is an authorised foreign Authorised Deposit-Taking Institution under the Banking Act 1959 (Cth), and is supervised by the Australian Prudential Regulation Authority. However, it is important for you to note that the financial products described herein are not deposit products and will not be covered by the depositor protection provisions set out in Division 2 of the Banking Act 1959 (Cth), as these provisions do not apply to foreign Authorised Deposit-Taking Institutions.

**Copyright 2012 UBS AG, Australia Branch.** All rights reserved. No part of this document may be reproduced or distributed in any manner without the prior written permission of UBS. UBS accepts no liability whatsoever for the actions of third parties in this respect.

# Agenda

---

- What are UBS Market Growth Instalments?
- What are the Key Benefits?
- Strategies
- Investment Choices
- Scenarios
- How to invest and choices at Maturity
- Key dates and Fees
- What are the Key Risks?

# What are UBS Market Growth Instalments?

---

<b>Structure</b>	Capped Self Funding Instalments (“SFIs”) which allow Investors to buy listed securities in two payments. Initial exposure of approximately 12 months
<b>Leverage</b>	High initial gearing level of approximately 100%
<b>Limited recourse loan</b>	No risk of margin calls and investors are not obligated to make any additional payments during the term or make the Completion Payment at maturity. Market Growth Instalments may be an eligible investment for Self Managed Super Funds (“SMSFs”) <sup>1</sup>
<b>Dividends and franking</b>	Investors receive the benefits of dividends <sup>2</sup> and may be entitled to franking credits <sup>3</sup>
<b>Tax effective</b>	Investors may be entitled to interest deductibility for interest component of the first payment amount and interest drawn down on the Annual Interest Date. <sup>4</sup>
<b>Cap Level</b>	100% participation in any capital growth up to the indicative Cap Level of 120% (for “SSE” Series) or 115% (for “SSF” Series) <sup>5</sup>

1 Refer to the PDS Section 3.17.

2 Instalment Holders are entitled to cash Ordinary and Special Dividends paid in relation to the relevant Underlying Security however the cash component of dividends are applied to reduce the corresponding Loan Amount

3 Subject to individual circumstances and entitlements to franking credits (e.g. whether the investors interest in the Underlying Securities may be “at risk” for the purposes of the Qualified Persons Test). Read Part 5 of the PDS and the SPDS dated 8 May 2012 for further information.

4 Refer to Part 5 of the PDS for further information on tax implications. Investors should seek their own tax advice before investing in UBS Market Growth Instalments.

5 Indicative Capped Level as at date of SPDS of 120% (SSE Series) and 115% (SSF Series) of Closing Price of the relevant Underlying Security on Strike Date. Actual Capped Level will be determined by UBS and notified to investors on the UBS website and in the confirmation letters sent to Holders. The minimum Capped Level will be 118% (SSE Series) and 113% (SSF Series) of the Closing Price of the relevant Underlying Security on the Strike Date.

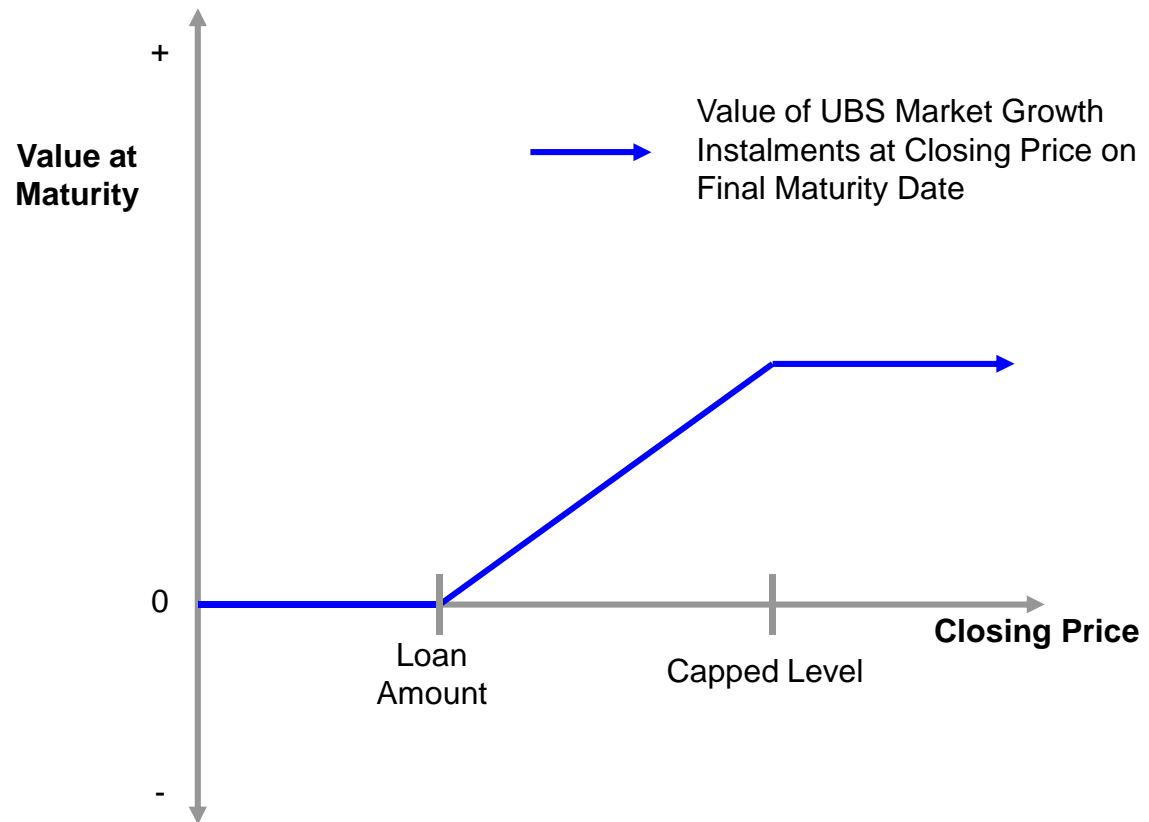
# What are UBS Market Growth Instalments?

## The “Capped” Self Funding Instalment Concept

UBS Market Growth Instalments differ from other forms of instalment warrants due to the “capped” feature. The cost of the limited recourse loan is reflected in the interest charge due on the purchase date and is reduced by the addition of the “capped” feature.

Holder will not benefit from an increase in the price of the Underlying Security above the Capped Level.

## UBS Market Growth Instalments at Maturity



# What are the Key Benefits of UBS Market Growth Instalments?

---

- **Potential capital growth** up to the Cap Level
- **Access to the ASX Top 20 Listed shares**
- **No margin calls**
- **Leverage** – initial gearing level of approximately 100%
- **Tax effective** – interest deductibility and may be entitlement to franking credits<sup>1</sup>
- **Limited recourse loan** – optional Completion (final) Payment
- **No ongoing cash payment** required during the term<sup>2</sup>
- **Low administration investment**
- **Daily liquidity** – listed on the ASX
- **Accessible for Self Managed Super Funds**

<sup>1</sup> Subject to individual circumstances and entitlement to franking credits (e.g. whether the investors interest in the Underlying Securities may be “at risk” for the purposes of the Qualified Persons Test). Read Part 5 of the PDS and the SPDS dated 8 May 2012 for further information.

<sup>2</sup> Dependant on provision of TFN/ABN

# Strategies for using UBS Market Growth Instalments

---

## Leverage

Investors can leverage their individual or SMSF portfolio to increase their exposure to shares without needing to commit to ongoing interest obligations

## Tax Efficient

Instalments Holders can pre-pay interest and may be entitled to use franking credits<sup>1</sup> to reduce contributions tax within their SMSF

## Diversification

Investors can gain exposure to some of the 20 largest ASX listed shares for a fraction of the price

## Limited recourse loan with no margin calls

UBS Market Growth Instalments utilise a limited recourse loan, making it one of the few forms of gearing strategies that SMSFs are permitted to use (if made via a Cash Application)

<sup>1</sup> Subject to individual circumstances and entitlements to franking credits (e.g. whether the investors interest in the Underlying Securities may be "at risk" for the purposes of the Qualified Persons Test). Read Part 5 of the PDS and the SPDS dated 8 May 2012 for further information.

# Investment Choices – 120% Cap (SSE Series)

ASX Code	Issuer of Underlying Security	Additional Loan Amount	Indicative First Payment Amount on Strike Date <sup>1</sup>
AMPSSE	AMP Limited	\$0.266	9.684%
ANZSSE	Australian and New Zealand Banking Group	\$1.416	9.113%
BHPSSE	BHP Billiton Limited	\$1.138	10.415%
BXBSSE	Brambles Limited	\$0.276	10.183%
CBASSE	Commonwealth Bank	\$3.211	8.500%
CSLSSE	CSL Limited	\$0.817	10.163%
MQGSSE	Macquarie Bank Limited	\$1.568	10.429%
NABSSE	National Australia Bank Limited	\$1.767	9.135%
NCMSSE	Newcrest Mining	\$0.342	10.593%
ORGSSE	Origin Energy	\$0.494	9.599%
QBESSE	QBE Insurance Group	\$0.618	10.309%
RIOSSE	Rio Tinto Limited	\$1.581	10.879%
STOSSE	Santos Ltd	\$0.285	10.589%
SUNSSE	Suncorp Group	\$0.451	10.243%
TLSSSE	Telstra Corporation Limited	\$0.266	7.099%
WESSSE	Wesfarmers Limited	\$1.615	9.058%
WDCSSE	Westfield Group	\$0.470	9.608%
WBCSSE	Westpac Banking Corporation	\$1.606	8.830%
WPLSSE	Woodside Petroleum Limited	\$1.164	10.087%
WOWSSE	Woolworths Limited	\$1.245	8.079%
	<b>Average for Top 10</b>		<b>9.10%</b>
	<b>Average for Top 20</b>		<b>9.63%</b>



<sup>1</sup> The Indicative First Payment Amount is expressed as a percentage of the Closing Price of the Underlying Security on the Strike Date. The indicative First Payment Amount is calculated assuming nil Borrow Fee.



# Investment Choices – 115% Cap (SSF Series)

ASX Code	Issuer of Underlying Security	Additional Loan Amount	Indicative First Payment Amount on Strike Date <sup>1</sup>
ANZSSF	Australian and New Zealand Banking Group	\$1.416	8.477%
BHPSSF	BHP Billiton Limited	\$1.138	9.288%
CBASSF	Commonwealth Bank	\$3.211	8.076%
NABSSF	National Australia Bank Limited	\$1.767	8.461%
RIOSSF	Rio Tinto Limited	\$1.581	9.566%
TLSSSF	Telstra Corporation Limited	\$0.266	6.851%
WESSSF	Wesfarmers Limited	\$1.615	8.311%
WBCSSF	Westpac Banking Corporation	\$1.606	8.252%
WPLSSF	Woodside Petroleum Limited	\$1.164	9.032%
WOWSSF	Woolworths Limited	\$1.245	7.675%
	<b>Average for Top 10</b>		<b>8.40%</b>



<sup>1</sup> The Indicative First Payment Amount is expressed as a percentage of the Closing Price of the Underlying Security on the Strike Date. The indicative First Payment Amount is calculated assuming nil Borrow Fee.

# Scenario 1 – TLSSSE

At Maturity TLS share price is above Cap Level and total Distribution of \$0.28

<b>Loan Amount</b>	TLS Closing Price on Strike Date (Strike Price)	\$3.6200
	Additional Loan Amount	\$0.2660
	<b>Loan Amount after Annual Interest Date<sup>1</sup></b>	<b>\$3.8860</b>
<b>Upfront Payment</b>	First Payment Amount (excl. Borrow Fee) @ 7.099% of Strike Price	\$0.2570
	Borrow Fee @ 1.1% <sup>2</sup>	\$0.0388
	<b>First Payment Amount (including Borrow Fee)</b>	<b>\$0.2958</b>
<b>Distributions</b>	<b>Loan Amount</b>	<b>\$3.8860</b>
	Actual Distributions in period to Maturity Date	\$0.2800
	<b>Loan at Maturity Date</b>	<b>\$3.6060</b>
<b>Maturity Date</b>	TLS price on Maturity Date	\$4.4000
	Capped Level (120%)	\$4.3440
	<b>Gain after Cap Adjustment Amount<sup>3</sup> (\$4.3440 - \$3.6060)</b>	<b>\$0.7380</b>
	<b>Net Gain or Loss (\$0.7380 - \$0.2958)</b>	<b>\$0.4422</b>
	<b>Net Gain or Loss as % of First Payment Amount</b>	<b>+149.49%</b>
	<b>Net Gain or Loss as % of Strike Price</b>	<b>+12.22%</b>

1 Initial Loan Amount on Strike Date = (90% x Closing Price on Strike Date) + Additional Loan Amount = \$3.258 + \$0.266 = \$3.5240. The Interest Amount payable on the Annual Interest Date = 10% x \$3.62 = \$0.362 bringing total Loan Amount to \$3. 886

2 Borrow Fee is 1.1% of Loan Amount on Strike Date i.e. 1.1% of \$3.5240 per footnote (1) above

3 TLS price at Maturity is \$4.40, which is above the capped level of \$4.344. Therefore, the Cap Adjustment Amount is \$0.056 (\$4.40 - \$4.344), bringing the maximum gain above the original Strike Price (\$3.62) to \$0.724. In addition, as the Loan Amount at Maturity Date (\$3.606) is less than the TLS Strike Price of \$3.62, the difference of \$0.014 is passed through as a gain to the investor. The total gain after Cap Adjustment Amount is \$0.724 + \$ 0.014 = \$0.738.

The amounts and levels shown in the worked example above are provided for illustrative purposes only and are not an indication, projection or forecast of the prices or levels which may apply to any Series of UBS Market Growth Instalment. Actual prices and returns may be significantly different to those illustrated in the example below.



## Scenario 2 – TLSSSE

At Maturity TLS share price is between Loan Amount & Cap Level and Total Distribution of \$0.28

<b>Loan Amount</b>	TLS Closing Price on Strike Date (Strike Price)	\$3.6200
	Additional Loan Amount	\$0.2660
	<b>Loan Amount after Annual Interest Date<sup>1</sup></b>	<b>\$3.8860</b>
<b>Upfront Payment</b>	First Payment Amount (excl. Borrow Fee) @ 7.099% of Strike Price	\$0.2570
	Borrow Fee @ 1.1% <sup>2</sup>	\$0.0388
	<b>First Payment Amount (including Borrow Fee)</b>	<b>\$0.2958</b>
<b>Distributions</b>	<b>Loan Amount</b>	<b>\$3.8860</b>
	Actual Distributions in period to Maturity Date	\$0.2800
	<b>Loan at Maturity Date</b>	<b>\$3.6060</b>
<b>Maturity Date</b>	TLS price on Maturity Date	\$3.9000
	Capped Level (120%)	\$4.3440
	<b>Gain<sup>3</sup></b>	<b>\$0.2940</b>
	<b>Net Gain or Loss (\$0.2940 - \$0.2958)</b>	<b>-\$0.0018</b>
	<b>Net Gain or Loss as a % of First Payment Amount</b>	<b>-0.61%</b>
	<b>Net Gain or Loss as % of Strike Price</b>	<b>-0.05%</b>

1 Initial Loan Amount on Strike Date = (90% x Closing Price on Strike Date) + Additional Loan Amount = \$3.258 + \$0.266 = \$3.5240. The Interest Amount payable on the Annual Interest Date = 10% x \$3.62 = \$0.362 bringing total Loan Amount to \$3. 886

2 Borrow Fee is 1.1% of Loan Amount on Strike Date i.e. 1.1% of \$3.5240 per footnote (1) above

3 TLS price at Maturity is \$3.90, which is between Loan Amount and capped level and there is no Cap Adjustment Amount. The gain above the Strike Price is \$3.90 - \$3.62 = \$0.28. In addition, as the Loan Amount at Maturity Date (\$3.606) is less than the TLS Strike Price of \$3.62, the difference of \$0.014 is passed through as a gain to the investor. The total gain after Cap Adjustment Amount is \$0.28 + \$0.014 = \$0.294.

The amounts and levels shown in the worked example above are provided for illustrative purposes only and are not an indication, projection or forecast of the prices or levels which may apply to any Series of UBS Market Growth Instalment. Actual prices and returns may be significantly different to those illustrated in the example below.



# Scenario 3 – TLSSSE

At Maturity TLS share price is less than Loan Amount and Total Distribution of \$0.24

<b>Loan Amount</b>	TLS Closing Price on Strike Date (Strike Price)	\$3.6200
	Additional Loan Amount	\$0.2660
	<b>Loan Amount after Annual Interest Date<sup>1</sup></b>	<b>\$3.8860</b>
<b>Upfront Payment</b>	First Payment Amount (excl. Borrow Fee) @ 7.099% of Strike Price	\$0.2570
	Borrow Fee @ 1.1% <sup>2</sup>	\$0.0388
	<b>First Payment Amount (including Borrow Fee)</b>	<b>\$0.2958</b>
<b>Distributions</b>	<b>Loan Amount</b>	<b>\$3.8860</b>
	Actual Distributions in period to Maturity Date	\$0.2400
	<b>Loan at Maturity Date</b>	<b>\$3.6460</b>
<b>Maturity Date</b>	TLS price on Maturity Date	\$3.0000
	Capped Level (120%)	\$4.3440
	<b>Gain<sup>3</sup></b>	<b>\$0.0000</b>
	<b>Net Gain or Loss (\$0.00 - \$0.2958)</b>	<b>-\$0.2958</b>
	<b>Net Gain or Loss as a % of First Payment Amount</b>	<b>-100.00%</b>
	<b>Net Gain or Loss as % of Strike Price</b>	<b>-8.17%</b>

1 Initial Loan Amount on Strike Date = (90% x Closing Price on Strike Date) + Additional Loan Amount = \$3.258 + \$0.266 = \$3.5240. The Interest Amount payable on the Annual Interest Date = 10% x \$3.62 = \$0.362 bringing total Loan Amount to \$3. 886

2 Borrow Fee is 1.1% of Loan Amount on Strike Date i.e. 1.1% of \$3.5240 per footnote (1) above

3 TLS price at Maturity is \$3.00, which is less than the Loan Amount on the Maturity Date and there is no Cap Adjustment Amount. As the loan is limited recourse, the holder does not have to repay the shortfall at maturity – hence the gain is nil. As a result the total net loss is limited to the First Payment Amount (including Borrow Fee).

The amounts and levels shown in the worked example above are provided for illustrative purposes only and are not an indication, projection or forecast of the prices or levels which may apply to any Series of UBS Market Growth Instalment. Actual prices and returns may be significantly different to those illustrated in the example below.



# How to invest and choices at Maturity

---

## How to Purchase UBS Market Growth Instalments

- **Cash Applicants** – complete application form in the PDS and pay the First Payment Amount to UBS
- **Shareholder Applicants** – deliver Underlying Parcel and receive cashback amount
- **Rollover Applicants** – deliver Existing Instalment and either receive cashback amount or pay a Rollover Payment
- **ASX Purchasers** – buy UBS Market Growth Instalments on ASX through a broker

## What Happens at Maturity?

- **Make Completion Payment** – receive Underlying Security, or
- **Roll** into new Series of UBS Market Growth Instalments if available; or
- **Do nothing** – receive Assessed Value Payment equal to value of Underlying Security less the Completion Payment (including any Cap Adjustment Amount); or
- **Sell** your UBS Market Growth Instalments on ASX (any time before maturity)

# Snapshot – Key dates and Fees

---

**Initial Offer Period Open** 8 May 2012

**Strike Date** 25 June 2012

**Expected Quotation Date on ASX** 26 June 2012

**Annual Interest Date** 29 June 2012

**Final Maturity Date** 28 June 2013

**Maximum Borrow Fee / Adviser Commission**

The maximum Borrow Fee is an amount up to 2.20% of the Loan Amount on the Strike Date and is payable when you acquire a UBS Market Growth Instalments (other than on the secondary market). The amount of the Borrow Fee will equal the amount of the commission you agree with your adviser. UBS will pay the amount of the Borrow Fee to your adviser as a commission

# What are the Key Risks of UBS Market Growth Instalments?

---

- Leverage increases downside risk
- Interest rate exposure
- Dividend risk
- Exposure to the underlying security
- Capped underlying security performance
- UBS credit risk

A more detailed description of the main risks of investing in UBS Market Growth Instalments is in the Risks Section of the PDS (Part 3)

# Contact

---

## **Travis Miller**

02-8121 5784

Travis-J.Miller@ubs.com

## **Edward Burns**

02-9324 3329

Edward.Burns@ubs.com

## **Peter Mermelas**

02-8121 5748

Peter.Mermelas@ubs.com

## **Stuart Trueman**

02-8121 5760

Stuart.Trueman@ubs.com

## **Nick Reeves**

02-8121 5785

Nick.Reeves@ubs.com

### **UBS AG**

Australia Branch  
ABN 47 088 129 613  
PO Box 4151  
Sydney NSW 2001  
Tel. 1800 633 100

[www.ubs.com](http://www.ubs.com)

UBS Investment Bank is a business division of UBS AG



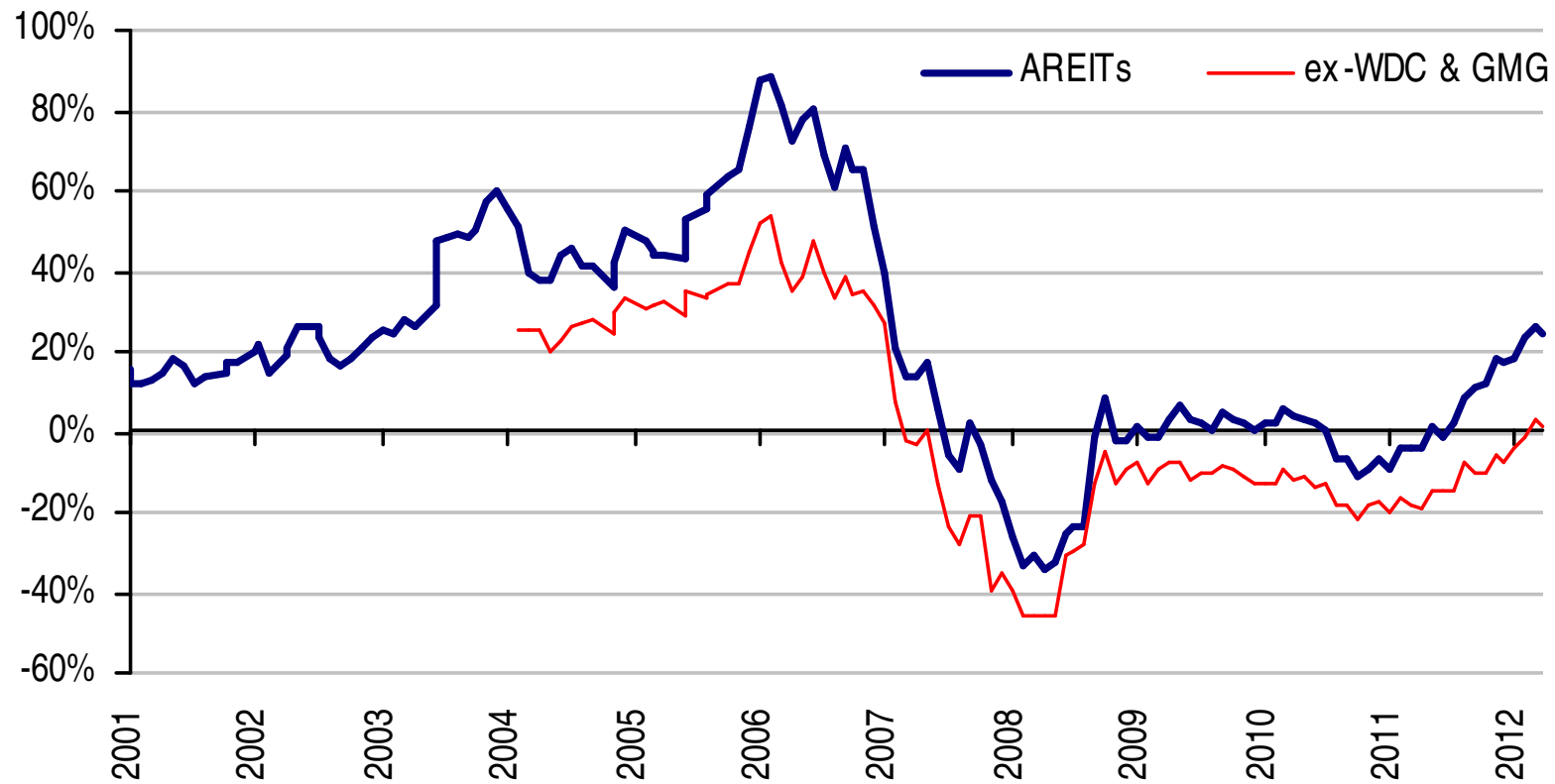


# Appendix

---

# Premium / (discount) to Net Tangible Assets (NTA)

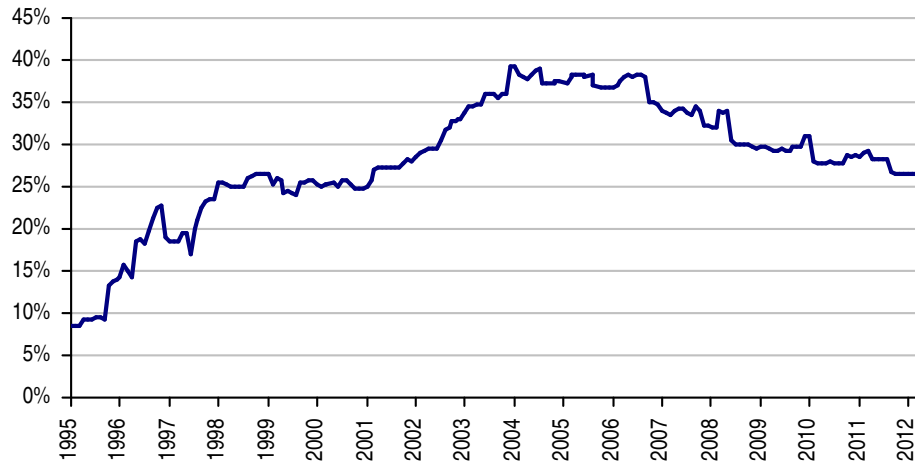
## AREIT Premium / (Discount) to NTA



Source: UBS estimates

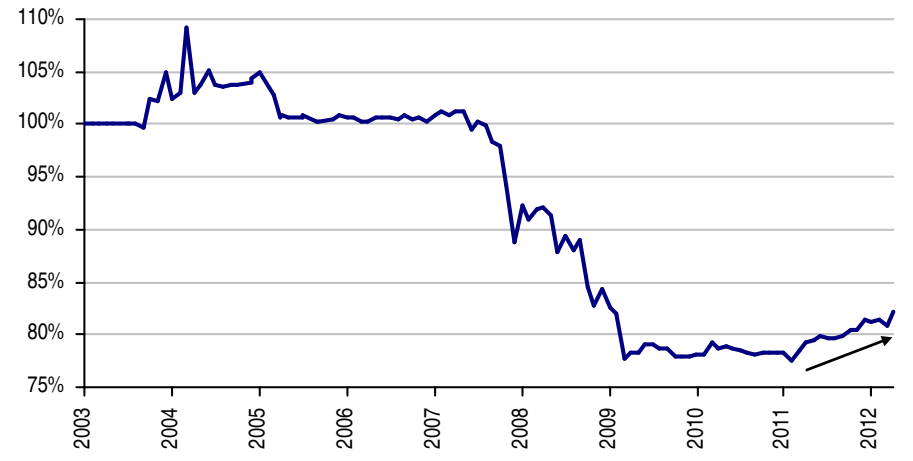
# Gearing & Payout Ratio's

Gearing has declined materially and is now ~27-28% for the sector



Source: UBS estimates

AREIT payout ratio's have declined significantly since the GFC, but increased marginally recently



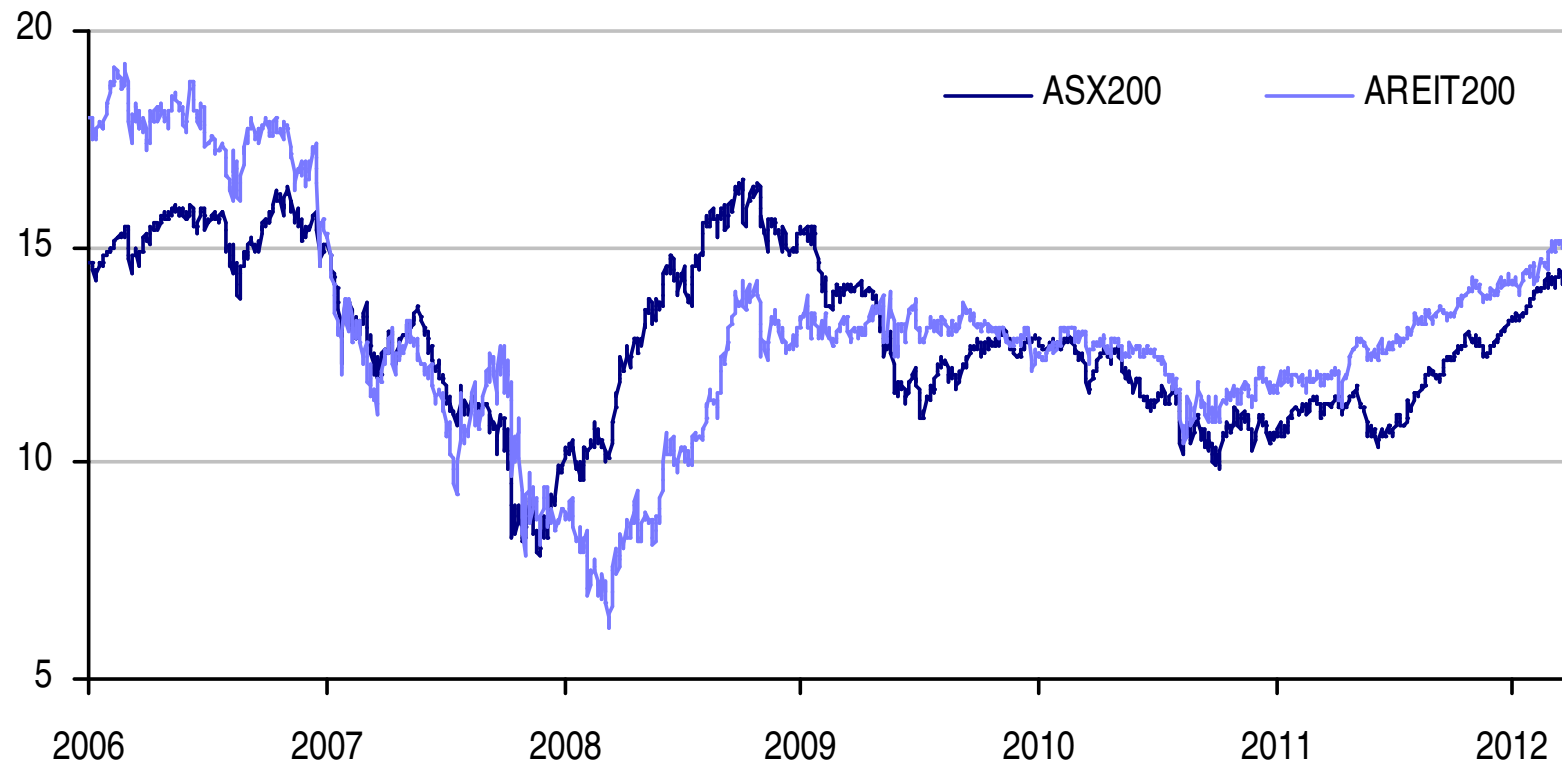
Source: UBS estimates

# AREIT PE relative to the broader equity market

---

## AREIT & Equity Market 1 year forward PE

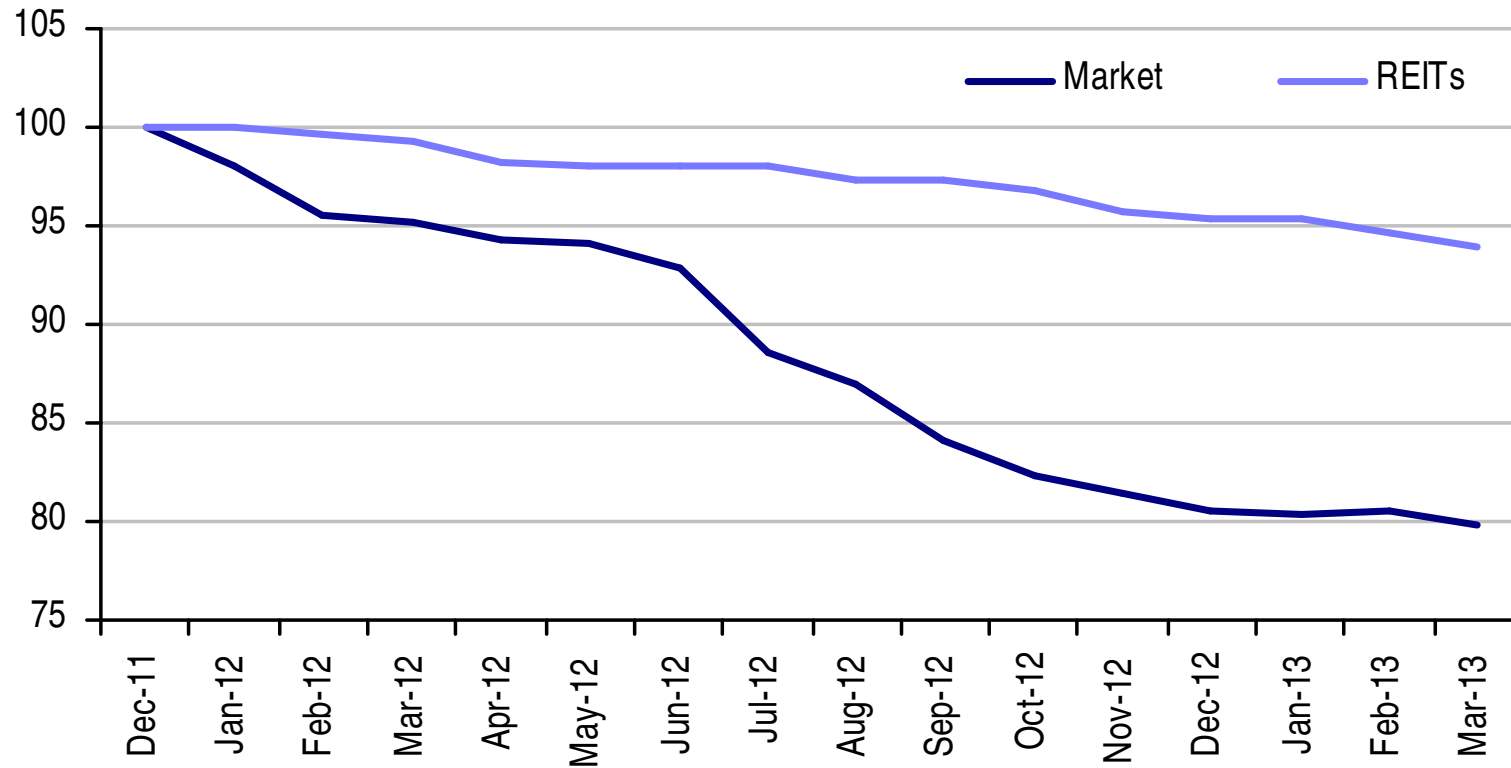
---



Source: Datastream

# FY13 EPS Revisions: Market vs. REITs

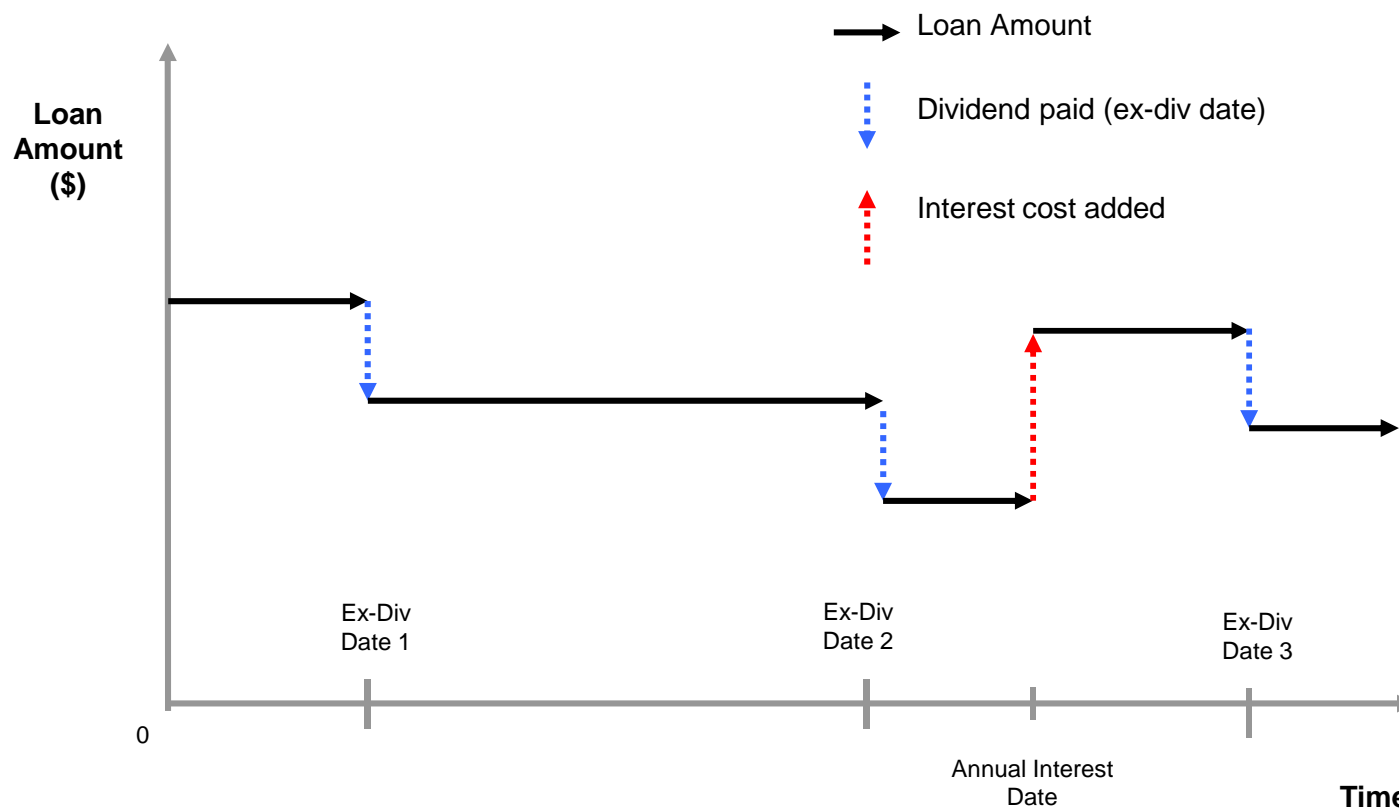
## FY13 EPS Revisions: Market vs. REITs



Source: UBS estimates

# What are UBS Rolling Self Funding Instalments?

UBS Rolling SFI Indicative Life Cycle



# Why UBS Rolling SFIs?

---

- ◆ Enhanced capital growth potential through leveraged exposure to market recovery
- ◆ Increase portfolio yield and franking credits
- ◆ Tax Efficient\* - interest deductibility up to RBA benchmark rate, interest prepayment and franking credits
- ◆ No margin calls or ongoing cash payments #
- ◆ ASX listed for daily liquidity
- ◆ Moderate level of gearing
- ◆ Potential upfront adviser fee up to 3% on Loan Amount
- ◆ Annual trail commission of 0.50%pa

\* Subject to dividend franking entitlement rules and interest deductibility rules

# Subject to provision of TFN, ABN or exemption and unless early termination event occurs.