

# UBS Hindsight Protected Investment Product (PIP)—Series 1 Australian Equities

**An investment linked to the performance of the S&P/ASX 200 Accumulation Index over five years with 90% Limited Capital Protection. UBS Hindsight PIP—Series 1 also contains a look back feature to periodically lock in a portion of index returns and may mature early if a pre-determined level of performance is achieved after 2.5 years.**

An investment in UBS Hindsight PIP—Series 1 Units<sup>1</sup> will provide investors with exposure to Australian equities based on the return of the S&P/ASX 200 Accumulation Index less a 5% p.a. Dividend Drag Amount along with a 90% Limited Capital Protection feature.

## The comfort of 90% Limited Capital Protection

The aim of the 90% Limited Capital Protection is to preserve a pre-determined amount of your initial investment at Maturity, whilst still providing exposure to investment upside. This feature means that the Final Value at Maturity will be at least \$0.90 per Unit regardless of the investment performance<sup>2</sup>.

## The benefit of the look back feature

At the end of five years, investors will have the opportunity to benefit from a look back feature which will operate as follows:

- ◆ during the term of your investment, the performance of the Reference Index (measured from the Issue Date) net of the Dividend Drag Amount will be observed on a semi-annual basis (this is the Dragged Reference Index Return);
- ◆ the highest positive observation of the Dragged Reference Index Return becomes the High Water Mark;
- ◆ at Maturity, the Final Value per Unit will be at least \$0.90. This is the 90% Limited Capital Protection feature;
- ◆ if the Dragged Reference Index Return is positive on the Maturity

Date, the Final Value per Unit will be \$0.90 plus the greater of the Dragged Reference Index Return and the product of the High Water Mark and the High Water Mark Participation Rate<sup>3</sup>.

## Potential to take profit with the early call feature

The UBS Hindsight PIP—Series 1 investment also offers investors an early call feature. Your investment will mature early after 2.5 years on the Call Date, if the Dragged Reference Index Return (measured from the Issue Date to the Call Date) is greater than 50%—this is a Call Event. If this occurs, you will receive a minimum Call Value per Unit of \$1.40 (taking into account the 90% Limited Capital Protection, plus the 50% Dragged Reference Index Return).

Combined, the features of UBS Hindsight PIP—Series 1 are designed so that:

1. you can take profit when your investment has performed well and is called early on the Call Date;
2. if a Call Event does not occur, your Units will lock in any Reference Index performance above 5% p.a. on the pre-determined observation dates and reduce the potential of forgoing investment returns in subsequent periods of negative equity returns leading up to Maturity; and
3. if the Reference Index performs poorly over the Investment Term, the minimum Final Value per Unit will be at least \$0.90.



## Key benefits of UBS Hindsight PIP—Series 1

- ◆ Potential to generate capital growth by reference to a diversified Australian equities index.
- ◆ Uncapped upside performance.
- ◆ The comfort of 90% Limited Capital Protection at Maturity and on the Call Date<sup>4</sup>.
- ◆ A High Water Mark observed semi-annually providing the potential to lock in a portion of any positive performance of the Reference Index in excess of 5% p.a. and reduce the potential of forgoing investment returns in subsequent periods of negative equity returns.
- ◆ An investment with the potential to outperform—UBS Hindsight PIP—Series 1 may outperform a direct investment in the Reference Index where the Reference Index Closing Level on the Maturity Date is less than 90% of the Index Starting Level or where there is a period of strong growth observed on a Semi-Annual Observation Date followed by a fall in the Reference Index leading up to Maturity.
- ◆ The potential for a Call Event after 2.5 years with minimum Call Value of \$1.40 per Unit.
- ◆ Maximum Investment Term of five years.
- ◆ Potential for weekly redemptions at UBS' discretion.

### Notes:

- 1 Each investment is a Deferred Purchase Agreement, under which you agree to purchase the Delivery Parcel (consisting of the Delivery Assets) from UBS on a deferred basis. This delivery will occur following a Call Event or after the Final Maturity Date. Units are physically settled in your account in the form of a Delivery Parcel (ASX listed shares in BHP). The value of this Delivery Parcel will correspond to the Final Value per Unit of your UBS Hindsight PIP—Series 1.
- 2 Issue Price per Unit is \$1.00.
- 3 The HWM Participation Rate is determined by the Issuer on the Issue Date. As an indication, if the HWM Participation Rate was set on the date of the PDS it would be 100%.
- 4 Less any applicable Costs and Taxes and provided the units were acquired at the Issue Price during the Initial Offer Period, no Early Maturity Event occurs (other than a Call Event) and no UBS Buy-Back occurs.

### What are the risks of investing?

- ◆ Underlying investment risk—the risk that the S&P/ASX 200 Accumulation Index does not perform well;
- ◆ Observation Date or ‘Snap Shot’ risk—if the Reference Index performs poorly on the Semi-Annual Observation Dates then the High Water Mark may not be as high as if the High Water Mark were determined on other dates or as a continuous matter on each day throughout the Investment Term.
- ◆ Early Maturity risk—there is no 90% Limited Capital Protection on Early Maturity (unless a Call Event occurs) or if an investor sells their Units back to UBS prior to Maturity pursuant to a UBS Buy-Back;
- ◆ Buy-Back risk—there is no assurance that UBS (or its nominee) will buy-back your Units if you request a UBS Buy-Back and there is no obligation on UBS to do so;
- ◆ Price risk—the Early Maturity Value and Buy-Back Price may be less than the Purchase Price;
- ◆ Dividend Drag Amount risk—the Dividend Drag Amount is 5% p.a. The Dragged Reference Index Return will underperform relative to the return on the S&P/ASX 200 Price Index for the same period where the actual dividend yield is less than 5% p.a.;
- ◆ Break-even risk—based on a HWM Participation Rate of 100% and assuming a Call Event does not occur, the High Water Mark or Dragged Reference Index Return at Maturity must be at least 10% for your investment to break even. If the HWM Participation Rate was 80%, the High Water Mark would need to be at least 12.5% for the investment to break even (unless the Dragged Index Return at Maturity is higher).
- ◆ Counterparty risk—the risk that UBS is not able to meet its obligations under the Units.

This is not a full list of the risks of investing in UBS Hindsight PIP—Series 1. A more detailed description of the risks involved in an investment in the Units is set out in Section 7 of the PDS which you should read before making a decision to invest.

### Illustrative examples

The following graphs illustrate three scenarios, each assuming a HWM Participation Rate of 100%. The figures in the graphs and examples are entirely hypothetical and have been used for illustrative purposes only.

#### Scenario 1—Final Value calculated using High Water Mark

From the graph below, the following assumed values can be observed for the HWM and Dragged Reference Index Return at Maturity:

Dragged Reference Index Return at Maturity = 28.99%

HWM = 35.47%

The HWM is 35.47%, which is higher than the final Dragged Reference Index Return of 28.99% at Maturity .

The Final Value per Unit is equal to the *greater of*:

(i) \$0.90; or

(ii) the amount equal to:  $\$0.90 + [\$1.00 \times 28.99\%] = \$1.1899$ ; or

(iii) the amount equal to:  $\$0.90 + [\$1.00 \times 100\% \times 35.47\%] = \$1.2547$

**Therefore, the Final Value per Unit is equal to \$1.2547**

#### Scenario 2

From the graph below, it is observed that the Dragged Reference Index Return is greater than 50% on the Call Date (8 October 2012) and, therefore, a Call Event has occurred.

Assuming the Dragged Reference Index Return is 50.47%, the Call Value per Unit, is equal to:

$\$0.90 + [\$1.00 \times 50.47\%]$

**Therefore, the Call Value is \$1.4047.**

#### Scenario 3

This scenario demonstrates the 90% Limited Capital Protection feature where there has been no Call Event.

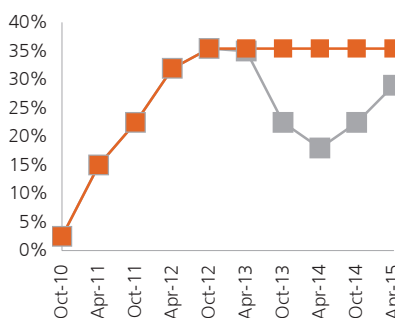
From the graph below, it is observed that the Dragged Reference Index return and the HWM have been negative throughout the term and the values at maturity are:

Dragged Reference Index Return at Maturity = -3.01%

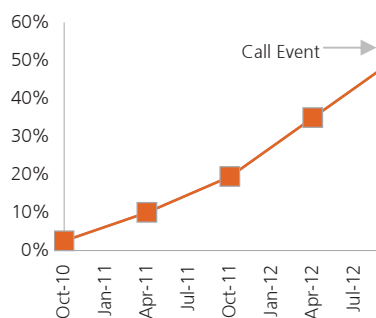
HWM = -2.01%

**As each of these values are negative, therefore the Final Value per Unit is equal to \$0.90.**

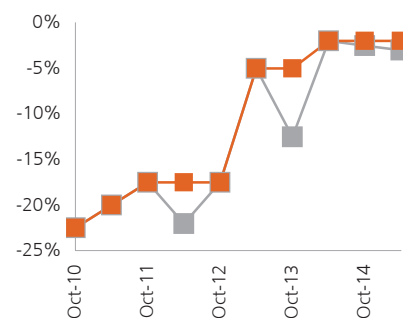
Scenario 1



Scenario 2



Scenario 3



■ Dragged Reference Index Return    ■ High Water Mark

## At a glance

Issuer	UBS AG, Australia Branch ABN 47 088 129 613, AFSL 231087
Series	Series 1—linked to the performance of the S&P/ASX 200 Accumulation Index.
Reference Index	S&P/ASX 200 Accumulation Index (IRESS code: XJOAI; Bloomberg Code ASA51).
Investment Term	Five years, subject to possible Call Event after 2.5 years.
90% Limited Capital Protection	90% of Total Investment Amount (less any Costs and Taxes).
High Water Mark/HWM	The highest observed positive Dragged Reference Index Return as observed on the Semi-Annual Observation Dates.
HWM Participation Rate <sup>5</sup>	100%
Minimum HWM Participation Rate	80%
Dividend Drag Amount	5% x number of calendar days from but excluding the Issue Date to and including the relevant day ÷ 365
Dragged Reference Index Return	$\frac{\text{Index Ending Level} - \text{Index Starting Level}}{\text{Index Starting Level}} - \text{Dividend Drag Amount}$
Index Starting Level	The Reference Index Closing Level on the Issue Date
Index Ending Level	The Reference Index Closing Level on the Semi-Annual Observation Date, Call Date, the Final Maturity Date (as the case may be) or any other date on which a calculation or determination is to be made.
Final Value at Maturity	The Final Value per Unit on the Maturity Date will be equal to the <i>greater of</i> : (i) \$0.90; or (ii) the amount equal to: \$0.90 + [\$1.00 x Dragged Reference Index Return on the Maturity Date]; or (iii) the amount equal to: \$0.90 + [\$1.00 x High Water Mark Participation Rate x High Water Mark].
Delivery Assets	Ordinary fully paid shares in BHP Billiton Limited, listed on the ASX ('BHP').
Call Event	If the Call Condition is met on the Call Date, Units will mature early.
Call Condition	If the Dragged Reference Index Return on the Call Date is equal to or greater than 50%.
Call Date	8 October 2012
Call Value	The Call Value per Unit if a Call Event occurs is: \$0.90 + \$1.00 x Dragged Reference Index Return
Minimum Investment Amount	AUD 20,000 and thereafter in multiples of \$1,000.
Application Fee	2.2% of the Total Investment Amount paid in addition to the Total Investment Amount.
Liquidity	Redemptions available weekly (at UBS' discretion).
Distribution Fee and Distribution Trail Fee	Up to 1.1% of the Total Investment Amount upfront, plus trail fee of up to 0.275% p.a. of the Total Investment Amount outstanding, both payable by UBS out of its own funds to the Distributor holding the Australian Financial Services licence under which your Approved Adviser is authorised to provide financial services in relation to your investment in the Units.
Approved Advisers Upfront Fee and Trail Fee	Up to 2.2% (including GST) of the Total Investment Amount may be payable upfront to Approved Advisers by UBS out of its own funds. 0.275% p.a. (including GST) of the Total Investment Amount outstanding may be payable to Approved Advisers by UBS out of its own funds.
Initial Offer Period Open	18 February 2010
Initial Offer Period Close	26 March 2010
Issue Date	7 April 2010
Final Maturity Date	7 April 2015
Semi-Annual Observation Dates	7 October 2010; 7 April 2011; 7 October 2011; 9 April 2012; 8 October 2012; 8 April 2013; 7 October 2013; 7 April 2014; 7 October 2014.

Note:

<sup>5</sup> This is the rate that would have been set for UBS Hindsight PIP—Series 1 if the Units were issued on the date of the PDS. Note that the actual HWM Participation Rate will be set on the Issue Date and will not be less than the Minimum HWM Participation Rate of 80%. Please read the PDS in full before making any investment decision.

### Important Information

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