

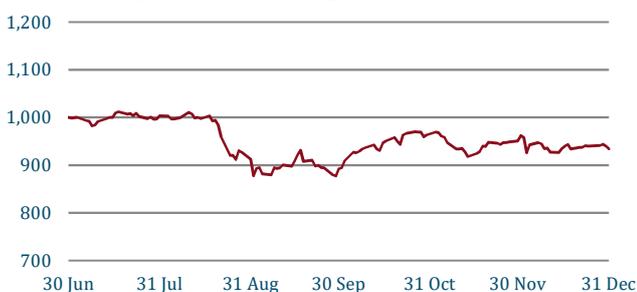
## Enhanced Permanent Portfolio Strategy Certificates

December 2015

### Key figures

NAV in USD	933.82
Performance month	-1.80%
Performance since inception	-6.62%

### NAV development since inception

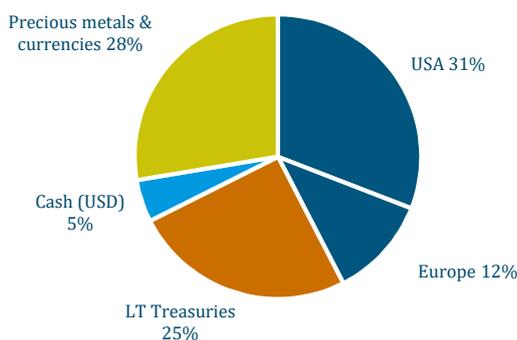


### Market comment

During last six months, especially Q3, riskier financial assets, including equities, endured their worst losses since the Eurozone crisis in 2011. One event in August, China's decision to effectively devalue the Yuan is seen as the catalyst. Q4 saw a recovery rally despite no change in reality, helped by policy loosening in China and a further delay to tightening in the US.

The overall strategy was down 1.80% in December. US equities (+0.51%) were the only positive contributor. The gold/currency strategy (-1.08%), Eurozone equities (-1.10%) and Treasuries (-0.13%) contributed negatively. Since the EPPS went live, Q3 has been a difficult environment for rule-based strategies, macro events caused markets to behave so that the models were not being able to identify profitable momentum or mean-reversion signals. Correlation structures across asset classes did not behave as predicted. In Q4, having further diversified the portfolio by adding sub-strategies, performance has stabilized and exceeded world equities at half the volatility, in line with the strategy target. Overall, the strategy was down -0.63% for 2015.

### Portfolio allocation



### Portfolio guidelines

- Basket volatility is targeted at 12%
- Monthly rebalancing
- Allocation to individual sub-strategies limited to 40%
- Liquid global exchange traded products and cash

### Long term strategy performance

#### Statistics<sup>1</sup>

	EPPS	World equities	Treasuries	Gold
Month reported	-1.80 %	-3.36 %	-0.72 %	-0.45 %
Year-to-date	-0.63 %	-4.58 %	-4.24 %	-10.67 %
Last 12 months	-0.63 %	-4.58 %	-4.24 %	-10.67 %
Annualized return	14.12 %	3.21 %	2.86 %	8.45 %
Annualised StDev	12.34 %	20.87 %	14.50 %	20.05 %
Sharpe ratio	1.12	0.25	0.26	0.50
Max. drawdown	-17.14 %	-56.28 %	-28.46 %	-45.56 %
Correlation		0.21	0.33	0.40

#### Performance index



### Investment strategy

The strategy pursues a quantitative, rule-based investment process that adaptively allocates between stocks, bonds, commodities and cash instruments on a monthly basis to achieve a robust risk/return profile. Each of the asset classes is optimized individually applying a range of proprietary trading and allocation rules. Cross-correlations of instruments and asset classes are accounted for to achieve a significantly lower overall portfolio volatility.

Amongst the methodologies applied are various ranking and rotation algorithms across sectors, industries, markets and asset classes globally. The methodologies deployed have been thoroughly tested across a broad set of economic conditions. The strategy is designed as a diversified all-weather multi-asset strategy generating robust performance while mitigating downside risk during severe market crashes.

### Product terms and conditions

Currency	USD
Product type	Tracker certificates on the Enhanced Permanent Portfolio Strategy Basket
Issuer / rating	UBS AG, Zurich / S&P A, Moody's A2, Fitch A
Calculation agent	UBS AG, London Branch
Portfolio advisor	Rational Invest AG, Zurich
Security numbers	ISIN CH0284316327/ Valor 28431632
Issue price / denomination	USD 1'000 / 1 Unit
Launch date	1 July 2015
Maturity date	15 July 2022 (extendable)
Secondary market	Issuer facilitates a daily secondary market. Trading hours from 09:15 - 17:15 p.m. (CET)
Valuation	Daily NAV calculated & published
Management fees	2% p.a. (accrued daily)
Public Offering	Switzerland
Currency hedging	Foreign currency exposure is not hedged to USD

<sup>1</sup>Performance is based on daily backtesting from April 1, 2005 to June 30, 2015 (in grey) and realized performance of the Enhanced Permanent Portfolio Strategy Certificates (in USD) thereafter (in red). Backtested returns have been adjusted by 4% per annum to account for fees and trading costs, realized performance is net of all fees and costs. Reference asset classes: World Equities (iShares MSCI ACWI (ACWI) ETF), Treasuries (iShares Trust - 20+ Year Treasury Bond ETF (TLT)), Gold (SPDR Gold Trust (GLD)); Source: Rational Invest, UBS AG, Bloomberg