

UBS AG
Form 424B2
November 08, 2018
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PROSPECTUS SUPPLEMENT dated November 8, 2018

(To Prospectus dated October 31, 2018)

\$100,000,000 ETRACS 2xMonthly Pay Leveraged US Small Cap High Dividend ETN Series B* due November 10, 2048

The UBS AG ETRACS 2xMonthly Pay Leveraged US Small Cap High Dividend ETN Series B due November 10, 2048 (the **Securities**) are senior unsecured debt securities issued by UBS AG (**UBS**) that provide two times leveraged long exposure to the compounded monthly performance of the Solactive US Small Cap High Dividend Index (the **Index**), reduced by the Accrued Fees (as described below) which consist of (i) an Accrued Tracking Fee (as described below) based on an Annual Tracking Rate of 0.85% per annum and (ii) the Accrued Financing Charges (as described below). The Index is designed to measure the performance of 100 relatively small capitalization, dividend yielding Index Constituent Securities selected from a universe of qualifying U.S. listed equity securities, as described herein. Investing in the Securities involves significant risks. The Securities are two times leveraged with respect to the Index and, as a result, will benefit from two times any beneficial, but will be exposed to two times any adverse, compounded monthly performance of the Index. You will receive a cash payment at maturity, acceleration or upon exercise by UBS of its call right, based on the compounded leveraged monthly performance of the Index less the Accrued Fees, as described herein. You will receive a cash payment upon early redemption based on the compounded leveraged monthly performance of the Index less the Accrued Fees and the Redemption Fee Amount, as described herein. The Securities may pay a monthly coupon during their term.

The Securities do not guarantee any return of your initial investment and may not pay any coupon. You will lose some or all of your principal at maturity, acceleration, early redemption or exercise by UBS of its Call Right if the compounded leveraged monthly return of the Index (calculated as described herein) is insufficient to offset the combined negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable (less any Coupon Amounts and any Stub Reference Distribution Amount you may be entitled to receive). Any payment on the Securities at maturity, or upon acceleration, redemption or exercise by UBS of its Call Right, is subject to the creditworthiness of UBS and is not guaranteed by any third party. In addition, the actual and perceived creditworthiness of UBS will affect the market value, if any, of the Securities.

The Securities are intended to be trading tools for sophisticated investors as part of an overall diversified portfolio. They are designed to achieve their stated investment objectives on a monthly basis (or shorter basis under circumstances described herein). Their performance over longer periods of time can differ significantly from their stated objectives. The Securities are riskier than securities that have intermediate or long-term investment objectives, and may not be suitable for investors who have a buy and hold strategy. Accordingly, the Securities should be purchased only by knowledgeable investors who understand the potential consequences of investing in the Index and of seeking monthly compounding leveraged long investment results. Investors should actively and continuously monitor their investments in the Securities, even intra-day. *It is possible that you will suffer significant losses in the Securities even if the long-term performance of the Index is positive.*

Although the Securities have been approved for listing on NYSE Arca, subject to official notice of issuance, there is no guarantee that a liquid market will develop or be maintained.

General Considerations for the Securities

- Ø The Securities are senior Series B unsecured debt securities issued by UBS, maturing on November 10, 2048.
- Ø The initial issuance of the Securities will trade on November 8, 2018 and settle on November 13, 2018.
- Ø The Securities do not guarantee any return of principal and, although they may pay a monthly coupon payment, there is no guaranteed fixed coupon or interest amount during their term.
- Ø The Securities are intended to provide a two times leveraged long exposure to the compounded monthly performance of the Index which is designed to measure the performance of 100 relatively small capitalization, dividend yielding Index Constituent Securities selected from a universe of qualifying U.S. listed equity securities. You should expect the trading price and Current Principal Amount of the Securities to be volatile.
- Ø An Accrued Tracking Fee (based on an Annual Tracking Rate of 0.85% per annum of the Current Indicative Principal Amount) and Accrued Financing Charges are deducted from the Current Principal Amount on a monthly basis.
- Ø You will receive a cash payment at maturity or upon exercise by UBS of its call right with respect to the Securities based on the Current Principal Amount of the Securities at the end of the applicable measurement period at maturity or in certain circumstances upon call, as described herein, any such payment may be zero.
- Ø You may exercise your right to early redemption with a minimum redemption amount of 50,000 Securities if you comply with the required procedures described herein. You will receive a cash payment upon early redemption based on the Closing Indicative Value on the Redemption Valuation Date, less the Redemption Fee Amount, as described herein.
- Ø If the intraday indicative value of the Securities equals \$2.00 or less (as adjusted in the event the Securities undergo a split or reverse split) on any Index Business Day, the Securities may be accelerated and redeemed by UBS, at its option, and you will receive the Acceleration Amount which will be based on the Current Principal Amount of the Securities.

See Risk Factors beginning on page S-22 for a description of risks related to an investment in the Securities. Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

The Securities are not deposit liabilities of UBS AG and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency in the United States, Switzerland or any other jurisdiction. An investment in the Securities carries risks that are very different from the risk profile of a bank deposit placed with

UBS or its affiliates. The Securities have different yield, liquidity and risk profiles and will not benefit from any protection provided to deposits.

UBS Investment Bank

Prospectus Supplement dated November 8, 2018

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* UBS AG Exchange Traded Access Securities (**ETRACS**) issued prior to June 14, 2015 are part of a series of UBS AG debt securities entitled Medium-Term Notes, Series A, and UBS Switzerland AG is a co-obligor of such debt securities. The Securities offered hereby are part of a series of UBS AG debt securities entitled Medium Term Notes, Series B which do not benefit from the co-obligation of UBS Switzerland AG. The Securities are not intended to, and do not, have the same economic terms as the Series A ETRACS entitled ETRACS Monthly Pay 2xLeveraged US Small Cap High Dividend ETN due February 6, 2045 (the **Series A SMHD ETRACS**) and the performance of the Securities is not expected to track the performance of the Series A SMHD ETRACS.

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The principal terms of the Securities are as follows:

Issuer:	UBS AG (London Branch)
Series:	Medium-Term Notes, Series B
Initial Trade Date:	November 8, 2018
Initial Settlement Date:	November 13, 2018
Term:	30 years, subject to your right to require UBS to redeem your Securities on any Redemption Date, UBS's Call Right or optional acceleration upon minimum indicative value, each as described below.
Maturity Date:	November 10, 2048, subject to adjustment
Stated Principal Amount:	\$25.00 per Security. If the Securities undergo a split or reverse split, the Stated Principal Amount will be adjusted accordingly.
Underlying Index:	The return on the Securities is linked to the performance of the price return version of the Solactive US Small Cap High Dividend Index (SOLSMHD). The Index is designed to measure the performance of 100 relatively small capitalization, dividend yielding Index Constituent Securities selected from a universe of qualifying U.S. listed equity securities. For a detailed description of the Index, see Solactive US Small Cap High Dividend Index beginning on page S-47.
Index Sponsor / Index Calculation Agent:	The Index Sponsor and Index Calculation Agent is Solactive AG (Solactive or the Index Sponsor).
Coupon Amount:	For each Security you hold on the applicable Coupon Record Date you may receive on each monthly Coupon Payment Date an amount in cash equal to the Coupon Amount, if any. As further described in Specific Terms of the Securities Coupon Payment beginning on page S-63, the Coupon Amount will equal the sum of the cash distributions that a hypothetical holder of Index Constituent Securities would have been entitled to receive in respect of the Index Constituent Securities during the relevant period. The final Coupon Amount, if any, will be included in the Cash Settlement Amount.
Coupon Payment Date:	The fifteenth (15 th) Index Business Day following each Coupon Valuation Date, commencing on December 21, 2018 (subject to adjustment). The final Coupon Payment Date will be the Maturity Date.
Annual Tracking Fee:	The Accrued Tracking Fee is based on the Annual Tracking Fee, which is an amount per Security equal to the product of (i) 0.85% per annum and (ii) the Current Indicative Principal Amount as of the immediately preceding Index Business Day.
Measurement Period:	Measurement Period means the Final Measurement Period, Call Measurement Period or Acceleration Valuation Period, as applicable.

The **Final Measurement Period** means the five Index Business Days from, and including, the Calculation Date, subject to adjustment as described under **Specific Terms of the Securities** **Market Disruption Event**.

The **Call Measurement Period** means:

(a) if the Market Value of Securities outstanding as at the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is less than \$75,000,000, the Call Valuation Date, subject to adjustments as described under Specific Terms of the Securities Market Disruption Event ;

(b) if the Market Value of Securities outstanding as at the close of business on the Exchange Business Day immediately preceding the date of delivery by UBS of its notice to holders (which may be provided via press release) of its exercise of the UBS Call Right is equal to or greater than \$75,000,000, the five (5) Index Business Days from and including the Call Valuation Date, subject to adjustments as described under Specific Terms of the Securities Market Disruption Event.

In any notice to holders exercising the UBS Call Right, we will specify how many days are included in the Call Measurement Period.

The **Acceleration Valuation Period** means the five Index Business Days from, but excluding, the Optional Acceleration Date, subject to adjustment as described under Specific Terms of the Securities Market Disruption Event.

Payment at Maturity; Cash
Settlement Amount:

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to:

(a) the product of

(i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Final Measurement Period, *plus*

(b) the final Coupon Amount, if on the last Index Business Day in the Final Measurement Period the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred, *minus*

(c) the Accrued Fees as of the last Index Business Day in the Final Measurement Period, *plus*

(d) the Stub Reference Distribution Amount as of the last Index Business Day in the Final Measurement Period, if any.

We refer to this cash payment as the **Cash Settlement Amount**. If the amount so calculated is equal to or less than zero, the payment at maturity will be zero.

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Current Principal Amount:

The Current Principal Amount for the period from the Initial Settlement Date to November 30, 2018 (such period, the **initial calendar month**) will equal \$25.00 per Security (unless a Loss Rebalancing Event occurs during the initial calendar month). For each subsequent calendar month, the Current Principal Amount for each Security will be reset as follows on the Monthly Reset Date:

New Current Principal Amount = previous Current Principal Amount × Index Factor on the applicable Monthly Valuation Date – Accrued Fees on the applicable Monthly Valuation Date.

In the event of a Loss Rebalancing Event, the Current Principal Amount will be reset on the applicable Loss Rebalancing Reset Date as described below under **Specific Terms of the Securities – Loss Rebalancing Events** .

Index Factor:

Index Performance Ratio

If the Securities undergo a split or reverse split, the Current Principal Amount will be adjusted accordingly.

The **Index Factor** is: $1 + (2 \times \text{Index Performance Ratio})$.

The **Index Performance Ratio** may be calculated on multiple dates of determination during any applicable calendar month. The formula used to calculate the Index Performance Ratio on any date of determination depends on the number of Loss Rebalancing Events that have occurred in the applicable calendar month.

If no Loss Rebalancing Events have occurred in the applicable calendar month, then on any Index Business Day during a Measurement Period, or on the Monthly Valuation Date, any Redemption Valuation Date, the first Loss Rebalancing Valuation Date of the applicable calendar month or any other date of determination, as applicable, the Index Performance Ratio will be equal to:

Index Valuation Level – Monthly Initial Closing Level

Monthly Initial Closing Level.

where the Monthly Initial Closing Level for the initial calendar month is 122.3841, the Index Closing Level on November 8, 2018. For each subsequent calendar month, the Monthly Initial Closing Level will equal the Index Closing Level on the Monthly Valuation Date for the previous calendar month. For example, the Monthly Initial Closing Level for December 2018 will equal the Index Closing Level on November 30, 2018, subject to adjustment. If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and the Monthly Initial Closing Level for the then-current calendar month will remain the same as it was for the immediately preceding calendar month.

If one or more Loss Rebalancing Events have occurred during the applicable calendar month, then on any Index Business Day during a Measurement Period, or on the Monthly Valuation Date, any Redemption Valuation Date, on each Loss Rebalancing Valuation Date after the first Loss Rebalancing Valuation Date in the applicable calendar month or on any other date of determination, as applicable, the Index Performance Ratio will be equal to:

Index Valuation Level the most recent Loss Rebalancing Closing Level

the most recent Loss Rebalancing Closing Level

Current Indicative Principal Amount:

The **Current Indicative Principal Amount** is an amount per Security, as determined by the Security Calculation Agent as of any date of determination, equal to the product of (i) the Current Principal Amount and (ii) the Index Factor as of such date, using the Index Closing Level as of such date as the Index Valuation Level

Indicative Value / intraday indicative value:

The **Indicative Value** or the **intraday indicative value** is an amount per Security, as determined by the Security Calculation Agent as of any date of determination, equal to (Current Principal Amount on the previous calendar day $\times$ Index Factor, calculated using the intraday indicative value of the Index) $\times$ Accrued Fees + Coupon Amount with respect to the Coupon Valuation Date immediately preceding the date of determination if on the date of determination the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred + Reference Distribution Amount, calculated as if such time and date of determination is a Coupon Valuation Date.

Closing Indicative Value:

The **Closing Indicative Value**, as determined by the Security Calculation Agent, means the intraday indicative value calculated as of the close of business on an Index Business Day.

Early Redemption:

Subject to your compliance with the procedures described under Specific Terms of the Securities Early Redemption at the Option of the Holders and Specific Terms of the Securities Redemption Procedures, upon early redemption you will receive per Security a cash payment equal to:

Closing Indicative Value as of the Redemption Valuation Date Redemption
Fee Amount

We refer to this cash payment as the **Redemption Amount**. If the amount so calculated is equal to or less than zero, the payment upon early redemption will be zero.

Redemption Fee Amount:

The **Redemption Fee Amount** means, as of any Redemption Valuation Date, an amount per security equal to product of (a) 0.125% and (b) the Closing Indicative Value as of the Redemption Valuation Date.

First Redemption Date:

November 15, 2018

Final Redemption Date:

November 3, 2048

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UBS's Call Right:

On any Business Day on or after November 15, 2019 through and including the Maturity Date (the **Call Settlement Date**), UBS may at its option redeem all, but not less than all, issued and outstanding Securities. To exercise its Call Right, UBS must provide notice (which may be provided via press release) to the holders of the Securities not less than eighteen (18) calendar days prior to the Call Settlement Date. Upon early redemption in the event UBS exercises this right, you will receive a cash payment equal to the Call Settlement Amount, which will be calculated as described herein and paid on the Call Settlement Date. If the amount so calculated is equal to or less than zero, the payment upon exercise of the Call Right will be zero.

Call Settlement Amount:

In the event UBS exercises its Call Right, you will receive per Security a cash payment on the relevant Call Settlement Date equal to:

(a) the product of

(i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Call Measurement Period, *plus*

(b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Call Valuation Date if on the last Index Business Day in the Call Measurement Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *minus*

(c) the Accrued Fees as of the last Index Business Day in the Call Measurement Period, *plus*

(d) the Stub Reference Distribution Amount as of the last Index Business Day in the Call Measurement Period, if any.

UBS Optional Acceleration Upon Minimum Indicative Value; Acceleration Amount:

The Optional Acceleration Upon Minimum Indicative Value provisions of the Securities provide for the early, termination of the Securities in certain circumstances by way of redemption, by UBS, at its option. If the optional acceleration provision is triggered, your Securities may be redeemed by UBS, at its option, and you will receive the Acceleration Amount as described herein, which payment may be equal to zero. You will not benefit from any future exposure to the Index after the end of the Acceleration Valuation Period.

If, at any time, the indicative value of the Securities on any Index Business Day equals \$2.00 or less (the **Indicative Value Optional Acceleration**

Trigger) (each such day, an **Optional Acceleration Date**), all issued and outstanding Securities may be accelerated and redeemed by UBS, at its option (even if the intraday indicative value would later exceed \$2.00 on such Optional Acceleration Date or any subsequent Index Business Day) for a cash payment equal to the Acceleration Amount (the **Acceleration Option**).

In the event that the Indicative Value Optional Acceleration Trigger threshold has been breached, UBS will issue a press release before 9:00 a.m. on the Index Business Day following the Optional Acceleration Date announcing whether or not it has elected to exercise its Acceleration Option. UBS is under no obligation to exercise its Acceleration Option and the Securities may remain outstanding following the occurrence of an Indicative Value Optional Acceleration Trigger event, if UBS does not elect to exercise such Acceleration Option.

The **Acceleration Amount** will equal (a) the product of (i) the Current Principal Amount and (ii) the Index Factor as of the last Index Business Day in the Acceleration Valuation Period *plus* (b) the Coupon Amount with respect to the Coupon Valuation Date immediately preceding the Optional Acceleration Date if on the last Index Business Day in the Acceleration Valuation Period the Coupon Ex-Date with respect to such Coupon Amount has not yet occurred, *minus* (c) the Accrued Fees as of the last Index Business Day in the Acceleration Valuation Period, *plus* (d) the Stub Reference Distribution Amount as of the last Index Business Day in the Acceleration Valuation Period, if any. If the Acceleration Amount so calculated is equal to or less than zero, the payment upon acceleration will be zero. If the Indicative Value Optional Acceleration Trigger threshold has been breached and UBS elects to exercise its Acceleration Option, you will receive on the Acceleration Settlement Date only the Acceleration Amount in respect of your investment in the Securities. The **Acceleration Settlement Date** will be the second Business Day following the last Index Business Day of the Acceleration Valuation Period.

If the Securities undergo a split or reverse split, the Indicative Value Optional Acceleration Trigger will be adjusted.

Loss Rebalancing Event:

A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A **Loss Rebalancing Event** occurs if, at any time, the Intraday Index Value on any Index Business Day (other than an Excluded Day, as defined herein) decreases 20% in value from the previous Monthly Initial Closing Level or Loss Rebalancing Closing Level, whichever is more recent. If a Loss

Rebalancing Event occurs, the Current Principal Amount of the Securities will be reset as described below.

An **Excluded Day** means (i) the Index Business Day immediately preceding any Monthly Valuation Date, (ii) any Monthly Valuation Date, (iii) any Loss Rebalancing Valuation Date, (iv) the Index Business Day immediately preceding the first day of the Final Measurement Period or any day after such Index Business Day, (v) the Index Business Day immediately preceding the first day of the Call Measurement Period or any day after such Index Business Day, or (vi) the Optional Acceleration Date or any day after the Optional Acceleration Date.

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Upon the occurrence of a Loss Rebalancing Event, the Current Principal Amount will be reset on the applicable Loss Rebalancing Reset Date as follows:

$$\text{New Current Principal Amount} = \text{previous Current Principal Amount} \times \text{Index Factor on the applicable Loss Rebalancing Valuation Date} - \text{Accrued Fees on the applicable Loss Rebalancing Valuation Date.}$$

The **Loss Rebalancing Valuation Date** means:

(a) if a Loss Rebalancing Event occurs at or prior to 3:15 p.m. on an Index Business Day, the day that such Loss Rebalancing Event occurs, subject to adjustment as described under **Specific Terms of the Securities** **Market Disruption Event** ;

(b) if a Loss Rebalancing Event occurs after 3:15 p.m. on an Index Business Day, the first Index Business Day following the occurrence of such Loss Rebalancing Event, subject to adjustment as described under **Specific Terms of the Securities** **Market Disruption Event** .

The **Loss Rebalancing Reset Date** will be the first Index Business Day immediately following such Loss Rebalancing Valuation Date, subject to adjustment, and the **Loss Rebalancing Closing Level** will be equal to the Index Closing Level on the Loss Rebalancing Valuation Date.

In the event of a Loss Rebalancing Event, the Financing Rate will not be adjusted. Loss Rebalancing Events may occur multiple times over the term of the Securities and may occur multiple times during a single calendar month. On the next Monthly Valuation Date following one or more Loss Rebalancing Events, the Monthly Initial Closing Level will be replaced with the most recent Loss Rebalancing Closing Level in the calculation of the Index Performance Ratio.

See **Specific Terms of the Securities** **Loss Rebalancing Events** beginning on page S-75.

Monthly Initial Closing Level:

For the initial calendar month, 122.3841, the Index Closing Level on November 8, 2018 as reported on the NYSE and Bloomberg L.P. For each subsequent calendar month, the Monthly Initial Closing Level on the Monthly Reset Date equals the Index Closing Level on the Monthly Valuation Date for the previous calendar month. If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and the Monthly Initial Closing Level for the then-current calendar month will remain the same as it was for the immediately preceding calendar month.

Monthly Reset Date:

For each calendar month, the **Monthly Reset Date** is the first Exchange Business Day of that month beginning on December 1, 2018 and ending on November 1, 2048, subject to adjustment as described under **Specific Terms of the Securities** **Market Disruption Event** . If a day that would otherwise be

Monthly Valuation Date:	a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and no further Monthly Reset Dates will occur during the term of the Securities. For each Monthly Reset Date, the Monthly Valuation Date is the last Exchange Business Day of the previous calendar month beginning on November 30, 2018 and ending on October 31, 2048, subject to adjustment as described under Specific Terms of the Securities Market Disruption Event . If a day that would otherwise be a Monthly Reset Date falls within a Measurement Period, then the Current Principal Amount will not be reset on such date and there will be no corresponding Monthly Valuation Date.
Index Valuation Level	As determined by the Security Calculation Agent, the arithmetic mean of the Index Closing Levels measured on each Index Business Day during a Measurement Period, as applicable, or the Index Closing Level on any Monthly Valuation Date, Loss Rebalancing Valuation Date or Redemption Valuation Date, provided that if the Redemption Valuation Date falls in any Measurement Period, for the purposes of calculating the Index Performance Ratio as of the Redemption Valuation Date, the Index Valuation Level on any date of determination during such Measurement Period shall equal (a) 1/5 times (b) (i) the sum of the Index Closing Levels on each Index Business Day from, and including, the first Index Business Day of the applicable Measurement Period, to, and including, the date of determination, plus (ii) the number of Index Business Days from, but excluding, the date of determination to, and including, the last Index Business Day in such Measurement Period, times the Index Closing Level on such date of determination.
Index Closing Level:	The closing level of the Index on any date of determination, as reported on the NYSE and Bloomberg L.P.
Security Calculation Agent: Calculation Date:	UBS Securities LLC November 2, 2048, unless such day is not an Index Business Day, in which case the Calculation Date will be the next Index Business Day, subject to adjustments.
Listing:	The Securities have been approved for listing, subject to official notice of issuance, on NYSE Arca under the symbol SMHB . There can be no assurance that an active secondary market will develop; if it does, we expect that investors will purchase and sell the Securities primarily in this secondary market.
Intraday Indicative Value Symbol of the Securities:	The Closing Indicative Value of the Securities and the intraday indicative value of the Securities will be published on each Index Business Day under the ticker symbols:
Intraday Index Value:	SMHB.IV (Bloomberg); ^SMHB-IV (Yahoo! Finance) The Intraday Index Value means, on each Index Business Day, the intraday indicative value calculated and published by NYSE or a successor Index Calculation Agent, every 15 seconds during normal trading hours on Bloomberg, L.P. under the ticker symbol SOLSMHD
Accrued Fees:	Accrued Fees as of any date of determination means, the Accrued Tracking Fee + Accrued Financing Charges.

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Accrued Tracking Fee:

The **Accrued Tracking Fee** per Security, will be calculated as follows:

(a) On the Initial Trade Date, the Accrued Tracking Fee is equal to 0.

(b) On the initial Monthly Valuation Date (or if applicable, on a Loss Rebalancing Date that occurs prior to the initial Monthly Valuation Date), the Accrued Tracking Fee is an amount equal to the product of: (a) the Annual Tracking Fee as of the initial Monthly Valuation Date and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the Initial Trade Date to, and including, the initial Monthly Valuation Date (or Loss Rebalancing Date, as applicable), and the denominator of which is 365.

(c) On any subsequent Monthly Valuation Date other than the Initial Monthly Valuation Date or on any Loss Rebalancing Date, the Accrued Tracking Fee is an amount equal to the product of (a) the Annual Tracking Fee as of such Monthly Valuation Date or Loss Rebalancing Date, as the case may be, and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent), to, and including, such Monthly Valuation Date or Loss Rebalancing Date, as the case may be, and the denominator of which is 365.

(d) On the last Exchange Business Day of an applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, the Accrued Tracking Fee is an amount equal to the product of (a) the Annual Tracking Fee calculated as of the last Exchange Business Day of the applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, and (b) a fraction, the numerator of which is the total number of calendar days from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent), to, and including, (i) such last Exchange Business Day of such Measurement Period, or (ii) such Redemption Valuation Date (or, if the Optional Acceleration Date or Redemption Valuation Date occurs prior to the initial Monthly Valuation Date, the period from, and excluding, the Initial Trade Date), as applicable, and the denominator of which is 365.

Accrued Financing Charges:

The Accrued Financing Charges seek to compensate UBS for providing investors with the potential to receive a leveraged participation in movements of the Index and is intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Securities. These charges accrue and compound during the applicable period, and will reduce any

amount that you will be entitled to receive at maturity, early redemption, call or acceleration.

The Securities are subject to **Accrued Financing Charges** per Security calculated as follows:

(a) On the Initial Trade Date, the Accrued Financing Charge for each Security is equal to \$0.

(b) On the initial Monthly Valuation Date (or if applicable, on a Loss Rebalancing Date that occurs prior to the initial Monthly Valuation Date), the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the Initial Trade Date, to and including the initial Monthly Valuation Date (or Loss Rebalancing Date, whichever is more recent) *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.

(c) On any subsequent Monthly Valuation Date, the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Valuation Date, whichever is more recent), to and including, the then current Monthly Valuation Date *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.

(d) On the last Index Business Day of an applicable Measurement Period, or as of the Redemption Valuation Date, as applicable, the Accrued Financing Charge for each Security will equal (a) the aggregate sum of (i) the Financing Level as of each date starting from, but excluding, the immediately preceding Monthly Valuation Date (or Loss Rebalancing Valuation Date, or, if the Redemption Valuation Date falls in the Initial Calendar Month, the Initial Trade Date, whichever is more recent), to, and including such last Index Business Day in such Measurement Period, or such Redemption Valuation Date, as applicable, *times* (ii) the Financing Rate as of such date, *divided by* (b) 360.

Financing Level: The **Financing Level** is, as of any date of determination, an amount that equals the Current Principal Amount.

Financing Rate: The **Financing Rate** will equal the sum of (a) the **Financing Spread** of 0.80% and (b) the London interbank offered rate (British Bankers' Association) for three-month deposits in U.S. Dollars, which is displayed on Reuters page LIBOR01 (or any successor service or page for the purpose of displaying the London interbank offered rates of major banks, as determined by the Calculation Agent) (**LIBOR**), as of 11:00 a.m., London time, on the day that is two London business days prior to the immediately preceding

Monthly Valuation Date. See Specific Terms of the Security Cash Settlement Amount at Maturity for provisions relating to determining a successor base rate if LIBOR is discontinued.

Reference Distribution Amount:

The Reference Distribution Amount is intended to approximate the amount of distributions that a holder of the Securities would receive if such holder held a leveraged investment in the Index Constituent Securities directly.

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Reference Distribution Amount means (i) as of the first Coupon Valuation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security, for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the Initial Trade Date to, and including, the first Coupon Valuation Date; (ii) as of any other Coupon Valuation Date (other than the Calculation Date), an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date to, and including, such Coupon Valuation Date; and (iii) as of the Calculation Date, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date to, but excluding, the Calculation Date.

Notwithstanding the foregoing, with respect to cash distributions for an Index Constituent Security which is scheduled to be paid prior to the applicable Coupon Ex-Date, if, and only if, the issuer of such Index Constituent Security fails to pay the distribution to holders of such Index Constituent Security by the scheduled payment date for such distribution, such distribution will be assumed to be zero for the purposes of calculating the applicable Reference Distribution Amount.

Stub Reference Distribution Amount:

The Stub Reference Distribution Amount is intended to approximate the amount of distributions that a holder of the Securities would receive during a Measurement Period, if such holder held a leveraged investment in the Index Constituent Securities directly.

The **Stub Reference Distribution Amount** means, as of the last Index Business Day in a Measurement Period, an amount equal to the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security, for those cash distributions whose ex-dividend date occurs during the period from, but excluding, the immediately preceding Coupon Valuation Date (or if such Redemption Valuation Date or the Optional Acceleration Date occurs prior to the first Coupon Valuation Date, the period from but excluding the Initial Trade Date) to, and including, such last Index Business Day of such Measurement Period, or such Redemption Valuation Date, as applicable; provided, that for the purpose of calculating the Stub Reference Distribution Amount, the Reference Holder will be deemed to hold four-fifths, three-fifths, two-fifths and one-fifth of the shares of each Index Constituent Security it would otherwise hold on the second, third, fourth and fifth Index Business Day, respectively, in such Measurement Period.

Reference Holder:

The **Reference Holder** is, as of any date of determination, a hypothetical holder of a number of units of each Index Constituent Security equal to two *times* (a) the product of (i) the published unit weighting of that Index Constituent Security as of that date and (ii) the Current Principal Amount, *divided* by (b) the Monthly Initial Closing Level or Loss Rebalancing Closing Level, whichever is more recent.

Split or Reverse Split of the Securities:

We may, at any time in our sole discretion, initiate a split or reverse split of your Securities. If we decide to initiate a split or reverse split, as applicable, such date shall be deemed to be the **announcement date**, and we will issue a notice to holders of the Securities and press release announcing the split or reverse split, specifying the effective date of the split or reverse split. The record date for any split or reverse split will be the tenth Business Day after the announcement date, and the effective date will be the next Business Day after the record date. In the event of a split or reverse split, the Current Principal Amount, and Indicative Value Optional Acceleration Trigger of the Securities will be adjusted accordingly. See Valuation of the Index and the Securities Split or Reverse Split of the Securities beginning on page S-61.

Related Definitions:

See Specific Terms of the Securities Coupon Payment beginning on page S-63 for the definitions of **Coupon Valuation Date**, **Coupon Record Date**, **Coupon Ex-Date**, **record date**, and **ex-dividend date**.
See Specific Terms of the Securities Cash Settlement Amount at Maturity beginning on page S-65 for the definitions of **Index Calculation Agent**, **Index Business Day**, **Exchange Business Day**, **Primary Exchange** and **Related Exchange**.

See Specific Terms of the Securities Early Redemption at the Option of the Holders beginning on page S-70 for the definitions of **Redemption Valuation Date** and **Redemption Date**.

See Specific Terms of the Securities UBS's Call Right beginning on page S-73 for the definitions of and **Call Valuation Date**.

See Specific Terms of the Securities Market Disruption Event beginning on page S-77 for the definition of **Averaging Date**.

CUSIP Number:

90274E166

ISIN Number:

US90274E1661

On the Initial Trade Date, we sold \$25,000,000 aggregate Stated Principal Amount of Securities (1,000,000 Securities) to UBS Securities LLC at 100% of their aggregate Stated Principal Amount. After the Initial Trade Date, from time to time we may sell a

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portion of these Securities and issue and sell additional Securities at market prices prevailing at the time of sale, at prices related to market prices or at negotiated prices. We expect to receive proceeds equal to 100% of the offering price at which the Securities are sold, less any commissions paid to UBS Securities LLC. The Securities may be sold at a price that is higher or lower than the Stated Principal Amount. UBS Securities LLC may charge normal commissions with any purchase or sale of the Securities and may also receive a portion of the Accrued Fees. For any Securities it sells, UBS Securities LLC may charge purchasers a creation fee, which may vary over time at UBS's discretion.

Please see Supplemental Plan of Distribution on page S-95 for more information.

We may use this prospectus supplement in the initial sale of the Securities. In addition, UBS Securities LLC or another of our affiliates may use this prospectus supplement in market-making transactions in any Securities after their initial sale. ***Unless we or our agent informs you otherwise in the confirmation of sale or in a notice delivered at the same time as the confirmation of sale, this prospectus supplement is being used in a market-making transaction.***

PROHIBITION OF SALES TO EEA RETAIL INVESTORS The Securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) a customer within the meaning of Directive 2002/92/EC (as amended), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended). Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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This prospectus supplement contains the specific financial and other terms that apply to the securities being offered herein. Terms that apply generally to all our Medium-Term Notes, Series B, are described under Description of Debt Securities We May Offer in the accompanying prospectus. The terms described here (*i.e.*, in this prospectus supplement) modify or supplement those described in the accompanying prospectus and, if the terms described here are inconsistent with those described there, the terms described here are controlling. The contents of any website referred to in this prospectus supplement are not incorporated by reference in this prospectus supplement or the accompanying prospectus.

You may access the accompanying prospectus dated October 31, 2018 at:

<https://www.sec.gov/Archives/edgar/data/1114446/000119312518314003/d612032d424b3.htm>

We have not authorized anyone to provide you with information other than the information incorporated by reference or provided in this prospectus supplement or the accompanying prospectus. We are not making an offer of these Securities in any state where the offer is not permitted. You should not assume that the information in this prospectus supplement is accurate as of any date other than the date on the front of the document.

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Prospectus Supplement Summary

The following is a summary of terms of the Securities, as well as a discussion of factors you should consider before purchasing the Securities. The information in this section is qualified in its entirety by the more detailed explanations set forth elsewhere in this prospectus supplement and in the accompanying prospectus. Please note that references to UBS, we, our and us refer only to UBS AG and not to its consolidated subsidiaries.

We may, without your consent, create and issue additional securities having the same terms and conditions as the Securities. We may suspend or cease sales of the Securities at any time, at our discretion, or resume sales of such Securities, or we may condition our acceptance of a market maker's, other market participant's or investor's offer to purchase Securities on its agreeing to purchase certain exchange traded notes issued by UBS or enter into certain transactions consistent with our hedging strategy, including but not limited to swaps, OTC derivatives, listed options, or securities, any of which could materially and adversely affect the trading price and liquidity of such Securities in the secondary market. For more information about the plan of distribution and possible market-making activities, see Plan of Distribution in the accompanying prospectus. We may consolidate the additional securities to form a single class with the outstanding Securities. In addition, we may suspend sales of the Securities at any time for any reason, which could affect the liquidity of the market for the Securities.

This section summarizes the following aspects of the Securities:

- *What are the Securities and how do they work?*
- *How do you redeem your Securities?*
- *What are some of the risks of the Securities?*
- *Is this the right investment for you?*
- *Who calculates and publishes the Index?*
- *What are the tax consequences of owning the Securities?*

What are the Securities and how do they work?

The Securities are senior unsecured medium-term notes issued by UBS that provide a two times leveraged return linked to the compounded monthly performance of the Solactive US Small Cap High Dividend Index (the **Index**) before taking into account the Accrued Fees associated with the Securities that will reduce the return and any amounts payable on the Securities. These Accrued Fees are the Accrued Tracking Fee, which accrues monthly and is calculated based on an Annual Tracking Rate of 0.85%, and the Accrued Financing Charges, which represent the fees associated with replicating a leveraged investment, each as defined on the cover pages of this prospectus supplement. Because the return is leveraged, if the Index level *increases* over any calendar month (a **beneficial monthly performance**), the return on the Index for the Securities, as measured by the Current Principal Amount, will *increase* by two times the movement of the Index (before taking into account the Accrued Fees). Similarly, if the Index level *decreases* over any calendar month (an **adverse monthly performance**), the return on the Index for the Securities, as measured by the Current Principal Amount, will *decrease* by two times the movement of the Index (before taking into account the Accrued Fees). To ensure that a relatively consistent degree of leverage is applied to the performance of the Index, the Current Principal Amount is reset monthly or more frequently upon the occurrence of a Loss Rebalancing Event, which will have the effect of resetting the then-current leverage to approximately 2.0. A leveraged investment entails

risks that are different in certain respects from an unleveraged investment. For a discussion of leverage see Leveraged Investment Returns below and for a discussion of the risks related to an investment in the Securities, including leverage risks, see Risk Factors. In addition, the Securities may be accelerated and redeemed prior to the Maturity Date by UBS, at its option, as described below under Optional Acceleration Upon Minimum Indicative Value.

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The Securities may pay a monthly Coupon Amount based on distributions made with respect to the Index Constituent Securities as discussed below.

Unlike ordinary debt securities, the Securities do not guarantee any return of principal at maturity or call, or upon early redemption or acceleration. You may lose all or a substantial portion of your initial investment. In addition, you are not guaranteed any coupon payment. Because the amount of any Coupon Amount is uncertain and could be zero, you should not expect to receive regular monthly coupon payments.

The Index

The Index is designed to measure the performance of 100 relatively small capitalization, dividend yielding Index Constituent Securities selected from a universe of qualifying U.S. listed equity securities. For a detailed description of the Index, see Solactive US Small Cap High Dividend Index beginning on page S-47

*We refer to the qualifying U.S. listed equity securities included in the Index as the **Index Constituent Securities**.*

Leveraged Investment Returns

The Securities seek to approximate the monthly returns that might be available to investors through a leveraged long investment in the Index Constituent Securities. A leveraged long investment strategy involves the practice of borrowing money from a third party lender at an agreed-upon rate of interest and using the borrowed money together with investor capital to purchase assets (*e.g.*, equity securities). A leveraged long investment strategy terminates with the sale of the underlying assets and repayment of the third party lender, provided that the proceeds of the sale of underlying assets are sufficient to repay the loan. By implementing a leveraged strategy, the leveraged investor seeks to benefit from an anticipated increase in the value of the assets between the purchase and sale of such assets, and assumes that the increase in value of the underlying assets will exceed the cumulative interest due to the third party lender over the term of the loan. A leveraged investor will incur a loss if the value of the assets does not increase sufficiently to cover payment of the interest. In order to seek to replicate a leveraged long investment strategy in the Index Constituent Securities, the Securities provide that each \$1 invested by investors on the Initial Trade Date is leveraged through a notional loan of \$1 on the Initial Trade Date. Investors are thus considered to have notionally borrowed \$1, which, together with the \$1 invested, represents a notional investment of \$2 in the Index Constituent Securities on the Initial Trade Date. During the term of your Securities, the leveraged portion of the notional investment, which will be equal to the Current Principal Amount, accrues financing charges for the benefit of UBS referred to as the Accrued Financing Charges, which seek to represent the monthly amount of interest that leveraged investors might incur if they sought to borrow funds at a similar rate from a third-party lender. Upon maturity, call, acceleration or redemption, the investment in the Index Constituent Securities is notionally sold at the then-current values of the equity securities, and the investor then notionally repays UBS an amount equal to the principal of the notional loan plus accrued interest. The payment at maturity, call, acceleration or redemption under the Securities, therefore, generally represents the profit or loss that the investor would receive by applying a leveraged long investment strategy, after taking into account, and making assumptions for, the accrued financing charges that are commonly present in such leveraged long investment strategies. In order to mitigate the risk to UBS that the value of the Index Constituent Securities is not sufficient to repay the principal and Accrued Financing Charges of the notional loan, early termination of the Securities, at UBS's option, is provided for in the event the intraday indicative value of the Securities decreases to \$2.00 or less, as described under Specific Terms of the Securities Optional Acceleration Upon Minimum Indicative Value. In addition, in order to further mitigate such risk to UBS, if the Intraday Index Value on any Index Business Day (other than an Excluded Day)

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decreases 20% in value from the previous Monthly Initial Closing Level or Loss Rebalancing Closing Level, whichever is more recent, a Loss Rebalancing Event (as defined below) will occur and the Current Principal Amount will be reset in order to deleverage the Securities with the intent of resetting the then-current leverage to approximately 2.0, as described under *Specific Terms of the Securities* *Loss Rebalancing Events*.

The Accrued Financing Charges seek to compensate UBS for providing investors with the potential to receive a leveraged participation in movements in the Index Closing Level of the Index and are intended to approximate the financing costs that investors may have otherwise incurred had they sought to borrow funds at a similar rate from a third party to invest in the Securities. These charges accrue and compound during the applicable period, and will reduce any amount that you will be entitled to receive at maturity, early redemption, call or acceleration. The Accrued Financing Charges will be calculated as described under *Specific Terms of the Securities* *Cash Settlement Amount at Maturity*.

Payment at Maturity

The Securities do not guarantee any return of principal at, or prior to, maturity or call, or upon early redemption or acceleration. Instead, you will receive a cash payment per Security based on the two times leveraged performance of the Index reduced by the Accrued Fees and, if applicable, a Redemption Fee.

Positive or negative monthly changes in the Index Closing Level, or the Index Valuation Level, will not solely determine the return on your Securities due to the combined effects of leverage, monthly compounding and any applicable fees and financing charges.

Because the Current Principal Amount is reset each month, the Securities do not offer a return based on the simple performance of the Index from the Initial Trade Date to the Maturity Date. Instead, the amount you receive at maturity or call, or upon early redemption or acceleration, will be contingent upon the monthly compounded two times leveraged long performance of the Index during the term of the Securities, subject to the negative effect of the Accrued Fees. Accordingly, even if over the term that you hold the Securities the level of the Index has increased, there is no guarantee that you will receive at maturity or call, or upon early redemption or acceleration, your initial investment back or any return on that investment. This is because the amount you receive at maturity or call, or upon an early redemption or acceleration, depends on how the Index has performed in each month on a compounded, leveraged basis prior to maturity or call, or upon an early redemption or acceleration, and consequently, how the Current Principal Amount has been reset in each month. In particular, significant adverse monthly performances for your Securities may not be offset by any beneficial monthly performances of the same magnitude.

Initially, the Current Principal Amount is equal to \$25.00 per Security. At the start of each subsequent calendar month, the Current Principal Amount is reset by applying the Index Factor to the previous Current Principal Amount.

For example, if for September the Current Principal Amount as of the Monthly Valuation Date in September is \$20 and the Index Factor as of the Monthly Valuation Date in September is equal to 0.90, the Current Principal Amount for the Monthly Reset Date at the beginning of October will equal \$18 before deducting the Accrued Fees. Subsequently, the Index Factor as of the Monthly Valuation Date in October will be applied to the Current Principal Amount as of the Monthly Valuation Date in October to derive the Current Principal Amount for the Monthly Reset Date at the beginning of November. This example does not take into account the effect of a Loss Rebalancing Event, which would reset the Current Principal Amount intra-month as described under *Specific Terms of the Securities* *Loss Rebalancing Events*.

The Current Principal Amount is reset each calendar month to ensure that a consistent degree of leverage is applied to any performance of the Index. If the Current Principal Amount is reduced by an adverse

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monthly performance, the Index Factor of any further adverse monthly performance will lead to a smaller dollar loss when applied to that reduced Current Principal Amount than if the Current Principal Amount were not reduced. Equally, however, if the Current Principal Amount increases, the dollar amount lost for a certain level of adverse monthly performance will increase correspondingly.

Resetting the Current Principal Amount also means that the dollar amount that may be gained from any beneficial monthly performance will be contingent upon the Current Principal Amount. If the Current Principal Amount is above \$25.00, then any beneficial monthly performance will result in a gain of a larger dollar amount than would be the case if the Current Principal Amount were reduced below \$25.00. Conversely, as the Current Principal Amount is reduced towards zero, the dollar amount to be gained from any beneficial monthly performance will decrease correspondingly. If the Securities undergo a split or reverse split, the Current Principal Amount of the Securities will be adjusted accordingly.

In addition, the calculation of the number of units of each Index Constituent Security that the Reference Holder is deemed to hold depends on the Current Principal Amount, as described in more detail in *Specific Terms of the Securities* *Coupon Payment* beginning on page S-63. As a result, any increase or decrease in the Index Closing Level on any Monthly Valuation Date as compared to the most recent Monthly Initial Closing Level will result in a significantly greater corresponding increase or decrease in the number of units of each Index Constituent Security that the Reference Holder is deemed to hold, and therefore a greater increase or decrease in the potential Coupon Amount, than if your Securities did not contain a leverage component.

The Current Principal Amount may be reset more frequently than monthly upon the occurrence of a Loss Rebalancing Event. A Loss Rebalancing Event will have the effect of deleveraging your Securities with the aim of resetting the then-current leverage to approximately 2.0. This means that after a Loss Rebalancing Event, a constant percentage increase in the Index Closing Level will have less of a positive effect on the value of your Securities relative to before the occurrence of the Loss Rebalancing Event.

A **Loss Rebalancing Event** occurs if, at any time, the Intraday Index Value on any Index Business Day (other than (i) the Index Business Day immediately preceding any Monthly Valuation Date, (ii) any Monthly Valuation Date, (iii) the Index Business Day immediately preceding the first day of the Final Measurement Period or any day after such Index Business Day, (iv) the Index Business Day immediately preceding the first day of the Call Measurement Period or any day after such Index Business Day, or (v) the Optional Acceleration Date or any day after the Optional Acceleration Date) decreases 20% in value from the previous Monthly Initial Closing Level or Loss Rebalancing Closing Level, whichever is more recent. If a Loss Rebalancing Event occurs, the Current Principal Amount will be reset on the applicable Loss Rebalancing Reset Date. See *Specific Terms of the Securities* *Loss Rebalancing Events* beginning on page S-75.

For each Security, unless earlier called, redeemed or accelerated, you will receive at maturity a cash payment equal to:

(a) the product of:

(i) the Current Principal Amount and

(ii) the Index Factor as of the last Index Business Day in the Final Measurement Period, *plus*

(b) the final Coupon Amount, if on the last Index Business Day in the Final Measurement Period the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred *minus*

(c) the Accrued Fees as of the last Index Business Day in the Final Measurement Period, *plus*

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(d) the Stub Reference Distribution Amount as of the last Index Business Day in the Final Measurement Period, if any.

We refer to this cash payment as the **Cash Settlement Amount**. If the amount calculated above is equal to or less than zero, the payment at maturity will be zero.

You may lose all or a substantial portion of your investment at maturity. The combined negative effect of the Accrued Fees will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees (less any Coupon Amount and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment at maturity. As a result of compounding, the performance of the Securities for periods greater than one month is likely to be either greater than or less than two times the performance of the Index, before accounting for the Accrued Fees.

See Specific Terms of the Securities Cash Settlement Amount at Maturity beginning on page S-65.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right and, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option. See Specific Terms of the Securities UBS's Call Right beginning on page S-73 and Specific Terms of the Securities Optional Acceleration Upon Minimum Indicative Value beginning on page S-74.

Coupon Payments

The Securities may pay a monthly coupon during their term. For each Security you hold on the applicable Coupon Record Date, you will receive on each Coupon Payment Date an amount in cash equal to the Reference Distribution Amount, calculated as of the corresponding Coupon Valuation Date (the **Coupon Amount**). If the Reference Distribution Amount on such Coupon Valuation Date is zero, you will not receive any Coupon Payment Amount on the related Coupon Payment Date. The final Coupon Amount will be included in the Cash Settlement Amount if on the last Index Business Day in the Final Measurement Period the Coupon Ex-Date with respect to the final Coupon Amount has not yet occurred.

As described under Specific Terms of the Securities Coupon Payments the Coupon Amount is determined based on the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security, and the number of Index Constituent Securities held by the Reference Holder depends in part on the Current Principal Amount. If the Current Principal Amount decreases, the Reference Holder is deemed to hold fewer units of each Index Constituent Security. The Current Principal Amount is reset on every Monthly Reset Date, and is also reset on any Loss Rebalancing Reset Date, in each case, with the intent of resetting the then-current leverage to approximately 2.0 based on the Index Performance Ratio. As a result, decreases in the Current Principal Amount may result in a reduction in the Coupon Amount even if the gross cash distributions on the Index Constituent Securities remain constant or increase over time.

Unlike ordinary debt securities, the Securities do not guarantee any coupon payment.

See Specific Terms of the Securities Coupon Payment beginning on page S-63.

UBS's Call Right

On any Business Day on or after November 15, 2019 through and including the Maturity Date (the **Call Settlement Date**), UBS may at its option redeem all, but not less than all, issued and outstanding

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Securities. To exercise its Call Right, UBS must provide notice (which may be provided via press release) to the holders of the Securities not less than eighteen (18) calendar days prior to the Call Settlement Date specified by UBS. In the event UBS exercises this right, you will receive a cash payment equal to the Call Settlement Amount. See Specific Terms of the Securities UBS's Call Right beginning on page S-73.

Optional Acceleration Upon Minimum Indicative Value

If, at any time, the intraday indicative value of the Securities on any Index Business Day equals \$2.00 or less (the **Indicative Value Optional Acceleration Trigger**) (each such day, an **Optional Acceleration Date**), all issued and outstanding Securities may be accelerated and redeemed by UBS, at its option (even if the intraday indicative value would later exceed \$2.00 on such Optional Acceleration Date or any subsequent Index Business Day) for a cash payment equal to the Acceleration Amount (the **Acceleration Option**). If the Acceleration Amount is equal to or less than zero, the payment upon acceleration will be zero. The intraday indicative value of the Securities is calculated as described under Valuation of the Index and the Securities beginning on page S-60.

In the event that the Indicative Value Optional Acceleration Trigger threshold has been breached, UBS will issue a press release before 9:00 a.m. on the Index Business Day following the Optional Acceleration Date announcing whether or not it has elected to exercise its Acceleration Option. UBS is under no obligation to exercise its Acceleration Option and the Securities may remain outstanding following the occurrence of an Indicative Value Optional Acceleration Trigger event, if UBS does not elect to exercise such Acceleration Option.

If the Indicative Value Optional Acceleration Trigger threshold has been breached, you will receive on the Acceleration Settlement Date only the Acceleration Amount in respect of your investment in the Securities. The **Acceleration Settlement Date** will be the second Business Day following the last Index Business Day of the Acceleration Valuation Period. UBS must provide notice (which may be provided via press release) to the holders of the Securities that the minimum indicative value threshold has been breached not less than five calendar days prior to the Acceleration Settlement Date. See Specific Terms of the Securities Optional Acceleration Upon Minimum Indicative Value beginning on page S-74.

If the Securities undergo a split or reverse split, the Indicative Value Optional Acceleration Trigger will be adjusted accordingly.

How do you redeem your Securities?
Early Redemption

You may elect to require UBS to redeem your Securities, in whole or in part, prior to the Maturity Date on any Index Business Day commencing on November 15, 2018 through and including the final Redemption Date, subject to a minimum redemption amount of at least 50,000 Securities. To satisfy the minimum redemption amount, your broker or other financial intermediary may bundle your Securities for redemption with those of other investors to reach this minimum amount of 50,000 Securities; however, there can be no assurance that they can or will do so. UBS reserves the right from time to time to waive this minimum redemption amount in its sole discretion on a case-by-case basis. You should not assume you will be entitled to the benefit of any such waiver.

If you elect to have your Securities redeemed and have done so under the redemption procedures described under Specific Terms of the Securities Redemption Procedures, you will receive payment for your Securities on the second Business Day following the applicable Redemption Valuation Date (the **Redemption Date**). The first Redemption Date will be November 15, 2018 and the last Redemption Date will be November 3, 2048. In addition, if a call notice

has been issued or if an acceleration has been triggered, the last Redemption Valuation Date will be the fifth Index Business Day prior to the Call Settlement Date or the Acceleration Settlement Date, as applicable.

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The Redemption Valuation Date is the first Index Business day following the date that a redemption notice and redemption confirmation, each as described under *Specific Terms of the Securities* *Early Redemption at the Option of the Holders* are delivered, except that UBS reserves the right from time to time to accelerate, in its sole discretion on a case-by-case basis, the Redemption Valuation Date to the date on which the notice of redemption is received by UBS rather than the following Index Business Day. You should not assume you will be entitled to the benefit of any such acceleration. Any applicable Redemption Valuation Date is subject to adjustment as described under *Specific Terms of the Securities* *Market Disruption Event* beginning on page S-77.

Upon early redemption, you will receive per Security a cash payment on the relevant Redemption Date equal to the Redemption Amount, calculated as described under *Specific Terms of the Securities* *Early Redemption at the Option of the Holders* beginning on page S-70.

You may lose all or a substantial portion of your investment upon early redemption. The combined negative effect of the Accrued Fees and the Redemption Fee Amount will reduce your final payment. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable (less any Coupon Amounts and/or any Stub Reference Distribution Amount you may be entitled to receive as of the Redemption Valuation Date), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment upon early redemption.

The Securities may be called by UBS prior to the Maturity Date pursuant to UBS's Call Right and, upon the occurrence of an acceleration event, the Securities may be accelerated and redeemed by UBS, at its option. See *Specific Terms of the Securities* *UBS's Call Right* beginning on page S-73 and *Specific Terms of the Securities* *Optional Acceleration Upon Minimum Indicative Value* beginning on page S-74.

Redemption Procedures

To redeem your Securities prior to the Maturity Date, you must instruct your broker to deliver a notice of redemption (**Redemption Notice**), which is attached to this Prospectus Supplement as Annex A, to UBS by email no later than 4:00 p.m. (New York City time) on the Index Business Day on which you elect to exercise your redemption right and you and your broker must follow the procedures described herein. If you fail to comply with these procedures, your notice will be deemed ineffective. See *Specific Terms of the Securities* *Redemption Procedures* beginning on page S-72 and *Description of the Debt Securities We May Offer* *Redemption and Repayment* in the accompanying prospectus.

What are some of the risks of the Securities?

An investment in the Securities involves risks. Selected risks are summarized here, but we urge you to read the more detailed explanation of risks described under *Risk Factors* beginning on page S-22.

Ø **You may lose all or a substantial portion of your investment** The Securities do not guarantee any return on your initial investment. The Securities are fully exposed to two times any monthly decline in the level of the Index. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Accrued Fees and the Redemption Fee Amount, if applicable (less any Coupon Amounts and/or any Stub Reference Distribution Amount, as applicable, you may be entitled to receive), or if the compounded leveraged monthly return of the Index is negative, you may lose all or a substantial portion of your investment at maturity, call,

acceleration or upon early redemption.

Ø **Correlation and compounding risk** A number of factors may affect the Security's ability to achieve a high degree of correlation with the performance of the Index, and there can be no guarantee that

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the Security will achieve a high degree of correlation. Because the Current Principal Amount is reset monthly, you will be exposed to compounding of monthly returns. As a result, the performance of the Securities for periods greater than one month is likely to be either greater than or less than the Index performance times the leverage factor of two, before accounting for Accrued Fees, and the Redemption Fee Amount, if applicable. In particular, significant adverse monthly performances of your Securities may not be offset by subsequent beneficial monthly performances of equal magnitude.

- Ø **Leverage risk** The Securities are two times leveraged long with respect to the Index, which means that you will benefit two times from any beneficial, but will be exposed to two times any adverse, monthly performance of the Index, before the combined negative effect of the Accrued Fee and Redemption Fee Amount, if any. However, the leverage of the Securities may be greater or less than 2.0 during the periods between Monthly Reset Dates and/or Loss Rebalancing Reset Dates, as applicable.
- Ø **Market risk** The return on the Securities, which may be positive or negative, is linked to the compounded leveraged monthly return on the Index. The return on the Index is measured by the Index Closing Level, which, in turn, is affected by a variety of market and economic factors, interest rates in the markets and economic, financial, political, regulatory, judicial or other events that affect the markets generally.
- Ø **Credit of issuer** The Securities are senior unsecured debt obligations of the issuer, UBS, and are not, either directly or indirectly, an obligation of or guaranteed by any third party. Any payment to be made on the Securities, including any payment at maturity, call, acceleration or upon early redemption, depends on the ability of UBS to satisfy its obligations as they come due. As a result, the actual and perceived creditworthiness of UBS will affect the market value, if any, of the Securities prior to maturity, call, acceleration or early redemption. In addition, in the event UBS were to default on its obligations, you may not receive any amounts owed to you under the terms of the Securities. The Securities do not benefit from any co-obligation of UBS Switzerland AG.
- Ø **Risks associated with small-capitalization companies** The Index Constituent Securities are issued by companies with relatively small market capitalizations. These companies may be more volatile than large-capitalization, mid-capitalization or more established companies. The securities of small-capitalization companies generally trade in lower volumes, are less liquid and are subject to greater and more unpredictable price changes than large-capitalization or mid-capitalization stocks or the stock market as a whole. The Index may therefore be more volatile than indices that include large-capitalization stocks. Stock prices of small-capitalization companies may be particularly sensitive to adverse business and economic developments.
- Ø **Sector and industry concentration risks associated with the Index Constituents** The Securities will be more exposed to losses in certain industries or sectors to the extent that the Index Constituents are concentrated in such industries or sectors. As a result, the Securities may be subject to loss due to adverse occurrences that affect such industries or sectors, even if general market conditions are favorable. The Index Constituent Securities and their weightings will vary over time, and thus the sector concentrations (and the level of such concentrations) will change over time and will not be limited to the particular sectors and industries discussed below.

Ø

You are not guaranteed a coupon payment You will not receive a coupon payment on a Coupon Payment Date if the Index Constituent Securities do not pay any cash distributions and the Reference Distribution Amount, calculated as of the corresponding Coupon Valuation Date is zero. Similarly, the Stub Reference Distribution Amount (including as part of the Cash Settlement Amount, Redemption Amount, Call Settlement Amount or Acceleration Amount, as applicable) may be zero if the Index Constituent Securities do not pay any cash distributions during the applicable period.

Ø **Potential acceleration** In the event the intraday indicative value of the Securities is equal to \$2.00 or less on any Index Business Day (the Indicative Value Optional Acceleration Trigger) the Securities

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may be accelerated and redeemed by UBS, at its option, and you will receive a cash payment equal to the Acceleration Amount as determined during the Acceleration Valuation Period. The Acceleration Amount you receive on the Acceleration Settlement Date may be significantly less than \$2.00 per Security and may be zero if the level of the Index continues to decrease during trading on one or more Index Business Days during the Acceleration Valuation Period as measured by the Index Performance Ratio on one or more Index Business Days during the Acceleration Valuation Period. In addition, if the Securities are accelerated and redeemed by UBS, at its option, you will not benefit from any subsequent increase in the Index Closing Level after the end of the Acceleration Valuation Period, even if such increase occurs prior to the Acceleration Settlement Date. If the Securities undergo a split or reverse split, the Indicative Value Optional Acceleration Trigger will be adjusted (i.e. it will not remain at \$2.00).

- Ø **Decreases in the Current Principal Amount may result in a reduction in the Coupon Amount even if the gross cash distributions on the Index Constituent Securities remain constant or increase over time.** As described under Specific Terms of the Securities Coupon Payments the Coupon Amount is determined based on the gross cash distributions that a Reference Holder would have been entitled to receive in respect of the Index Constituent Securities held by such Reference Holder on the record date with respect to any Index Constituent Security, and the number of Index Constituent Securities held by the Reference Holder depends in part on the Current Principal Amount. If the Current Principal Amount decreases, the Reference Holder is deemed to hold fewer units of each Index Constituent Security. The Current Principal Amount is reset on every Monthly Reset Date, and is also reset on any Loss Rebalancing Reset Date, in each case, with the intent of resetting the then-current leverage to approximately 2.0 based on the Index Performance Ratio. As a result, decreases in the Current Principal Amount may result in a reduction in the Coupon Amount even if the gross cash distributions on the Index Constituent Securities increase over time.
- Ø **A trading market for the Securities may not develop** Although the Securities have been approved for listing, subject to official notice of issuance, on NYSE Arca, a trading market for the Securities may not develop. Certain affiliates of UBS may engage in limited purchase and resale transactions in the Securities, although they are not required to and may stop at any time. We are not required to maintain any listing of the Securities on NYSE Arca or any other exchange. In addition, we are not obliged to, and may not, sell the full aggregate principal amount of the Securities set forth on the cover of this prospectus. We may issue and sell additional Securities from time to time and we may suspend or cease sales of the Securities at any time, at our discretion. Therefore, the liquidity of the Securities may be limited.
- Ø **Requirements upon early redemption** You must satisfy the requirements described herein for your redemption request to be considered, including the minimum redemption amount of at least 50,000 Securities, unless we determine otherwise or your broker or other financial intermediary bundles your Securities for redemption with those of other investors to reach this minimum requirement. In addition, the payment you receive upon early redemption will be reduced by the Redemption Fee Amount. While UBS reserves the right to waive the minimum redemption amount or the Redemption Fee Amount from time to time in its sole discretion, there can be no assurance that UBS will choose to waive any redemption requirements or fees or that any holder of the Securities will benefit from UBS's election to do so. Therefore, the liquidity of the Securities may be limited.
- Ø **Limited performance history** The return on the Securities is linked to the performance of the Index, which was launched on January 26, 2015. As a result, the Index has a limited performance history, and the future performance

of the Index is uncertain. Estimated historical data prior to January 26, 2015 has been simulated by applying the Index's calculation methodology to historical levels of the Index Constituent Securities included in the Index. No future performance of the Index can be predicted based on the estimated historical or the historical returns described in this prospectus supplement.

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- Ø **Your redemption election is irrevocable** You will not know the Redemption Amount at the time you elect to request to redeem your Securities and you will not be able to rescind your election to redeem your Securities after your redemption notice is received by UBS. Accordingly, you will be exposed to market risk in the event market conditions change after UBS receives your offer and the Redemption Amount is determined on the Redemption Valuation Date.
- Ø **Uncertain tax treatment** Significant aspects of the tax treatment of the Securities are uncertain. You should consult your own tax advisor about your own tax situation.
- Ø **UBS's Call Right** UBS may elect to redeem all outstanding Securities at any time on or after November 15, 2019, as described under Specific Terms of the Securities UBS's Call Right beginning on page S-73. If UBS exercises its Call Right, the Call Settlement Amount may be less than your initial investment in the Securities. In addition, you may have to invest your proceeds in a lower-return investment.

Is this the right investment for you?

The Securities may be a suitable investment for you if:

- Ø You are willing to accept the risk that you may lose all or a substantial portion of your investment.
- Ø You seek an investment with a return linked to two times the monthly performance of the Index, which will provide exposure to relatively small capitalization, dividend yielding U.S. listed equity securities, and Coupon Amounts which are dependent on distributions made with respect to the Index Constituent Securities.
- Ø You understand (i) leverage risk, including the risks inherent in maintaining a constant two times leverage on a monthly basis, and (ii) the consequences of seeking monthly leveraged investment results generally, and you intend to actively monitor and manage your investment.
- Ø You believe the compounded leveraged monthly return of the Index and the Coupon Amounts will be sufficient to offset the combined negative effect of the applicable fees built into the calculation of your payment at maturity, call, acceleration or upon early redemption.
- Ø You are willing to hold securities that have a long-term maturity (30 years).
- Ø You are willing to accept the risks inherent in a concentrated investment in relatively small capitalization, dividend yielding U.S. listed equity securities.
- Ø You are willing to accept the risk that the price at which you are able to sell the Securities may be significantly less than the amount you invested.

- Ø You are willing to hold securities that may be redeemed early by UBS, pursuant to UBS's Call Right, on or after November 15, 2019.
- Ø You are willing to hold securities that may be accelerated and redeemed by UBS, at its option in the event the intraday indicative value of the Securities is equal to \$2.00 or less (as adjusted in the event the Securities undergo a split or reverse split) on any Index Business Day.
- Ø You are willing to pay the Accrued Fees and, if applicable, the Redemption Fee Amount and creation fee which are charged on the Securities and that will reduce your return (or increase your loss, as applicable) on your investment.
- Ø You do not seek guaranteed income from your investment and you understand that Coupon Amounts are not guaranteed.
- Ø You are not seeking an investment for which there will be an active secondary market. You are comfortable with the creditworthiness of UBS, as issuer of the Securities.

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The Securities may *not* be a suitable investment for you if:

- Ø You are not willing to accept the risk that you may lose all or a substantial portion of your investment.
- Ø You do not seek an investment with a return linked to two times the monthly performance of the Index, which will provide exposure to relatively small capitalization, dividend yielding U.S. listed equity securities, and Coupon Amounts which are dependent on distributions made with respect to the Index Constituent Securities.
- Ø You do not understand (i) leverage risk, including the risks inherent in maintaining a constant two times leverage on a monthly basis, and (ii) the consequences of seeking monthly leveraged investment results generally, and you do not intend to actively monitor and manage your investment.
- Ø You believe that the compounded leveraged monthly return of the Index will be negative during the term of the Securities or the compounded leveraged monthly return will not be sufficient to offset the combined negative effect of the applicable fees built into the calculation of the payment at maturity, call, acceleration or upon early redemption.
- Ø You are not willing to hold securities that have a long-term maturity (30 years).
- Ø You are not willing to be exposed to the risks inherent in a concentrated investment in relatively small capitalization, dividend yielding U.S. listed equity securities, in particular.
- Ø You are not willing to accept the risk that the price at which you are able to sell the Securities may be significantly less than the amount you invested.
- Ø You are not willing to hold securities that may be redeemed early by UBS, pursuant to UBS's Call Right, on or after November 15, 2019.
- Ø You are not willing to hold Securities that may be accelerated and redeemed by UBS, at its option, in the event the intraday indicative value of the Securities is equal to \$2.00 or less (as adjusted in the event the securities undergo a split or reverse split) on any Index Business Day.
- Ø You prefer the lower risk and therefore accept the potentially lower returns of fixed-income investments with comparable maturities and credit ratings.

Ø

You are not willing to pay the Accrued Fees and, if applicable, the Redemption Fee Amount and creation fee which are charged on the Securities and that will reduce your return (or increase your loss, as applicable) on your investment.

Ø You seek an investment for which there will be an active secondary market.

Ø You are not comfortable with the creditworthiness of UBS, as issuer of the Securities.

Who calculates and publishes the Index?

The level of the Index is calculated by the Index Sponsor and disseminated by the NYSE approximately every fifteen (15) seconds (assuming the level of the Index has changed within such fifteen-second interval) from 9:30 a.m. to 4:00 p.m., New York City time on those days specified as Index Business Days, and a daily Index level is published at approximately 5:00 p.m., New York City time, on each Index Business Day. Index information, including the Index level, is available from the NYSE and Bloomberg L.P. (**Bloomberg**) under the symbol SOLSMHD . The historical performance of the Index is not indicative of the future performance of the Index or the level of the Index at the end of the Applicable Measurement Period or on the Redemption Valuation Date, as the case may be

What are the tax consequences of owning the Securities?

The United States federal income tax consequences of your investment in the Securities are uncertain. Some of these tax consequences are summarized below, but we urge you to read the more detailed discussion below under Material U.S. Federal Income Tax Consequences .

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Pursuant to the terms of the Securities, you and we agree, in the absence of a statutory, regulatory, administrative or judicial ruling to the contrary, to characterize the Securities as a pre-paid forward contract with respect to the Index. In addition, you and we agree, in the absence of a statutory, regulatory, administrative or judicial ruling to the contrary, to treat the Coupon Amount (including amounts received upon the sale, redemption or maturity of the Securities in respect of accrued but unpaid Coupon Amounts) and the Stub Reference Distribution Amount, if any, as amounts that should be included in ordinary income of a U.S. holder (as defined below under **Material U.S. Federal Income Tax Consequences**) for tax purposes at the time such amounts accrue or are received, in accordance with the holder's regular method of tax accounting for tax purposes. You will be required to treat such amounts in such a manner despite the fact that (i) there may be other possible treatments of such amounts that would be more advantageous to holders of Securities and (ii) such amounts may be attributable to distributions on the Index Constituent Securities that would, if received directly, be subject to a more advantageous tax treatment. For example, such amounts may be attributable to distributions on the Index Constituent Securities that, if received directly by certain holders, would be treated as (i) dividends subject to tax at long-term capital gains rates, (ii) dividends eligible for the dividends-received deduction, or (iii) tax-free return of capital distributions.

If the Securities are so treated (and subject to the discussion below regarding the application of Section 1260 of the Internal Revenue Code of 1986, as amended (the **Code**)), a U.S. holder should generally recognize capital gain or loss upon the sale, redemption or maturity of its Securities in an amount equal to the difference between the amount realized (other than any amount attributable to accrued but unpaid Coupon Amounts and the Stub Reference Distribution Amount, if any, which will be treated as ordinary income) and the amount that the holder paid for the Securities. Such gain or loss should generally be long-term capital gain or loss if the holder held the Securities for more than one year.

In the opinion of our counsel, Sullivan & Cromwell LLP, the Securities should be treated in the manner described above. However, because there is no authority that specifically addresses the tax treatment of the Securities, it is possible that the Securities could be treated for tax purposes in an alternative manner described below under **Material U.S. Federal Income Tax Consequences U.S. Holders Alternative Treatments.**

It is possible that ownership of the Securities will be treated as a constructive ownership transaction that is subject to the constructive ownership rules of Section 1260 of the Code. Under Section 1260 of the Code, special tax rules apply to an investor that enters into a constructive ownership transaction with respect to an equity interest in a pass-thru entity. For this purpose, (i) a constructive ownership transaction includes entering into a forward contract with respect to a pass-thru entity and (ii) real estate investment trusts (**REITs**) and regulated investment companies (**RICs**) (and certain other entities) are considered to be pass-thru entities. As of the date hereof, most of the Index Constituent Securities are REITs and RICs. It is not clear whether and how Section 1260 of the Code applies in the case of an index, like the Index, which mostly, but not entirely, consists of pass-thru entities.

If your Securities are subject to the constructive ownership rules of Section 1260 it is likely that such rules should apply to the portion of your return on the Securities that is determined by reference to the Index Constituent Securities that are pass-thru entities (the **Pass-Thru Index Constituents**). If such portion of your Securities is subject to Section 1260, then any long-term capital gain that you realize upon the sale, redemption or maturity of your Securities that is attributable to the Pass-Thru Index Constituents would be recharacterized as ordinary income (and you would be subject to an interest charge on the deferred tax liability with respect to such capital gain) to the extent that such capital gain exceeds the amount of long-term capital gain that you would have realized had you purchased an actual interest in the Pass-Thru Index Constituents (in an amount equal to the notional amount of Pass-Thru Index Constituents that are referenced by your Securities) on the date that you purchased your Securities and sold your interest in such Pass-Thru Index Constituents on the date of the sale, redemption or

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maturity of the Securities (the **Excess Gain Amount**). In addition, it is possible that Excess Gain Amount will be computed separately for each Index Constituent Security. If your Securities are subject to these rules, the Excess Gain Amount will be presumed to be equal to all of the gain that you recognize in respect of the Securities that is attributable to the Pass-Thru Index Constituents (in which case all of such gain would be recharacterized as ordinary income that is subject to an interest charge) unless you provide clear and convincing evidence to the contrary. You should review the discussion of Section 1260 under the heading **Material U.S. Federal Income Tax Consequences U.S. Holders** and are urged to consult your own tax advisor regarding the application of these rules to the Securities.

Non-U.S. holders of Securities should review the discussion below under **Material U.S. Federal Income Tax Considerations Non-U.S. Holders** for a summary of the tax consequences to them of holding the Securities, including a discussion of withholding taxes that will be imposed on distributions to them in respect of the Securities.

Holders are urged to consult their tax advisors concerning the significance and the potential impact of the above considerations.

Conflicts of Interest

UBS Securities LLC is an affiliate of UBS and, as such, has a conflict of interest in this offering within the meaning of the Financial Industry Regulatory Authority, Inc. (**FINRA**) Rule 5121. In addition, UBS will receive the net proceeds (excluding the underwriting discount) from the initial public offering of the Securities, thus creating an additional conflict of interest within the meaning of Rule 5121. Consequently, the offering is being conducted in compliance with the provisions of Rule 5121. UBS Securities LLC is not permitted to sell Securities in this offering to an account over which it exercises discretionary authority without the prior specific written approval of the account holder.

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Table of Contents**Hypothetical Examples****Hypothetical Payment at Maturity, Call, or upon Early Redemption**

The following examples illustrate how the Securities would perform at maturity, call or upon early redemption, in hypothetical circumstances. We have included an example in which the Index Closing Level increases at a constant rate of 1.25% per month for twelve months (Example 1), as well as an example in which the Index Closing Level decreases at a constant rate of 1.25% per month for twelve months (Example 2). In addition, Example 3 shows the Index Closing Level increasing at a constant rate of 1.25% per month for the first six months and then decreasing at a constant rate of 1.25% per month for the next 6 months, whereas Example 4 shows the reverse scenario of the Index Closing Level decreasing at a constant rate of 1.25% per month for the first six months, and then increasing at a constant rate of 1.25% per month for the next six months. **For ease of analysis and presentation, the following examples assume that the term of the Securities is twelve months, no Coupon Amount was paid during the term of the Securities, the Reference Distribution Amount for each applicable period is zero, no Stub Reference Distribution Amount will be paid at maturity or call and that no optional acceleration upon minimum indicative value or Loss Rebalancing Event has occurred.** The Financing Rate is assumed to be 3.150%. These examples highlight the effect of the two times leverage and monthly compounding, and the impact of the Accrued Fees on the payment at maturity, call or upon early redemption, under different circumstances. Because the Accrued Fees take into account the performance of the Index, as measured by the Index Closing Level, the absolute level of the Accrued Fees is dependent on the path taken by the Index Closing Level to arrive at its ending level. The figures in these examples have been rounded for convenience. The Cash Settlement Amount figures for month twelve are as of the hypothetical Calculation Date; assuming a constant level throughout the Final Measurement Period, and given the indicated assumptions, a holder will receive payment at maturity or call, or upon early redemption, in the indicated amount, according to the indicated formula.

Table of Contents**Hypothetical Examples****Example 1 The level of the Index increases at a constant rate of 1.25% for twelve months.**

Assumptions:

Annual Tracking Rate:	0.85%
Financing Rate:	3.150%
Stated Principal Amount:	\$25.00
Initial Index Level:	100.00
Redemption Fee Amount:	0.125%

Month End	Index Closing Level*	Index Performance Ratio	Index Factor	Accrued Financing Charge for the Month**	Indicative Principal Amount	Accrued Tracking Fee for the Month***	Accrued Fees for the Month	Current Principal Amount***	Redemption Amount
A	B	C (Index Closing Level - Monthly Initial Closing Level) / Monthly Initial Closing Level	D	E (previous Current Principal Amount x Financing Rate x Act/360)	F (previous Current Principal Amount x D)*	G (Annual Tracking Rate x F Act/365)	H (E + G)	I (previous Current Principal Amount x D) - H))	J (I - Amount Redemption Fee)
1	101.25	0.0125	1.025	0.0656	\$ 25.63	\$ 0.0179	\$ 0.0835	\$ 25.54	\$ 25.51
2	102.52	0.0125	1.025	0.0670	\$ 26.18	\$ 0.0183	\$ 0.0853	\$ 26.09	\$ 26.06
3	103.80	0.0125	1.025	0.0685	\$ 26.75	\$ 0.0187	\$ 0.0872	\$ 26.66	\$ 26.63
4	105.09	0.0125	1.025	0.0700	\$ 27.33	\$ 0.0191	\$ 0.0891	\$ 27.24	\$ 27.20
5	106.41	0.0125	1.025	0.0715	\$ 27.92	\$ 0.0195	\$ 0.0910	\$ 27.83	\$ 27.79
6	107.74	0.0125	1.025	0.0730	\$ 28.52	\$ 0.0199	\$ 0.0930	\$ 28.43	\$ 28.39
7	109.09	0.0125	1.025	0.0746	\$ 29.14	\$ 0.0204	\$ 0.0950	\$ 29.05	\$ 29.01
8	110.45	0.0125	1.025	0.0762	\$ 29.77	\$ 0.0208	\$ 0.0970	\$ 29.67	\$ 29.64
9	111.83	0.0125	1.025	0.0779	\$ 30.42	\$ 0.0212	\$ 0.0991	\$ 30.32	\$ 30.28
10	113.23	0.0125	1.025	0.0796	\$ 31.08	\$ 0.0217	\$ 0.1013	\$ 30.97	\$ 30.94
11	114.64	0.0125	1.025	0.0813	\$ 31.75	\$ 0.0222	\$ 0.1035	\$ 31.65	\$ 31.61
12	116.08	0.0125	1.025	0.0831	\$ 32.44	\$ 0.0227	\$ 0.1057	\$ 32.33	\$ 32.29

Cumulative Index Return	16.08%
Return on Securities	29.32%

- * The Index Closing Level is also (i) the Monthly Initial Closing Level for the following month; and (ii) the Index Valuation Level for calculating the Call Settlement Amount, the Redemption Amount and the Cash Settlement Amount.
- ** The Accrued Financing Charge is calculated on an actual/360 basis. However, 30 day months are assumed for the above calculations.
- *** The Accrued Tracking Fee is calculated on an actual/365 basis. However 30 day months are assumed for the above calculations.
- **** *Previous* Current Principal Amount is also the Financing Level.
- # This is also the Call Settlement Amount.
- ^ For month twelve, this is also the Cash Settlement Amount.

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Table of Contents**Hypothetical Examples****Example 2 The level of the Index decreases at a constant rate of 1.25% for twelve months.**

Assumptions:

Annual Tracking Rate:	0.85%
Financing Rate:	3.15%
Stated Principal Amount:	\$25.00
Initial Index Level:	100.00
Redemption Fee Amount:	0.125%

Month End	Index Closing Level*	Index Performance Ratio	Index Factor	Accrued Financing Charge for the Month**	Accrued Tracking Fee for the Month***	Accrued Fees for the Month	Current Principal Amount***	Redemption Amount
A	B	C (Index Closing Level - Monthly Initial Closing Level) / Monthly Initial Closing Level)	D	E (previous Current Principal Amount x Financing Rate x Act/360)	F (previous Current Principal Amount x Tracking Rate x F Act/365)	G (E + G)	H (D) - H))	I - Amount Fee
1	98.75	-0.0125	0.975	0.0656	\$ 24.38	\$ 0.0170	\$ 0.0827	\$ 24.29
2	97.52	-0.0125	0.975	0.0638	\$ 23.69	\$ 0.0165	\$ 0.0803	\$ 23.58
3	96.30	-0.0125	0.975	0.0620	\$ 23.01	\$ 0.0161	\$ 0.0780	\$ 22.91
4	95.09	-0.0125	0.975	0.0602	\$ 22.36	\$ 0.0156	\$ 0.0758	\$ 22.26
5	93.90	-0.0125	0.975	0.0585	\$ 21.73	\$ 0.0152	\$ 0.0737	\$ 21.63
6	92.73	-0.0125	0.975	0.0568	\$ 21.12	\$ 0.0148	\$ 0.0716	\$ 21.02
7	91.57	-0.0125	0.975	0.0552	\$ 20.52	\$ 0.0143	\$ 0.0696	\$ 20.42
8	90.43	-0.0125	0.975	0.0537	\$ 19.94	\$ 0.0139	\$ 0.0676	\$ 19.84
9	89.30	-0.0125	0.975	0.0522	\$ 19.37	\$ 0.0135	\$ 0.0657	\$ 19.28
10	88.18	-0.0125	0.975	0.0507	\$ 18.82	\$ 0.0132	\$ 0.0638	\$ 18.74
11	87.08	-0.0125	0.975	0.0492	\$ 18.29	\$ 0.0128	\$ 0.0620	\$ 18.21
12	85.99	-0.0125	0.975	0.0479	\$ 17.77	\$ 0.0124	\$ 0.0603	\$ 17.69

Cumulative Index Return	-14.01%
Return on Securities	-29.15%

- * The Index Closing Level is also (i) the Monthly Initial Closing Level for the following month; and (ii) the Index Valuation Level for calculating the Call Settlement Amount, the Redemption Amount and the Cash Settlement Amount.
- ** The Accrued Financing Charge is calculated on an actual/360 basis. However, 30 day months are assumed for the above calculations.
- *** The Accrued Tracking Fee is calculated on an actual/365 basis. However 30 day months are assumed for the above calculations.
- **** *Previous* Current Principal Amount is also the Financing Level.
- # This is also the Call Settlement Amount.
- ^ For month twelve, this is also the Cash Settlement Amount.

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Hypothetical Examples

Example 3 The level of the Index increases at a constant rate of 1.25% per month for the first six months and then decreases at a constant rate of 1.25% per month for the next six months

Assumptions:

Annual Tracking Rate:	0.85%
Financing Rate:	3.15%
Stated Principal Amount:	\$25.00
Initial Index Level:	100.00
Redemption Fee Amount:	0.125%

	Index Closing Level*	Index Performance Ratio	Index Factor	Accrued Financing Charge for the Applicable Month**
Month End				