

A guide to ETFs

What is an ETF?

Exchange traded funds or 'ETFs' are a type of managed investment fund that are traded on a stock exchange. They are bought and sold in exactly the same way as shares, allowing investors to enter or exit a position any time the market is open.

ETFs often track major local and overseas indices such as the ASX200 or S&P500, or sub-sectors such as listed property or smaller companies. Most ETFs are 'index funds', which simply means that they seek to match the performance of a particular index. They usually do this by investing in the same shares in the same proportions that make up the specified index.

UBS ETFs

UBS Asset Management has a long-term track record of providing index-based investment solutions to clients. The first UBS ETF was launched in Europe in 2001. Since then UBS has launched over 250 ETFs globally, with funds under management in excess of AUD 59 billion as of 30 September 2017. The Australian UBS ETF platform was established in 2012. Since then, UBS has launched 9 ETFs in Australia.

Benefits of UBS ETFs

Competitively priced

UBS ETFs can be a cost-effective way to gain exposure to a diversified portfolio of securities.

Diversification with a single trade

A single ETF trade provides easy access to a diversified portfolio of securities in a single transaction.

Easy to access

ETFs can be as simple to buy and sell as an individual share on the ASX.

Flexibility

Like shares, UBS ETFs provide investors with the flexibility to trade at any time during market hours.

Transparency

ETFs provide investors with transparency of the underlying portfolio shares and market prices.

An experienced ETF manager

UBS ETFs are managed by an experienced asset manager, UBS Asset Management, with a long-term commitment to passive management.

'Intelligent' research based portfolios designed to deliver growth and income

UBS offer an ETF specifically designed for investors seeking to boost returns in their portfolio and another designed for investors seeking to boost income:

- UBS IQ Morningstar Australia Quality ETF (ASX code: ETF)
- UBS IQ Morningstar Australia Dividend Yield ETF (ASX code: DIV)

Divest tobacco and controversial weapons from your portfolio

UBS offer a range of ETFs that exclude companies with significant business activities involving tobacco as well as excluding companies with significant business activities engaged in the production of cluster bombs, landmines, chemical and biological weapons and depleted uranium weapons.

Why divest tobacco?

- No safe level of exposure to tobacco: Tobacco causes around 15,500 deaths per year in Australia¹ and around 6 million globally².
- Reputation and investment risks: Environmental effects such as littering and large social costs to governments.
- International treaty: The World Health Organization (WHO) continue to support global issues around the effects of tobacco.
- Australian trend: Over 28 Australian super funds have divested tobacco stocks worth around \$1.5bn since 2011³.

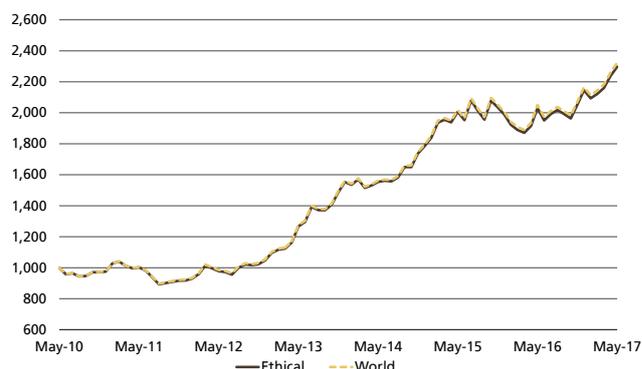
Why exclude controversial weapons companies?

Controversial weapons are deemed controversial because of the indiscriminate and disproportional humanitarian impact on civilian populations and the effect felt long after military conflicts have ended.

Investors are often concerned about the inclusion of controversial weapons in their portfolios due to the ethical implications as well as the potential regulatory risk of such companies.

The impact on performance of excluding tobacco and controversial weapons

The performance outcome for these ethical ETFs are not all that different from non-ethical ETFs built over the same indices. The chart shows the performance of the MSCI World ex AU vs MSCI World ex AU ex Tobacco ex Controversial Weapons.



Source: Bloomberg, as at 31 May 2017

A range of ETFs to suit your portfolio

Exposure	ASX	Name	Management cost
Australia	Australia – growth	ETF UBS IQ Morningstar Australia Quality ETF	30bp
	Australia – income	DIV UBS IQ Morningstar Australia Dividend Yield ETF	30bp
	Australia	UBA UBS IQ MSCI Australia Ethical ETF	17bp
	Cash	MONEY UBS IQ Cash ETF	18bp
Global	World ex-Australia	UBW UBS IQ MSCI World ex Australia Ethical ETF	35bp
	Europe	UBE UBS IQ MSCI Europe Ethical ETF	40bp
	USA	UBU UBS IQ MSCI USA Ethical ETF	20bp
	Japan	UBJ UBS IQ MSCI Japan Ethical ETF	40bp
	Asia ex-Japan	UBP UBS IQ MSCI Asia APEX 50 Ethical ETF	45bp

How to invest

ETFs trade, clear and settle on the ASX (Australia Securities Exchange) the same as any listed share. Just like an ordinary share they can be purchased through a stockbroker, financial adviser or online broker through your regular share trading account.

Find out more

Contact your Financial Adviser or UBS Asset Management to find out more.

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1 <http://www.cancer.org.au/policy-and-advocacy/position-statements/smoking-and-tobacco-control/>

2 <http://www.who.int/mediacentre/factsheets/fs339/en/>

3 Dr Bronwyn King, 'Tobacco free portfolios', 15 August 2015

Investors should consider the PDS and seek professional financial and taxation advice before deciding whether the product is appropriate for them and whether to acquire, or to continue to hold the investment. Your investment in the Fund does not represent deposits or other liabilities of UBS or any member company of the UBS Group including UBS Asset Management (Australia) Ltd (ABN 31 003 146 290) (AFS Licence No. 222605), the issuer of the Fund. Performance has been prepared in accordance with 2016 GIPS standards. Your investment is subject to investment risk, including possible delays in repayment and loss of income and capital invested. The repayment of capital or income is not guaranteed by any company in the UBS Group. Offers of interests in the Funds are contained in the Product Disclosure Statements available from our website www.ubs.com/am-australia or by calling (02) 9324 3222.

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