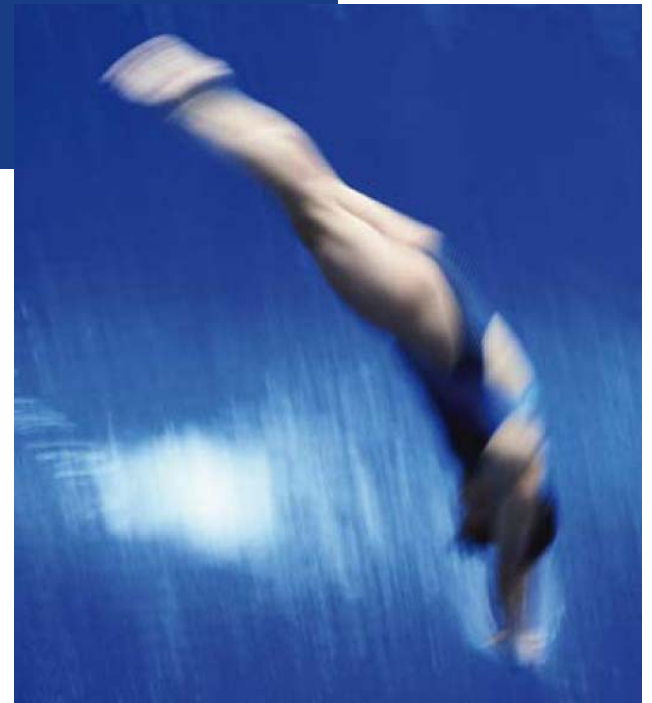


CMCI Active (January 2011)

Flexibility & Performance



Executive Summary

CMCI Active index gives you the benefit of innovative UBS Bloomberg CMCI methodology and the flexibility to change the Index exposure to reflect the market outlook and developments

- **Constant and stable outperformance with REAL track record**
 - As a result of the methodology that minimises the impact of roll yield on returns, the CMCI has outperformed S&P GSCI by more than 180% since 1998 and 35% since CMCI went live in January 2007*
 - An addition of **active management** overlay, that makes monthly commodity and tenor allocations within the index according to market outlook, can enhance the performance even further, adding almost 10% to the CMCI performance since August 2007 (when the Active version of the index started being tested internally).*
- **Close tracking of commodity prices**
 - The revolutionary calculation methodology of the CMCI, that involves daily rolling to comply with the Constant Maturity concept, not only ensures that the tracking error of the investment vehicle vs. actual performance of commodity markets is minimised, but also avoids the problems of having to roll large notionals over the short punctual roll period (making CMCI a highly liquid index).
- **Broad market coverage not only in terms of commodities but also tenors**
 - CMCI not only covers a broad range of commodities, but also introduces a time dimension (with maturities ranging from 3 Months to 3 Years) to commodity investment. This allows for a high level of flexibility in making investment allocation decisions.
- **Access to world leading research team**
 - Active management approach gives the ability to leverage the entire breadth of UBS Research, the most consistently highly ranked research group across all regions.
- **Highly transparent and operationally stable**
 - To ensure the stability of the CMCI and the CMCI Active, both indices are overseen by committees, which ensures the validation, determinations, changes to the composition and communication regarding them.

-
- 1. Actively Managed Version of the CMCI**
 2. Opportunities for Outperformance
 3. Appendix

A Move to Active Management

Active management introduces opportunities for outperformance over benchmark indices and algorithmic solutions

- Despite the long term secular trends widely predicted for the commodity asset class, individual commodities will continue to display a certain amount of cyclical, seasonality and relative performance
- These patterns, ignored by passive investors, may present out-performance opportunities for expert managers
- Many algorithmic solutions are based on historical data and quickly become outdated or fail to deliver
- There is a growing demand for commodity investments containing an element of discretionary management to adapt to evolving market conditions

For sustainable out-performance, expert research management is likely to be more robust and flexible than pre-defined algorithms

CMCI Active – Determination of Target Weights

In order to capture the performance based on the views of the leading research analysts, UBS Commodity Research Analysts knowledge is applied to the CMCI Active in the following ways:

- **Component Management** – exposure to any commodity within the CMCI benchmark index can be adjusted above or below the benchmark weightings. This will be based on both strategic (long-term) and tactical (short-term) analysis
 - The weighting of any individual component can never be negative

- **Tenor Management** – CRAs may vary the exposure of a specific commodity to a specific tenor or range of tenors along the available forward curve
 - Maximum weights per tenor will need to be established (depending on the investment size) to ensure sufficient liquidity for tradability

- **Sector Management** – CRA's may vary exposure by commodity sub-sector. In this way the Active CMCI may be overweight or underweight relative to the benchmark in a particular sector
 - Maximum weight adjustment per sector +/- 10% vs. benchmark

The proposed changes are applied to the weighting of the CMCI index over the roll period over the last three business days of each month


CMCI Active – Determination of Target Weights

CMCI Active brings investors closer still to the underlying trends of the commodities markets by allowing UBS research analysts to modify component, tenor and sector weights in response to developments in the markets

	Exchange	CMCI Target Weight %	TW % Adjustment	3 Months	6 Months	1 Year	2 Years	3 Years	
WTI Crude Oil	CME	8.80%	+/- ...%	✓	✓	✓	✓	✓	component management - max weight adjustment per commodity +/-10% vs. benchmark
WTI Crude Oil	ICE	3.80%	+/- ...%	✓	✓	✓	✓	✓	
Brent Crude Oil	ICE	6.29%	+/- ...%	✓	✓	✓	✓	✓	
Heating Oil	CME	2.94%	+/- ...%	✓	✓	✓			
Gasoil	ICE	3.47%	+/- ...%	✓	✓	✓			
Gasoline	CME	3.58%	+/- ...%	✓	✓				
Natural Gas	CME	5.29%	+/- ...%	✓	✓	✓	✓	✓	
Copper	LME	9.31%	+/- ...%	✓	✓	✓	✓	✓	sector management - max weight adjustment per sector +/-10% vs. benchmark
High Grade Copper	CME	3.19%	+/- ...%	✓	✓				
Zinc	LME	2.64%	+/- ...%	✓	✓	✓			
Aluminium	LME	8.12%	+/- ...%	✓	✓	✓	✓	✓	
Nickel	LME	2.62%	+/- ...%	✓	✓	✓			
Lead	LME	1.25%	+/- ...%	✓	✓	✓			
Gold	CME	4.89%	+/- ...%	✓	✓	✓	✓		
Silver	CME	0.61%	+/- ...%	✓	✓	✓	✓		
SRW Wheat	CME	3.27%	+/- ...%	✓	✓	✓			tenor management - potential liquidity constraints TBD
Corn	CME	4.99%	+/- ...%	✓	✓	✓			
Soybeans	CME	5.89%	+/- ...%	✓	✓	✓			
Soybean Meal	CME	1.50%	+/- ...%	✓	✓				
Soybean Oil	CME	2.23%	+/- ...%	✓	✓				
Sugar #11	ICE US	5.85%	+/- ...%	✓	✓	✓			
Sugar #5	EN	1.93%	+/- ...%	✓	✓				
Cocoa	EN	0.92%	+/- ...%	✓	✓	✓			
Coffee Arabica	ICE US	1.26%	+/- ...%	✓	✓	✓			
Cotton	ICE US	1.37%	+/- ...%	✓	✓				
Live Cattle	CME	2.34%	+/- ...%	✓	✓				
Lean Hogs	CME	1.62%	+/- ...%	✓	✓				

Source: UBS AG; Target Weights correct as of 1 February 2011

Investors Receive Tailored Report from UBS Research



Global Equity Research

Global

Basic Resources

Sector Comment

UBS Investment Research

ARM Commodity Model – Allocation Update

27 April 2010

www.ubs.com/investmentresearch

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Key Market Observations

Energy: move to Neutral from Underweight
We move to Neutral from Underweight in the Energy complex. The WTI-Brent spreads is currently at historic highs and expect these to contract over the month. We increase our underweight in gasoline due to crack spreads widening, as these will likely induce further production.

Metals: move to Neutral from Overweight
We move to overall Neutral in Metals. We are more cautious on industrial metals as the risks on a less supportive China increase. In precious metals we move to an overweight in gold due to potential seasonal strength in May.


Agricultural: move to Neutral from Underweight
We move to Neutral in Agricultural from Underweight. We retain the underweight on corn and overweight in soybeans.

Active Research Managed (ARM) Commodity Model: May weighting preferences vs. CMCI Benchmark

Sector	Commodity	Code	Weighting Adjustment	Active Weighting	Benchmark Weighting	ACTIVE & RELATIVE THRESHOLD MANAGEMENT								
						Active	Rel.	Active	Rel.	Active	Rel.	Active	Rel.	
Energy	WTI Crude Oil	CL	1.0%	1.5%	0.5%	3%	-1%	1%	-%	1%	1%	3%	1%	1%
	Brent Crude Oil	BMTL	0.5%	4.5%	4.0%	3%	-1%	1%	-%	1%	1%	1%	1%	1%
	Brent Crude Oil	LEO	-1.0%	4.3%	5.3%	3%	-1%	1%	-%	1%	1%	1%	1%	1%
	Heating Oil	HO	0.5%	3.3%	2.8%	3%	-%	2%	1%	2%	1%	1%	1%	1%
	Gasoline	UGO	0.5%	4.0%	3.5%	3%	-%	2%	1%	2%	1%	1%	1%	1%
	RBBO Gasoline	RB	-1.0%	2.0%	3.0%	0%	-%	2%	1%	0%	0%	0%	0%	0%
Metals	Natural Gas	NG	0.0%	1.1%	1.1%	3%	-%	3%	1%	1%	1%	1%	1%	1%
	LME Copper	MCU	-0.2%	11.8%	11.6%	0%	-2%	2%	0%	-1%	1%	-1%	0%	-1%
	LME Zinc	MZK	0.0%	2.4%	2.4%	0%	-%	2%	1%	2%	1%	1%	1%	1%
	LME Aluminium	MAL	0.0%	1.1%	1.1%	0%	-%	2%	1%	-2%	1%	-1%	0%	-1%
	LME Nickel	MNI	-0.2%	2.0%	2.2%	0%	-%	3%	2%	0%	-2%	1%	-1%	-1%
	LME Lead	MPL	0.0%	1.1%	1.1%	0%	-%	3%	2%	0%	-2%	1%	-1%	-1%
Agricultural	Gold	GC	0.5%	4.0%	4.5%	0%	-1%	1%	0%	-1%	0%	0%	0%	0%
	Silver	SI	0.0%	1.7%	1.7%	0%	-%	3%	2%	0%	-1%	0%	-%	-%
	SRW Wheat	HW	0.0%	3.0%	3.0%	0%	0%	2%	1%	0%	0%	-	-	-
	Corn	C	-1.0%	4.0%	5.0%	0%	0%	3%	2%	0%	0%	-	-	-
	Soybeans	S	0.0%	2.0%	2.0%	0%	0%	2%	1%	0%	0%	-	-	-
	Soybean Meal	SM	0.0%	1.0%	1.0%	0%	0%	3%	2%	-	-	-	-	-
Other	Soybean Oil	SO	0.0%	1.7%	1.7%	0%	0%	3%	2%	-	-	-	-	-
	Sugar #11	S11	0.0%	5.4%	5.4%	0%	0%	3%	2%	0%	0%	-	-	-
	Sugar #5	S5	0.0%	1.1%	1.1%	0%	0%	3%	2%	-	-	-	-	-
	Cocoa	CC	0.0%	1.0%	1.0%	0%	0%	3%	2%	-	-	-	-	-
	Coffee "C" Arabica	KC	0.0%	1.2%	1.2%	0%	0%	3%	2%	-	-	-	-	-
	Cotton	CT	0.0%	1.0%	1.0%	0%	0%	3%	2%	-	-	-	-	-
	F.C. Orange Juice (A)	OJ	0.0%	0.0%	0.0%	0%	0%	3%	2%	-	-	-	-	-
	Live Cattle	LC	0.0%	2.0%	2.0%	0%	0%	3%	2%	-	-	-	-	-
	Lean Hogs	LH	0.0%	1.0%	1.0%	0%	0%	3%	2%	-	-	-	-	-

Source: UBS

This report has been prepared by UBS Limited
ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 3.
UBS does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.



Global Equity Research

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Sector Comment

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Active Research Managed Commodity Model

Our sector preferences for May 2010 are outlined below:

- Energy: Neutral
- Metals (Industrial + Precious): Neutral
- Agricultural (including Livestock): Neutral

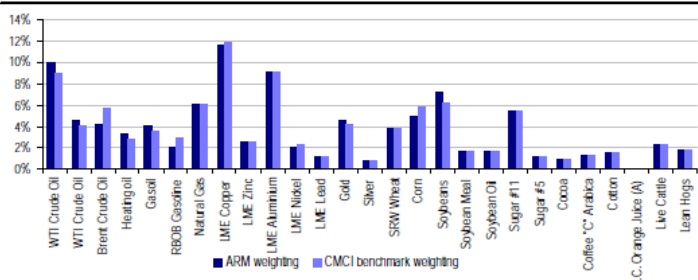
Summary views:

Energy: We move to Neutral in the Energy complex. The WTI-Brent crude oil spreads are at historic highs and we expect these to contract over the coming month. We increase our underweight in gasoline as crack spreads are widening and are likely to induce further production.

Metals: We move to an overall Neutral in Metals as we adapt a holding pattern approach for the coming month. Western world restocking is in full swing and expect it to continue to support metal prices, but we are now more cautious on China. Risks are rising on policy overkill in China as the property markets overheats and the government is stepping in with hikes in the deposit rates. This happened earlier in the year but has taken a more serious tone and its effects are likely to be more substantial. We move to an overweight in gold as we expect to see seasonal strength in May.

Agricultural: We move to neutral on agricultural commodities. We keep our underweight on corn based on potential oversupply with a huge plantation in the spring, and small overweight on soybeans on undersupply as a smaller acreage for 2010 is expected.

Sector Weighting Summary – Components (May 2009)



Commodity	ARM weighting	CMCI benchmark weighting
WTI Crude Oil	10%	10%
Brent Crude Oil	5%	5%
Heating Oil	4%	4%
Gasoline	3%	3%
RBBO Gasoline	2%	2%
Natural Gas	1%	3%
LME Copper	11%	11%
LME Zinc	2%	2%
LME Aluminium	9%	9%
LME Nickel	2%	2%
LME Lead	2%	2%
Gold	4%	1%
Silver	4%	1%
SRW Wheat	4%	4%
Corn	5%	1%
Soybeans	7%	4%
Soybean Meal	6%	6%
Soybean Oil	2%	2%
Sugar #11	5%	5%
Sugar #5	2%	2%
Cocoa	1%	1%
Coffee "C" Arabica	1%	1%
Cotton	1%	1%
F.C. Orange Juice (A)	1%	1%
Live Cattle	2%	2%
Lean Hogs	2%	2%

Source: Bloomberg, UBS

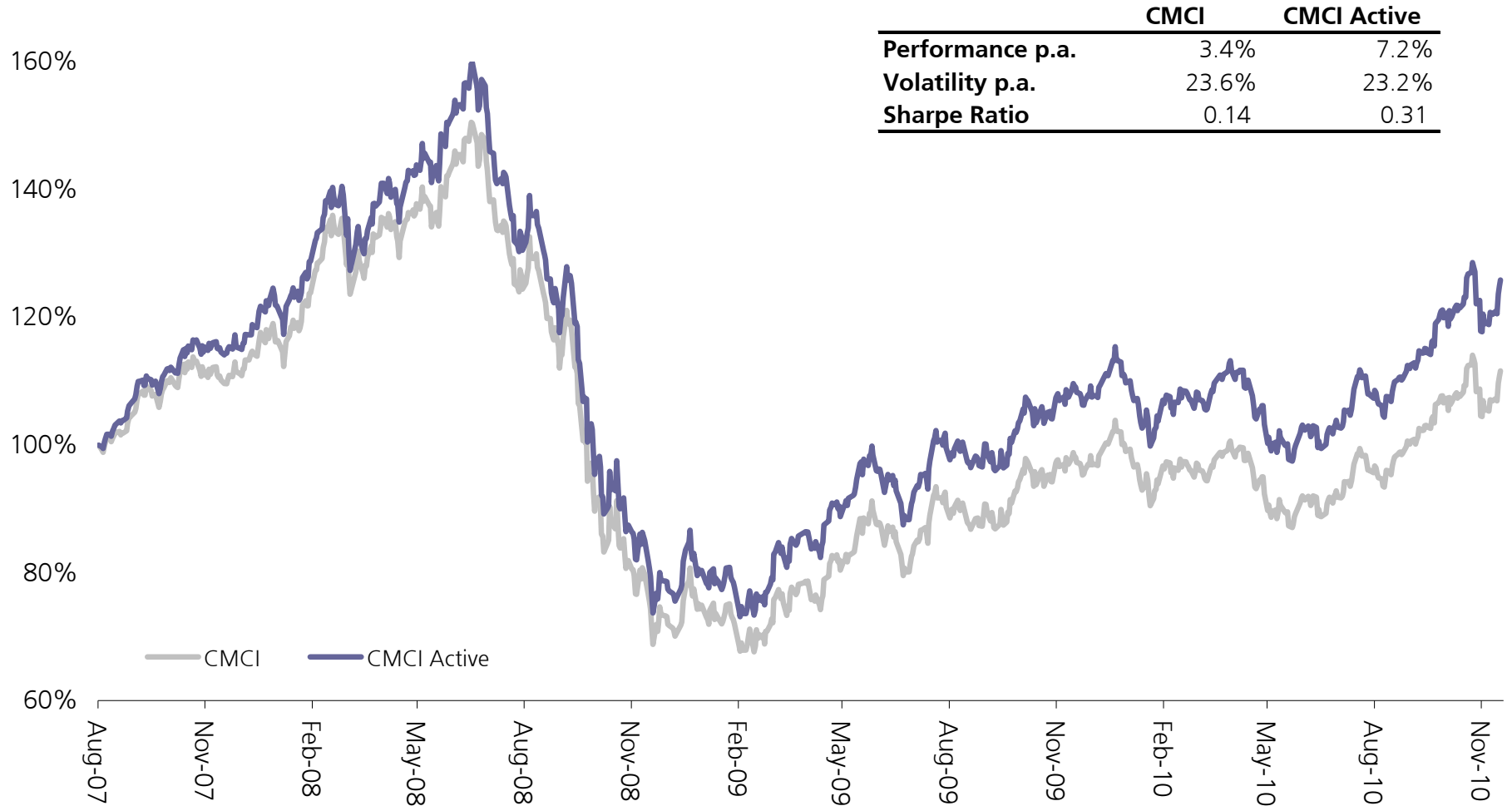
UBS 2

... Fully transparent index with market commentary tailored to CMCI

6

CMCI Active – Outperforming the Benchmark

The CMCI Active has out-performed the CMCI Benchmark Index since its inception in August 2007*



Excess Return Indices used. Daily closing return data from 17 August 2007 to 3 December 2010; Source: Bloomberg.. CMCI Active data contains back-tested values up to April 2008 and live thereafter.



*Important disclaimer: Past performance is not indicative of future performance.

CMCI Active – Best Performing Index over 2009

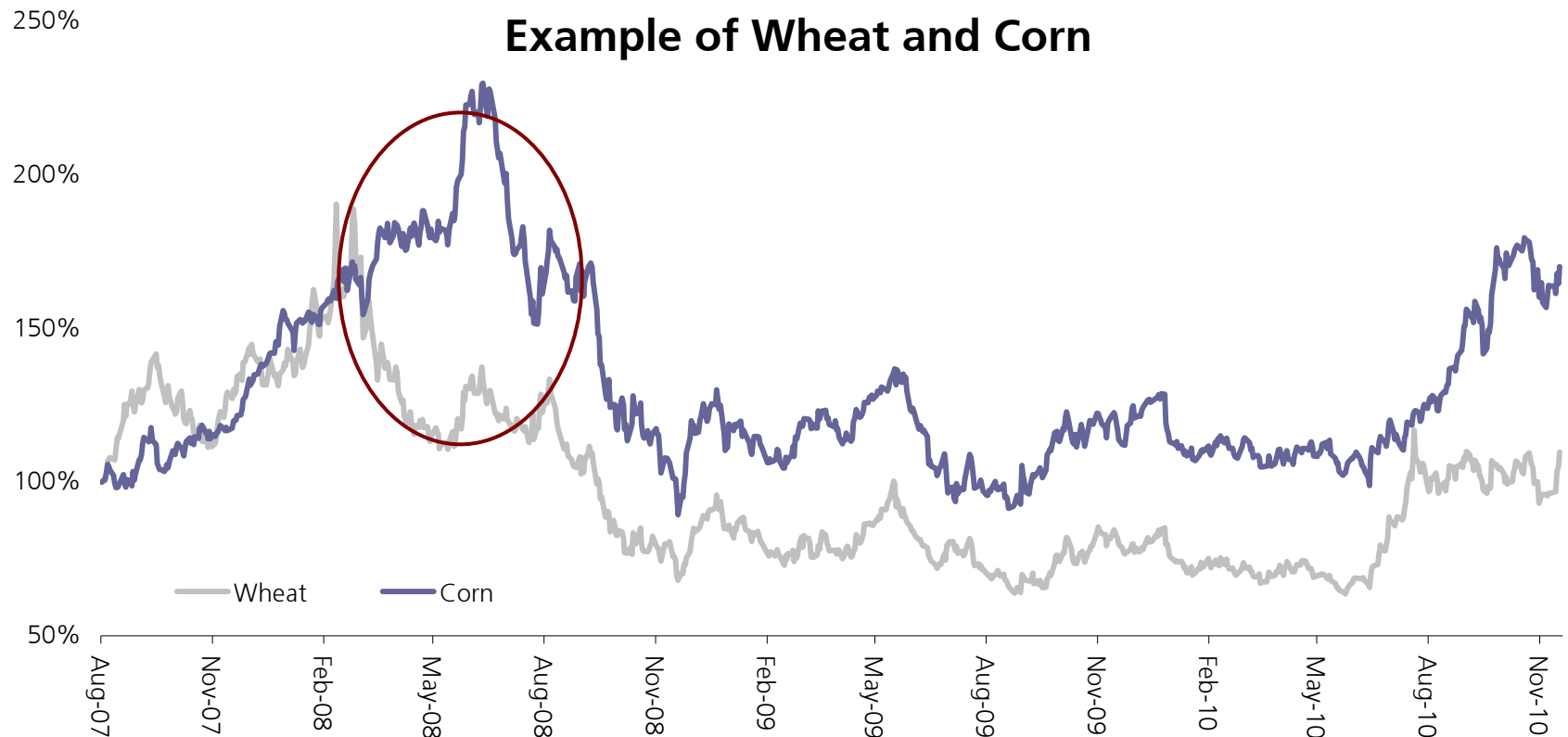
Period	Custom	Source	Index Comparison	Currency	None	
Range	12/31/08 - 12/31/09	Commodity	All	Excess Return	View	All
All Member Performance						
1)	CMCIERAM	S	UBS Bloomberg CMCI Active		35.52	
2)	BNPMOCCE	S	BNP Paribas Oscillator Commodity		32.59	
3)	CMCIER	B	UBS Bloomberg CMCI Index		32.35	
4)	CSGALER	S	Credit Suisse GAINS Index		29.86	
5)	CSGAXER	B	Credit Suisse Glencore Referenc		27.16	
6)	CSIXER	B	Credit Suisse Commodities Benc		26.06	
7)	RICIGLER	B	Rogers Int'l Comdty Index		26.05	
8)	MLCXER	B	Merrill Lynch Comdty eXtra Index		25.90	
9)	DCIBGLER	E	DCI BNP Paribas Enhanced Inde		25.33	
10)	MLCXB07E	E	Merrill Lynch Enhanced B07 Index		23.53	
11)	DCI ERUS	B	Diapason Comdty Index		23.12	
12)	KMACER	S	BNP Paribas Commodity Active In		22.88	
13)	MLCXA01E	E	Merrill Lynch Enhanced A01 Index		22.41	
14)	DBLCMMCL	E	Deutsche Bank Mean Reversion I		22.29	
15)	CMRIER	B	BNP Paribas CMRI Index		22.27	
16)	SPGSESP	E	S&P GSCI Enhanced Commodity		21.44	
17)	LBCIER	B	Barclays Capital Comdty Index		21.28	
18)	JCPI	B	Jefferies Commodity Performanc		20.94	
19)	JMCXEXER	E	JPMorgan JPMCCI Ex-Front Mont		20.79	

Source: Bloomberg. Data from 31 December 2008 to 31 December 2009

-
1. Actively Managed Version of the CMCI
 - 2. Opportunities for Outperformance**
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... Capture Performance from Individual Commodities

- Experts in each commodity sector analyze the relative value of each commodity within that sector
- Active management can consider timing and seasonality issues that are unique to individual commodities
- Relative value can be added even when commodities are range bound - commodities can still present significant relative performance opportunities within a sector or across sectors
- Commodity benchmarks are chosen only to be 'representative' of global commodity patterns. An active approach can target only those commodities likely to add value and reduce the effect of those expected to drag on performance



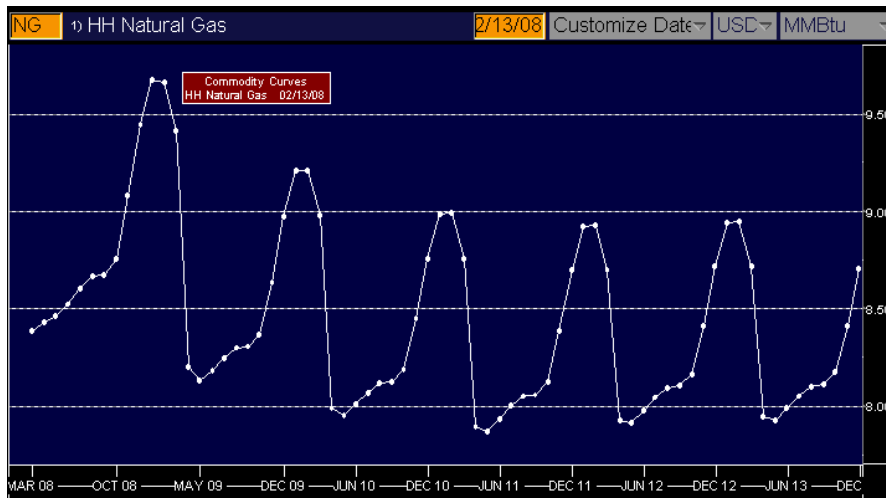
Source: UBS IB, Bloomberg. Daily closing prices of first nearby contracts. 17 August 2007-3 December 2010. CMCI Active data contains back-tested values up to April 2008 and live thereafter

... Capture Performance from Seasonality

Some commodities, such as Natural Gas and Agricultural commodities, exhibit a lot of seasonality in their performance

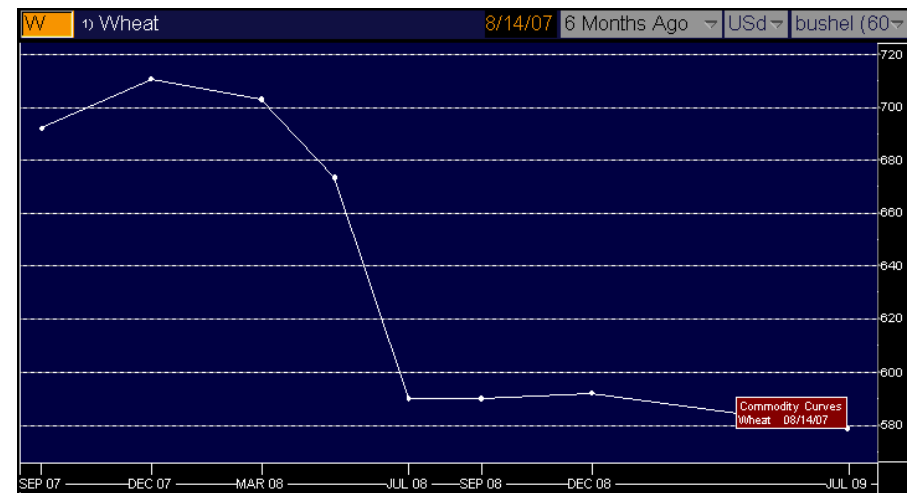
- CMCI Active would allow to maximize individual commodity weight at the points of forward curve peaks by re-distributing the tenor weights according to the seasonality pattern observed
 - This way, Natural Gas, which peaks in January due to increased use as a result of cold winter, would have max exposure to winter contract
 - Prices of Agricultural commodities, such as Corn on the example below, are at their peak at the time of most uncertainty – i.e. when the harvest is unknown in winter/spring months – hence CMCI Active allocate the weight to those specific contracts

NYMEX Natural Gas forward curve



Source: BBG, data on 13 February 2008

CBOT Wheat forward curve



Source: BBG, data on 14 August 2007

... Capture Performance from the Commodity Curve

Commodity returns are based on both price performance and roll yield

Investable Commodity Index = Price returns + Roll returns

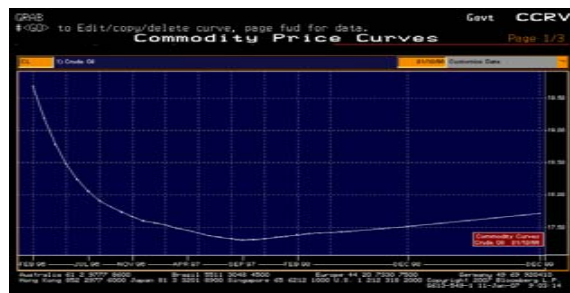
(Excess Return) have commodity futures prices increased or decreased? Can be either positive or negative and result from replacing an expiring contract with a further-out contract in order to avoid physical delivery yet maintain positions in the futures market

- The CMCI is ideally suited to allow flexibility in tenor management
- CMCI Active incorporate the long-term strategic views from UBS Commodity Research Analysts as well as more tactical approaches designed to capture short term curve performance and index roll yields
- Considerably more flexible than traditional curve seeking strategies

Roll Returns depend on the shape of the futures curve

Backwardation

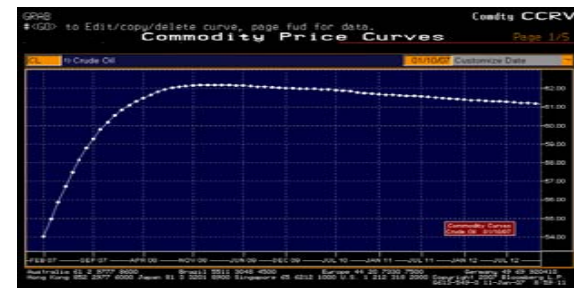
If deferred futures prices are below spot futures prices, the curve is described as being in **backwardation** and roll returns will be positive, increasing the performance of excess return index.



Notes: Crude Oil curve 01/10/1996; Source: Bloomberg

Contango

If deferred futures prices are higher than spot futures prices, the curve is described as being in **contango** and roll returns will be negative, reducing the performance of excess return index.



Notes: Crude Oil curve 01/10/2007; Source: Bloomberg

.. Capture Relative Sector Performance

- The primary difference between most commodity index returns comes down to sector weightings
- Commodity sectors often exhibit autocorrelation and momentum – this can be maintained by an expert using technical and fundamental analysis and can be constantly tuned and monitored rather than a rigid model. This allows greater flexibility and responsiveness to changes or evolving market conditions
- You can see the importance of sector weight on the example of S&P GSCI starting to outperform CMCI when crude oil price started climbing over \$100 (S&P GSCI has ~70% energy weight compared to ~30% in CMCI)



Source: UBS IB, Bloomberg, Excess Return indices, daily closing levels, 17 August 2007 – 3 December 2010.

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1. Actively Managed Version of the CMCI
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UBS – A Leader in Commodity Index Investments

What We Have

- Extensive team of professionals across North America, Europe and Asia specializing in indexed commodities
- Industry leading research and trading platform
- First-in-class operations and risk management infrastructure

What We Offer

- Exposure to first generation indices – DJ-UBS CI, S&P GSCI, RICI
- Access to second generation indices – **UBS Bloomberg CMCI**
- **Customized bespoke strategies** tailored to individual client needs
- **Enhanced** and **dynamic strategies** to potentially **outperform specific benchmarks**
- Highest levels of service and operational support

How We Offer Our Products

- Swaps
- Leveraged and Principal Protected Structured Notes
- Options on indices
- ETNs and ETCs
- Structured Funds

Global Quality of Research- II Rankings

Clients have recognised our commitment to research over the years

Region		UBS	Citi	CS	BoA/ML	GS	MS	DB	JPM	LB/BC
Asia	2007	2	2	9	6	4	8	7	1	9
	2008	3	1	4	7	5	8	9	2	9
	2009	2	1	4	5	7	8	8	3	-
	2010	6	2	1	8	9	4	11	4	-
Emerging Europe	2007	1	5	-	3	-	-	2	8	=
	2008	3	4	10	4	-	10	1	7	17
	2009	3	7	10	3	-	10	5	6	-
	2010	4	10	7	1	12	10	3	6	-
LatAm	2007	1	8	2	4	-	9	6	7	-
	2008	2	9	1	3	-	7	6	5	-
	2009	4	7	2	3	9	6	10	1	-
	2010	10	8	3	1	10	3	9	1	10
Europe	2007	1	2	4	3	10	7	5	8	4
	2008	1	2	4	3	12	5	7	8	6
	2009	1	3	5	2	10	5	7	4	8
	2010	1	8	2	5	12	7	6	2	14
US	2007	8	3	10	5	9	9	12	2	1
	2008	5	3	7	4	8	9	10	2	1
	2009	4	7	5	3	8	9	10	2	1
	2010	5	8	4	3	10	7	9	1	2
Japan	2006	3	5	7	6	4	9	8	12	-
	2007	3	7	6	5	4	11	9	9	-
	2008	2	-	8	10	5	9	12	4	14
	2009	3	-	8	12	4	9	9	6	14
	2010	3	5	7	11	7	11	9	5	13



Source : Institutional Investor Rankings

CMCI Website: www.ubs.com/cmci

UBS Bloomberg CMCI

UBS Bloomberg CMCI Home

UBS Bloomberg CMCI

- Evolution of Commodity Investment
- CMCI Methodology
- CMCI Universe
- Investment Products

ETCs on CMCI

- Switzerland
- UK

Private Investors

UBS Homepage > UBS Bloomberg CMCI

UBS Bloomberg CMCI Constant Maturity Commodity Index

Contact

- Your contact

Product info

- Investment Manual
- Special Announcement
- Presentation of index
- Factsheet
- Technical documentation
- Chartbook
- Trading Hours Guide
- Superior Benchmark

Quick Link

- UBS Keyinvest

Educational materials on:

- Commodity Index development
- CMCI Methodology
- Products
- etc.

Together with Bloomberg, UBS has created a highly innovative concept for commodity investors: the UBS Bloomberg CMCI (Constant Maturity Commodity Index). This global index not only covers a broad range of commodities, but also introduces a time dimension to commodity investment. With a series of investment maturities for each individual commodity and a revolutionary new calculation methodology, the CMCI opens up a new era for commodity investors.

Wide range of CMCI documents available for download:

- CMCI Manual
- Presentation
- Factsheets
- Chart book (index comparison)
- etc.

UBS Commodities – Contacts

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Jean Bourlot joined UBS in August 2010 as a Managing Director, Global Head of Commodities.

From 1995 to 2007 he was trading options on Oil and Refined products, joint-head of the Options book at Morgan Stanley from 2002. In 2007 he set up an Agricultural trading team, transforming it into an industry leader.

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