



Investors Exchange Product Information Circular 2016 - 0166

Date: August 31, 2016

Re: ETRACS Monthly Pay 2xLeveraged S&P Dividend ETN and ETRACS Monthly Pay 2xLeveraged Dow Jones Selected Dividend Index ETN Due May 22, 2042

Investors Exchange LLC commenced operating as a national securities exchange on August 19, 2016 followed by a two-week security-by-security phase-in period. This Information Circular is being issued to advise you that the following securities have been approved for trading pursuant to unlisted trading privileges (“UTP”) on the Exchange as UTP Derivative Securities pursuant to IEX Rule 16.160, and will begin trading on IEX during the phase-in period. See [the Exchange’s Website](#) for the phase-in schedule.

<u>Security (“Notes”)</u>	<u>Symbol</u>
ETRACS Monthly Pay 2xLeveraged S&P Dividend ETN	SDYL
ETRACS Monthly Pay 2xLeveraged Dow Jones Select Dividend Index ETN Due May 22, 2042	DVYL

Issuer/Trust: UBS AG

Primary Listing Exchange: NYSE Arca

The purpose of this information circular is to outline various rules and policies that will be applicable to trading in this new product on the Exchange, as well as to provide certain characteristics and features of the Notes.

Background Information on the Notes

UBS AG (the “Issuer”) has issued Exchange Traded Notes (“ETNs” or “Notes”) linked to various indexes, as described below. Each ETN was priced at \$25 per security. The maturity date for both ETNs is May 22, 2042.

SDYL is linked to the S&P High Yield Dividend Aristocrats Index (the “S&P Index”). The S&P Index is designed to measure the performance of the 60 highest dividend yielding S&P Composite 1500 Index constituents, which have followed a managed-dividends policy of consistently increasing dividends every year for at least 25 consecutive years. The Notes are senior unsecured debt securities and provide a monthly compounded two times leveraged long exposure to the performance of the S&P Index, reduced by the Accrued Fees. Because the Notes are two times leveraged with respect to the S&P Index, the Notes may benefit from two times any positive, but will be exposed to two times any negative, monthly compounded performance of the S&P Index. The Notes may pay a monthly coupon during their term linked to two times the cash distributions, if any, on the S&P Index Constituent Securities. But if the S&P Index Constituent Securities do not make any cash distributions, investors will not receive a monthly coupon. Investors will receive a cash payment at maturity, upon acceleration or upon exercise by the Issuer of its Call Right based on the monthly compounded leveraged performance of the S&P Index less the Accrued Fees, calculated as described in the accompanying product supplement. Investors will



receive a cash payment upon early redemption based on the monthly compounded leveraged performance of the S&P Index less the Accrued Fees and the Redemption Fee, calculated as described in the accompanying product supplement. Payment at maturity or call, upon acceleration or upon early redemption will be subject to the creditworthiness of the Issuer. In addition, the actual and perceived creditworthiness of the Issuer will affect the market value, if any, of the ETNs prior to maturity, call, acceleration or early redemption. Investing in the ETNs involves significant risks. Investors may lose some or all of your principal at maturity, early redemption, acceleration or upon exercise by the Issuer of its call right if the monthly compounded leveraged return of the S&P Index is not sufficient to offset the negative effect of the Accrued Fees and the Redemption Fee, if applicable. Investors may not receive any monthly coupon payment during the term of the Notes.

DVYL is linked to the Dow Jones U.S. Select Dividend Index (the "DJ Index"). The DJ Index is designed to measure the performance of 100 stocks, selected by dividend yield, subject to screens for dividend-per-share growth rate, dividend payout ratio and average daily trading volume. The Notes are senior unsecured debt securities and provide a monthly compounded two times leveraged long exposure to the performance of the DJ Index, reduced by the Accrued Fees. Because the Notes are two times leveraged with respect to the DJ Index, the Notes may benefit from two times any positive, but will be exposed to two times any negative, monthly compounded performance of the DJ Index. The Notes may pay a monthly coupon during their term linked to two times the cash distributions, if any, on the DJ Index Constituent Securities. But if the DJ Index Constituent Securities do not make any cash distributions, investors will not receive a monthly coupon. Investors will receive a cash payment at maturity, upon acceleration or upon exercise by the Issuer of its Call Right based on the monthly compounded leveraged performance of the DJ Index less the Accrued Fees, calculated as described in the accompanying product supplement. Investors will receive a cash payment upon early redemption based on the monthly compounded leveraged performance of the DJ Index less the Accrued Fees and the Redemption Fee, calculated as described in the accompanying product supplement. Payment at maturity or call, upon acceleration or upon early redemption will be subject to the creditworthiness of the Issuer. In addition, the actual and perceived creditworthiness of the Issuer will affect the market value, if any, of the ETNs prior to maturity, call, acceleration or early redemption. Investing in the ETNs involves significant risks. Investors may lose some or all of their principal at maturity, early redemption, acceleration or upon exercise by the Issuer of its call right if the monthly compounded leveraged return of the DJ Index is not sufficient to offset the negative effect of the Accrued Fees and the Redemption Fee, if applicable. Investors may not receive any monthly coupon payment during the term of the Notes.

Please see the prospectus for the Notes for more details regarding the calculations and details regarding the Index.

It is expected that the market value of the Notes will depend substantially on the value of the underlying index and may be affected by a number of other interrelated factors including, among other things: the general level of interest rates, the volatility of the underlying index, the time remaining to maturity, the dividend yield of the stocks comprising the underlying index, and the credit ratings of the Issuer.

Exchange Rules Applicable to Trading in the Notes

Trading in the Shares on IEX is subject to IEX trading rules.

Trading Hours

The Shares will trade on IEX between 8:00 a.m. and 5:00 p.m. Please note that trading in the Shares during



the Exchange's Pre-Market and Post-Market Sessions ("Extended Market Sessions") may result in additional trading risks which include: (1) that the current underlying indicative value may not be updated during the Extended Market Sessions, (2) lower liquidity in the Extended Market Sessions may impact pricing, higher volatility in the Extended Market Sessions may impact pricing, (4) wider spreads may occur in the Extended Markets Sessions, and (5) because the indicative value is not calculated or widely disseminated during the Extended Market Sessions, an investor who is unable to calculate an implied value for the Shares in those sessions may be at a disadvantage to market professionals.

Suitability

Trading in the securities on the Exchange will be subject to the provisions of IEX Rule 3.170 and other applicable suitability rules. Members recommending transactions in the securities to customers should make a determination that the recommendation is suitable for the customer.

Trading Halts

IES will halt trading in the shares of a security in accordance with IEX Rules. The grounds for a halt under IEX Rules include a halt by the primary market because the intraday indicative value of the security and/or the value of its underlying index are not being disseminated as required, or a halt for other regulatory reasons. In addition, IEX will stop trading the shares of a security if the primary market de-lists the security.

This Information Circular is not a statutory prospectus. IEX Members should consult the prospectus for a security and the security's website for relevant information.

Please contact IEX Regulation at 646-343-2000 with any inquiries regarding this Information Circular.