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Updated October 2023



# UBS Tech Edge Index



# The UBS Tech Edge Index

A cutting-edge systematic strategy designed to provide exposure to four equity ETFs known for their focus on innovation and technology.

The UBS Tech Edge Index is a rules-based multi-asset index that offers a risk-balanced exposure to U.S. tech- and biotech- focused companies.

In an attempt to generate consistent returns over time, the Index implements a strategy that combines U.S. equities and fixed income.

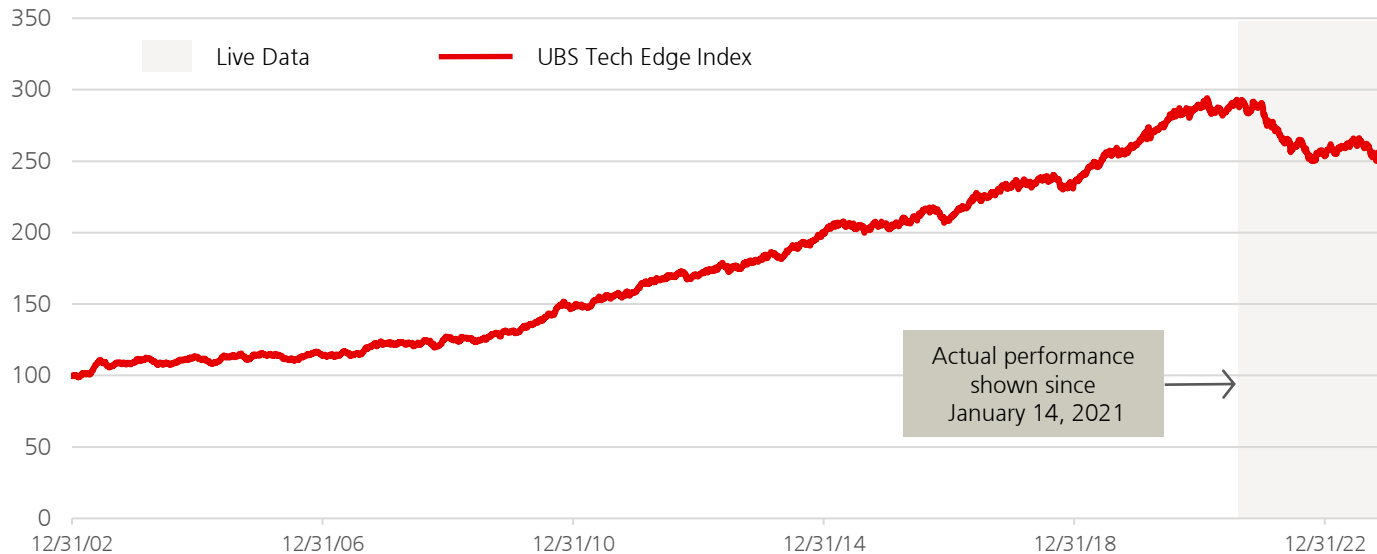
Additionally, the Index applies a bespoke volatility control mechanism designed by Salt Financial to identify changing market conditions using intraday data.

## The Index at a glance

- **Balanced:** a diversified range of components across equities and fixed income affording exposure to multi-asset opportunities
- **Technological Edge:** an equity focus on the potential further growth of the technology and biotech sectors
- **Risk Focus:** a risk-balanced equity strategy and a daily risk control mechanism intended to stabilize the overall level of risk of the Index
- **Innovative:** a state-of-the-art technology relying on intraday analysis to dynamically adjust the exposure to equity, aiming at navigating changing market conditions

## Historical Index Performance

Actual and simulated performances for the UBS Tech Edge Index



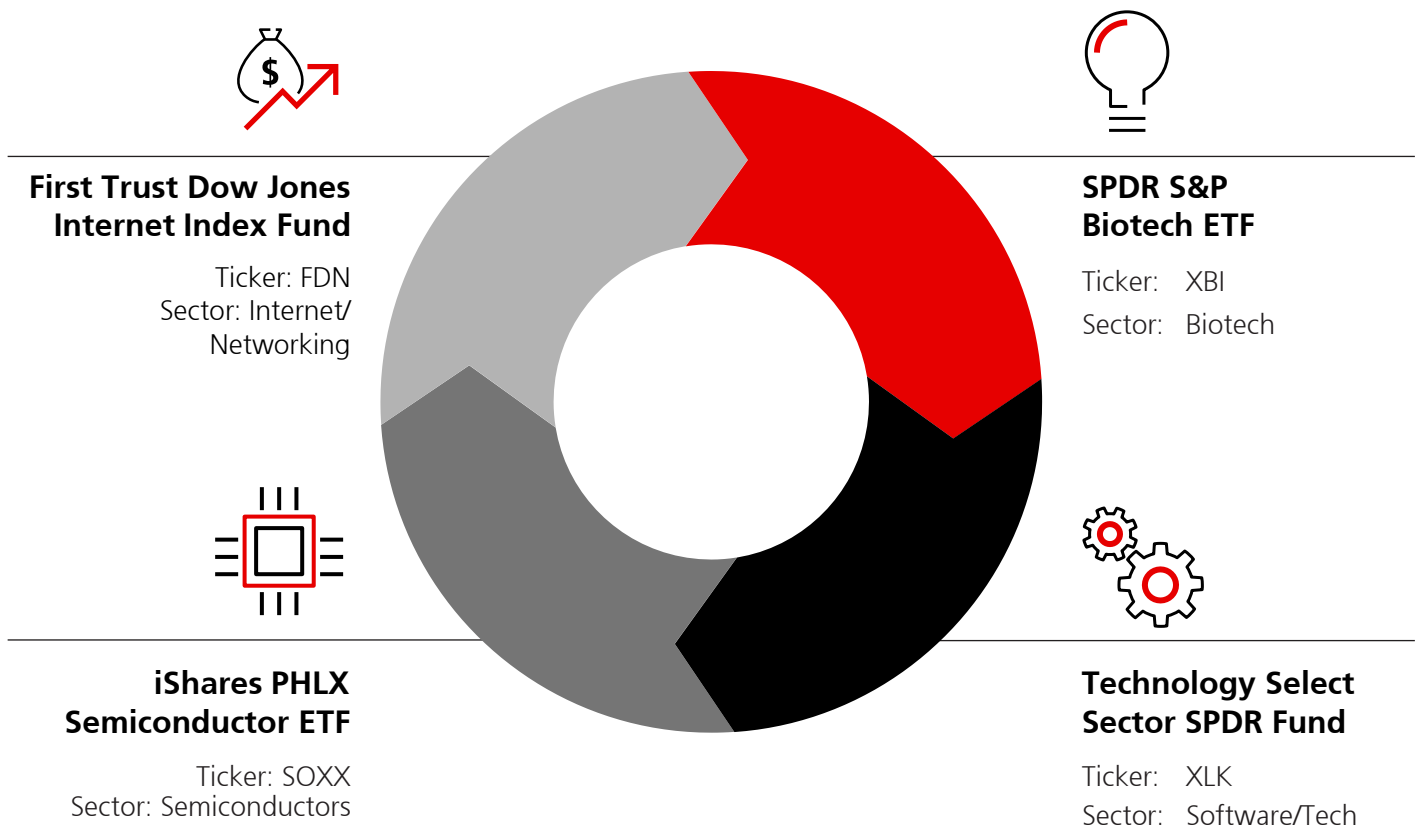
Source: UBS. Bloomberg. Data collected from December 31, 2002 to November 30, 2023. The UBS Tech Edge Index went live on January 14, 2021. Any data shown prior to the live date is simulated. Prior to, and including, December 31, 2006, a proxy was used for the FDN ETF. Prior to, and including, August 31, 2006, a proxy was used for the XBI ETF. Until January 3, 2022, the 3-month USD LIBOR rate was used in the construction of the Index. Following January 3, 2022, and in connection with the discontinuation of the 3-month USD LIBOR rate (set to occur immediately after June 30, 2023), the 3-month USD LIBOR rate was replaced with the Secured Overnight Financing Rate (SOFR) plus a spread that will progress from 0.10% to 0.26% through June 30, 2023. Following July 3, 2023, SOFR will be complemented by a spread of 0.26%. Past performance is no indication or guarantee of future performance. The return results provided herein are illustrative only and were derived by means of a retroactive application of a back-casted model designed with the benefit of hindsight. These back-casted, hypothetical, historical annualized Index returns have inherent limitations. No representation is made that in the future the Index will have the returns shown. Alternative modeling techniques or assumptions might produce significantly different results and may prove to be more appropriate. Actual annualized returns may vary materially from this analysis. The Index returns are net of a 0.5% p.a. index calculation fee. The Index could underperform relative to other indices, including equity indices. In addition, the Index is an excess return index: it reflects the return of the Index components net of the cost of funding a hypothetical investment in them.

# Access to over 250 stocks<sup>1</sup> through four ETFs that focus on different segments of the technology and biotech sectors

The technology and biotech sectors have experienced strong growth over the past years, and particularly in 2020.

The COVID-19 pandemic intensified the ongoing technological and digital transformation of the economy, thereby highlighting new challenges and opportunities for the technology and biotech sectors.

The equity portion of the Index intends to capture growth opportunities in technology and biotech stocks and is distributed across four different ETFs.



1. The number of stocks held across the ETFs can fluctuate through time, and the potential overlap in holdings across the ETFs could mitigate diversification.

# Diversification across asset classes for a balanced index

An equity exposure to four U.S. tech- and biotech -focused ETFs based on an evaluation of their risk to ensure that more weight is assigned to components with perceived lower risk.

Each month, the four ETFs are weighted in reverse rank order according to their 6-month realized volatility:

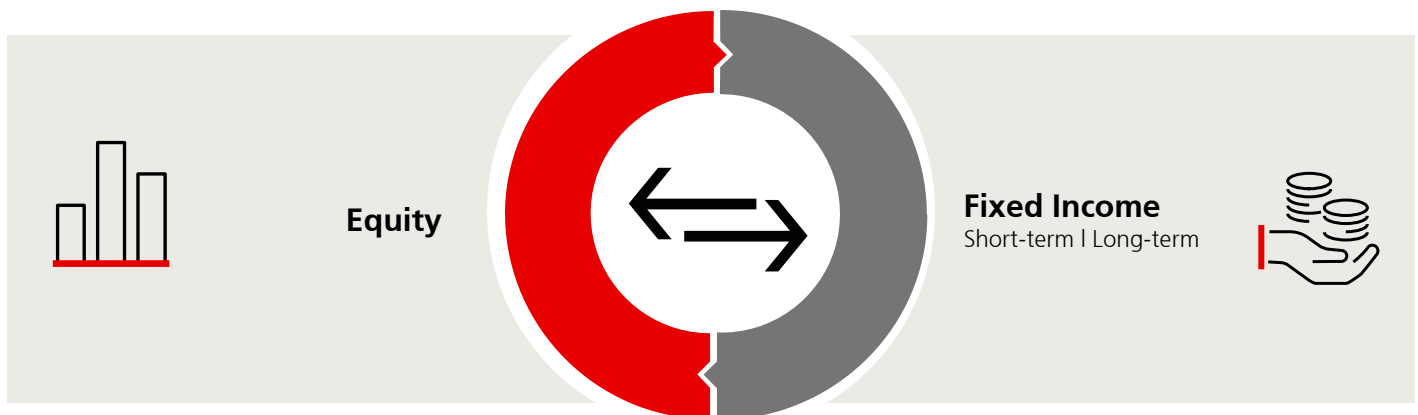
- Highest rank receives 40% weight
- 2nd highest receives 30% weight
- 3rd highest receives 20% weight
- 4th highest receives 10% weight

The reverse ranking of the ETFs is intended to increase exposure to less volatile components and reduce exposure to more volatile components.

## What is volatility?

Volatility refers to the amount of variation in a component's price over time. It is also an indicator of market risk: in most cases, the greater the volatility of a component, the higher the price fluctuations and perceived risk of that component.

## A dynamic multi-asset allocation



The UBS Tech Edge Index systematically rotates between the equity strategy and two fixed income components.

Every day, the allocation to the equity strategy is scaled to target a 4.5% volatility level for equities, based on a risk measure that incorporates intraday data provided by Salt Financial.

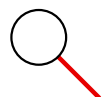
The remaining allocation is then dynamically distributed between short-term and long-term U.S. Treasury indices based on the recent performance of long-term U.S. Treasury future contracts.

The inclusion of the adaptive fixed income component (providing exposure to ten-year U.S. Treasury note futures contracts or both ten- and two-year U.S. Treasury note futures contracts) may help mitigate equity risk and therefore enable more stable returns.

# A state-of-the-art daily risk control mechanism

The UBS Tech Edge Index is rebalanced on a daily basis to maintain volatility near 4.5%<sup>1</sup> in order to mitigate the impacts of market fluctuations and stabilize the performance of the Index.

To that end, the Index utilizes an advanced volatility target mechanism powered by Salt Financial's innovative truVol® Risk Control Engine (RCE).

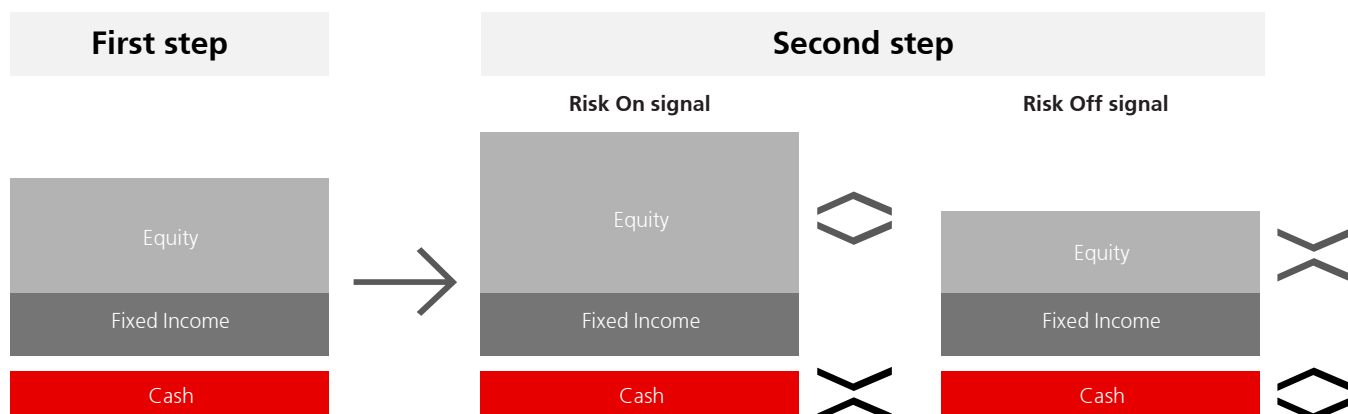


## Focus on the mechanism

**Step 1:** In an effort to attain a consistent level of volatility, the Index systematically adjusts its exposure to the multi-asset allocation (up to 125%) according to a daily measure of volatility that incorporates intraday data from the truVol® RCE.

If volatility exceeds 4.5%, the Index will reduce its exposure to the multi-asset allocation, shifting to non-interest-bearing cash<sup>2</sup> instead.

**Step 2:** Additionally, the allocation may be further refined daily to help the Index maintain its target risk level: the amount of equity risk within the multi-asset allocation is adjusted up or down based upon a Risk On/Off signal provided by Salt Financial which aims at categorizing volatility regimes using intraday volatility data.



In certain circumstances, the Index's exposure to the multi-asset allocation may be partially or entirely reduced in favor of a non-interest-bearing hypothetical cash position. In such instances, the performance of the Index will deviate from the performance of its components.

1. Although the Index employs a mechanism designed to limit its volatility, no assurance can be given that it will achieve its volatility target. The actual realized volatility may differ from the Index's volatility target, which could negatively impact the performance of the Index, and the volatility-limiting mechanism may reduce the performance of the Index in rising markets.
2. Any exposure to cash is non-remunerating, meaning it does not earn interest. The greater the exposure to cash, the smaller the impact on the Index from market fluctuations and, consequently, the lower the potential for gains or losses. In addition, the Index is an excess return index: it reflects the return of the Index components net of the cost of funding a hypothetical investment in them. As such, the Index returns could be negatively affected if this cost of funding were to increase. The Index also has a 0.5% p.a. index calculation fee deducted on a daily basis.

# What is different from a traditional volatility target mechanism?

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Salt Financial uses higher frequency data by looking at the realized volatility of benchmark equities throughout the trading day.

By using a combination of intraday data and end-of-day data, this cutting-edge mechanism intends to achieve a closer representation of the market behavior.

This technology has been designed to adapt faster to changing markets, and therefore more efficiently control the realized volatility of the Index compared to traditional volatility measures.

## Salt Financial

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Salt Financial LLC is a leading provider of index solutions and risk analytics, powered by the patent pending truVol® Risk Control Engine (RCE) and proprietary truBeta™ portfolio construction tools.

Salt improves fundamental measures of risk, by leveraging the rich information contained in intraday prices to more accurately estimate volatility to develop index-based investment products for insurance carriers, investment banks, asset managers, and ETF issuers.

Salt is committed to collaborating with industry leaders to empower the pursuit of financial outperformance for investors worldwide. For more information, please visit <https://www.saltfinancial.com/>



# About the Index

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## Index Key Characteristics

<b>Bloomberg Ticker</b>	CSEATEDG Index
<b>Asset Class</b>	Multi-Asset
<b>Geographical Focus</b>	United States
<b>Currency</b>	USD
<b>Launch Date</b>	January 14, 2021
<b>Type of Return</b>	Excess Return (it reflects the return of the Index components net of the hypothetical costs of funding)
<b>Equity Components</b>	First Trust Dow Jones Internet Fund (FDN) SPDR S&P Biotech ETF (XBI) iShares PHLX Semiconductor ETF (SOXX) Technology Select Sector SPDR Fund (XLK)
<b>Fixed Income Components</b>	UBS 10Y US Treasuries Excess Return Index UBS 2Y US Treasuries Excess Return Index
<b>Index Sponsor</b>	UBS AG
<b>Calculation Agent</b>	MerQube, Inc
<b>Index Fees</b>	0.5% p.a. deducted daily

For more information about the Index, please visit: <http://indices.ubs.com/CSEATEDG>



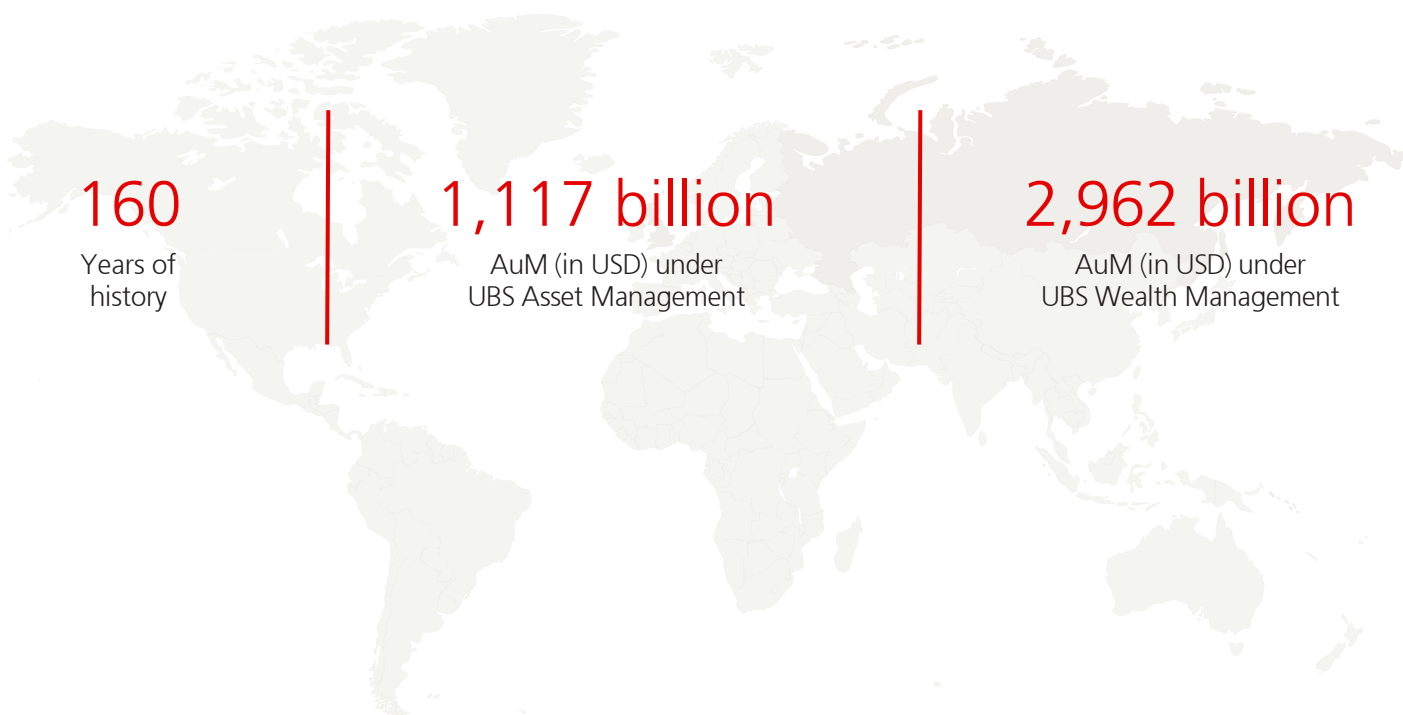
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- Our long heritage of working alongside clients to help them succeed has made us one of the strongest, most highly rated global financial institutions.
- Clients of our Investment Bank leverage the strength and understanding that UBS has built as the world's largest wealth manager and a diversified global asset manager.

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## UBS as of June 2023<sup>1</sup>



Structured Products House of the Year  
GlobalCapital Global Derivatives Awards, 2020

Investment Bank of the Year for Equity Derivatives  
The Banker, 2020

Structured Products House of the Year  
Equity Derivatives House of the Year  
Electronic Platform of the Year  
GlobalCapital Americas Derivatives Awards, 2020

Americas Structured Note Awards  
mtn-i, 2019

Americas Derivatives House of the Year  
Structured Products House of the Year  
GlobalCapital Americas Derivatives Awards, 2018

Insurer Deal of the Year  
Risk Awards, 2017

1. Source: UBS Global Markets – an overview (published July 2023)



# Selected Risk Considerations

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- The Index is rules-based and cannot be invested in directly.
- There is no assurance that the strategy on which the Index is based will be successful in producing positive returns. The Index may not rise in value and may not outperform any alternative portfolio or strategy that tracks the Index components.
- The Index utilizes components that reference futures contracts. The Index may underperform a similar investment linked to the spot prices or current levels of the underlying assets tracked by the futures contracts included in the Index components.
- The number of stocks held across the ETFs can fluctuate through time, and the potential overlap in holdings across the ETFs could mitigate diversification.
- The Index has a limited operating history and may perform in unanticipated ways. Past performance is no indication or guarantee of future performance. No actual investment which allowed tracking of the performance of the Index was possible before January 14, 2021. The return results provided herein are illustrative only and were derived by means of a retroactive application of a back-casted model designed with the benefit of hindsight. These back-casted, hypothetical, historical annualized Index returns have inherent limitations. No representation is made that the Index will have such returns in the future. Alternative modeling techniques or assumptions might produce significantly different results and may prove to be more appropriate. Actual annualized returns may vary materially from this analysis.
- The risk signals provided by Salt Financial were derived by means of a retroactive application of a back-casted model designed with the benefit of hindsight. These signals have inherent limitations. Alternative modeling techniques or assumptions might produce significantly different results and may prove to be more appropriate.
- The Index involves risks associated with equity markets and fixed income investments.
- The UBS Tech Edge Index is calculated based on signals involving intraday data powered by the truVol® Risk Control Engine. The truVol® Risk Control Engine is owned and operated by Salt Financial, which is not affiliated with UBS. Any loss of UBS's ability to use the signals based on intraday data in calculating the UBS Tech Edge Index, whether on a temporary or permanent basis, could adversely affect the performance of the Index.
- The Index is an excess return index (it reflects the return of the Index components net of the cost of funding a hypothetical investment in them) and has a 0.5% p.a. index calculation fee deducted on a daily basis.
- Although the Index employs a mechanism designed to limit its volatility, no assurance can be given that it will achieve its volatility target. The actual realized volatility may differ from the Index's volatility target, which could negatively impact the performance of the Index, and the volatility-limiting mechanism may reduce the performance of the Index in rising markets.
- The Index may have greater than 100% exposure (up to 125%) to the multi-asset allocation at any time as a result of the Volatility Control Mechanism, which may exacerbate losses and subsequent deleveraging may increase the time taken to recover from a drawdown event.
- UBS is the Index's Sponsor. MerQube is the calculation agent and oversees the rulebook that governs the operations of the Index. UBS would be expected to hedge any financial instruments and obligations linked to the Index. In such circumstances the economic interests of UBS and its affiliates are potentially adverse to the interests of a purchaser of any such instrument or obligation linked to the Index.
- Risk associated with the cessation and replacement of certain specified rates referenced in the Index: Until January 3, 2022, the 3-month USD LIBOR rate was used in the construction of the Index. Following January 3, 2022, and in the context of LIBOR being decommissioned, the 3-month USD LIBOR rate was replaced with the Secured Overnight Financing Rate (SOFR), which is published by the Federal Reserve Bank of New York, as administrator of SOFR, based on data received from other sources. As used in the construction of the Index, SOFR is complemented by a spread that will progress from 0.10% to 0.26% through June 30, 2023. Following July 3, 2023, SOFR will be complemented by a spread of 0.26%. SOFR is a relatively new market index, and the market continues to develop in relation to SOFR as a reference rate. Any failure of SOFR to gain market acceptance could adversely affect the level of the Index. The composition and characteristics of SOFR are not the same as those of the 3-month USD LIBOR rate and there is no guarantee that it is a comparable substitute for the 3-month USD LIBOR rate. Should SOFR be discontinued, the Calculation Agent may in the future, in good faith, amend the Index Rules, potentially including the substitution of a replacement rate, as determined by the Calculation Agent.

## Risks pertaining to the ETFs:

- Funds investing in a single sector may be subject to more volatility than funds investing in a diverse group of sectors.
- The funds may invest in small capitalization and mid-capitalization companies. Such companies may experience greater price volatility than larger, more established companies.
- ETFs trade like stocks, and are subject to investment risk, fluctuate in market value and may trade at prices above or below the ETFs net asset value. ETF expenses will reduce returns.
- There can be no assurance that the funds' investment objectives will be achieved.
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- Passively managed funds hold a range of securities that, in the aggregate, approximates the full Index they track in terms of key risk factors and other characteristics. This may cause the fund to experience tracking errors relative to performance of the index it tracks.

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