



INFORMATION CIRCULAR: UBS AG

TO: Head Traders, Technical Contacts, Compliance Officers, Heads of ETF Trading, Structured Products Traders

FROM: Nasdaq / BX / PHLX Listing Qualifications Department

DATE: September 26, 2018

EXCHANGE-TRADED PRODUCT

SYMBOL **CUSIP #**

ETRACS 2xMonthly Pay Leveraged Preferred Stock Index ETN
Due September 25, 2048

PFFL 90274E174

INFORMATION ON THE SECURITIES

UBS AG (the "Issuer") has issued ETRACS 2xMonthly Pay Leveraged Preferred Stock Index ETNs ("ETNs" or "Notes" or "Securities") that are linked to the performance of the Solactive Preferred Stock ETF Index (the "Index"). The ETNs do not guarantee any return of initial investment and may not pay any coupon, and returns are based on leveraged performance of the Index.

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 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.

The Index, is intended to track the price movements of an equally weighted portfolio containing two U.S. preferred stock exchange traded funds ("ETFs"). Each of the ETFs seeks to track the performance of

separate indices (“Underlying Indices”) which measure the performance of a select group of preferred stocks.

- iShares U.S. Preferred Stock ETF: The iShares U.S. Preferred Stock ETF (“PFF”) seeks to track the investments results of the S&P U.S. Preferred Stock Index, which measures the performance of a select group of preferred stocks listed on the New York Stock Exchange, NYSE Arca, Inc., NYSE Amex, NASDAQ Global Select Market, NASDAQ Select Market or NASDAQ Capital Market. PFF was launched in March, 2007 and provides exposure to U.S. preferred stocks, which have characteristics of bonds (pay a fixed dividend) and stocks (represent ownership in a company). PFF’s current expense ratio is 0.47%.
- Invesco Preferred ETF: The Invesco Preferred ETF (“PGX”) is based on The ICE BofAML Core Plus Fixed Rate Preferred Securities Index. PGX will normally invest at least 80% of its total assets in fixed rate US dollar-denominated preferred securities that comprise the index. The index tracks the performance of fixed rate US dollar-denominated preferred securities issued in the US domestic market. PGX was launched in January, 2008 and its current expense ratio is 0.51%.

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 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 Index, the time remaining to maturity, the dividend yield of the stocks comprising the Index, and the credit ratings of the Issuer.

Trading in the Notes on NASDAQ is on a UTP basis and is subject to NASDAQ equity trading rules. Trading in the Notes on BX is on a UTP basis and is subject to BX equity trading rules. Trading in the Notes on PHLX’s PSX system is on a UTP basis and is subject to PHLX rules. The Notes will trade on NASDAQ from 7:00 a.m. until 8:00 p.m. Eastern Time. The Notes will trade on BX from 8:00 a.m. until 7:00 p.m. Eastern Time. The Notes will trade on PSX from 9:00 a.m. until 5:00 p.m. Eastern Time. For trading during each market’s pre-market and post-market sessions, market participants should note that additional risks may exist with respect to trading the Notes during these sessions, when the underlying index’s value or similar value may not be disseminated.

NASDAQ will halt trading in the Notes in accordance with NASDAQ Rule 4120. BX will halt trading in the Notes in accordance with BX Equity Rule 4120. PHLX will halt trading in the Notes in accordance with PHLX Rule 3100. The grounds for a halt under each of these rules include a halt by the primary market because the value of the underlying index or a similar value is not being disseminated as required, or a halt for other regulatory reasons. In addition, NASDAQ, BX and PHLX will also stop trading the Notes if the primary market delists the Notes.

Trading of the Notes on NASDAQ is subject to the provisions of NASDAQ Rule 2310. Trading of the Notes on BX is subject to the provisions of BX Rule 2310. Members recommending transactions in the Notes to customers should make a determination that the securities are suitable for the customer. In addition, members must possess sufficient information to satisfy the “know your customer” obligation that is embedded in the NASDAQ Conduct Rules and BX Conduct Rules.

Members and member organizations recommending transactions in the Notes to customers should make a determination that the recommendation is suitable for the customer, as provided by PHLX Rule 763.

Nasdaq members, BX members and PHLX members and member organizations should also review NASD Notice to Members 03-71 for guidance on trading these products. The Notice reminds members of their obligations to: (1) conduct adequate due diligence to understand the features of the product; (2) perform a reasonable-basis suitability analysis; (3) perform customer-specific suitability analysis in connection with any recommended transactions; (4) provide a balanced disclosure of both the risks and rewards associated with the particular product, especially when selling to retail investors; (5) implement appropriate internal controls; and (6) train registered persons regarding the features, risk and suitability of these products.

This Information Circular is not a statutory prospectus. NASDAQ members, BX members and PHLX members and member organizations should consult the registration statement or prospectus for the Notes for additional information.

Inquiries regarding this Information Circular should be directed to:

- Ben Haskell, Listing Qualifications, at 301.978.8092
- NASDAQ / BX/ PSX Market Sales at 800.846.0477