



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: November 9, 2018

EXCHANGE-TRADED PRODUCT

SYMBOL **CUSIP #**

ETRACS 2xMonthly Pay Leveraged US Small Cap High Dividend ETN Series B
Due November 10, 2048

SMHB 90274E166

INFORMATION ON THE SECURITIES

UBS AG (the "Issuer") has issued ETRACS 2xMonthly Pay Leveraged US Small Cap High Dividend ETN Series B ("ETNs" or "Notes" or "Securities") that are linked to the performance of the Solactive US Small Cap High Dividend 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 Series B unsecured debt securities of the Issuer, maturing on November 10, 2048. The Securities do not guarantee any return of principal and, although they may pay a monthly coupon payment, there is no guaranteed fixed coupon or interest amount during their term. The Securities are intended to provide a two times leveraged long exposure to the compounded monthly performance of the Index which is designed to measure the performance of 100 relatively small capitalization, dividend yielding Index Constituent Securities selected from a universe of qualifying U.S. listed equity securities. Investors should expect the trading price and Current Principal Amount of the Securities to be volatile. An Accrued Tracking Fee (based on an Annual Tracking Rate of 0.85% per annum of the Current Indicative Principal Amount) and Accrued Financing Charges are deducted from the Current Principal Amount on a monthly basis. Investors will receive a cash payment at maturity or upon exercise by UBS of its call right with respect to the Securities based on the Current Principal Amount of the Securities at the end of the applicable measurement period at maturity or in certain circumstances upon call, as described herein, any such payment may be zero.

The Securities are intended to be trading tools for sophisticated investors as part of an overall diversified portfolio. They are designed to achieve their stated investment objectives on a monthly basis (or shorter basis under circumstances described herein). Their performance over longer periods of time can differ significantly from their stated objectives. The Securities are riskier than securities that have intermediate or long-term investment objectives, and may not be suitable for investors who have a "buy and hold"

strategy. Accordingly, the Securities should be purchased only by knowledgeable investors who understand the potential consequences of investing in the Index and of seeking monthly compounding leveraged long investment results. Investors should actively and continuously monitor their investments in the Securities, even intra-day. It is possible that you will suffer significant losses in the Securities even if the long-term performance of the Index is positive.

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