UBS Structured Products

For Professional Investor in Hong Kong and/or an Accredited Investor in Singapore only

Generic Product Description | Hong Kong & Singapore Edition | 2nd Edition

Optimization

Knock-Out Equity Linked Note ("ELN")

The Knock-Out Equity Linked Note (the "Note") offers an attractive yield in a range bound market. It will be early redeemed with a higher annualized yield if the underlying instrument (the "underlying") closes at/above the Callable Price on any Observation Day. The potential yield enhancement compensates for the risk you assume if you were to take delivery of the underlying at maturity.

Main benefits at a glance
- Enhanced yield through discounted purchase price
- Outperformance in range bound equity markets
- The Knock-Out feature potentially shortens the Tenor of the Note
- The Knock-Out feature lets you lock in the profit as market rallies
- The earlier the Note is knocked-out, the higher is the annualized yield

Main risks at a glance
- Limited secondary market
- Potential delivery of the underlying
- Possible loss of all the invested capital in the worst case scenario

Product Description

The Knock-Out ELN is a structured product belonging to the "Optimization" category. It allows you to enjoy an attractive yield in the form of the Note's discounted purchase price. Depending on the Issuer, it is referred to with different names, such as "Zero Coupon Knock-Out Bull ELN" or "Return-or-Equity Note with Trigger Event".

The Knock-Out ELN is a variation of the Bull ELN. It is differentiated from the latter by having an additional "Knock-Out" feature. Such feature triggers an early redemption of the Note at par if the underlying reaches/ exceeds the Callable Price (usually set at a level above the initial price) on any Observation Day, thereby delivering a higher annualized yield. The Observation Day can be set at daily or any other intervals, and observations can be set at market close or intra day.

If the Note is not early redeemed, the Note will behave in the same way as a Bull ELN, i.e. its redemption at maturity will depend on whether the underlying closes at/above its conversion (Strike) price (typically set below the underlying's initial price) at maturity.

There will be 3 possible redemption scenarios of a Knock-Out ELN:

1) If the underlying closes at/above the Callable Price on any Observation Day:
   Early redemption at 100% of the Note's Denomination.
2) If the underlying never closes at/above the Callable Price on any Observation Day, and
   a. closes at/above the Conversion Price at maturity:
      Redemption at 100% of the Note's Denomination at maturity.
   b. closes below the Conversion Price at maturity:
      Physical delivery of the underlying:
      $$\text{Number of shares} = \frac{\text{Note's Denomination}}{\text{Conversion Price}}$$

In a negative scenario, the investor is effectively buying the underlying at a discount to the initial price, but will suffer an unrealized loss.

This is a structured product which involves derivatives. Do not invest in this product unless you fully understand and are willing to assume the associated risks. If you are in any doubt about the risks involved in the product, you may clarify with the intermediary or seek independent professional advice.

Investment Rationale

If you:

– believe the underlying will be range bound, and wish to reap your profit as soon as the underlying rallies to the Callable Price; and

– do not mind buying the underlying at a discount to the initial price and hold it for the longer term in case your view does not materialize.

This Note can be an alternative to a direct equity investment. It offers enhanced potential return and the opportunity to "target buy" the underlying at your desired target purchase price, while the downside risk will not be higher than a direct investment in the underlying (provided the Issuer does not default).

Flexibility in Structuring a Knock-Out ELN

Knock-Out ELNs can be structured with high flexibility. For example, some may provide for cash settlement instead of share delivery if the Note is not early redeemed and the underlying closes below the Conversion Price at maturity. Furthermore, instead of a single underlying, they can be linked to the laggard of an underlying basket to strive for greater yield enhancement. Besides, some may add in a conditional protection feature, which offers conditional protection at maturity provided the underlying(s) never touch/breach the respective barrier(s) (set at a buffer below the initial price) during the Tenor.

It is therefore important to read carefully the individual term sheet to ascertain the specific features of each Note.

Example of a Knock-Out ELN (only for illustration purposes)

Currency	HKD
Underlying	Stock A
Tenor	30 days
Initial price of Stock A	HKD100
Conversion Price	HKD80
Callable Price	HK105
Denomination	HKD1,000,000
Purchase Price of the Note	HKD990,000 (99% of Denomination)
Observation Day	Daily close observation starting from the Note's Issue Date
Early Redemption	If the underlying closes at/above the Callable Price on any Observation Day, the Note will be early redeemed at par after such event
Redemption at Maturity (if not early redeemed)	a) If the underlying closes at/above the Conversion Price at maturity: ➔ 100% of Denomination b) If the underlying closes below the Conversion Price at maturity: ➔ Physical delivery of Stock A at the Conversion Price

Scenario Analysis

A) Early Redemption scenario:

Stock A closes at/above the Callable Price on the 8th day: Early redemption at par on the 10th day after the Issue Date:

➔ Annualized yield: $\frac{100 - 99}{99} \times \frac{365}{10} = 36.87\%$ p.a.

B) Positive scenario:

Stock A never closes at/above the Callable Price during the Tenor, and closes at/above the Conversion Price at maturity: Redemption at par upon maturity:

➔ Annualized yield: $\frac{100 - 99}{99} \times \frac{365}{30} = 12.29\%$ p.a.

C) Negative scenario:

Stock A never closes at/above the Callable Price during the Tenor, and closes at HKD70 at maturity:

➔ Physical delivery of Stock A:

No. of shares delivered: $\frac{1{,}000{,}000}{80} = 12{,}500$ shares

These shares are worth HKD875,000 based on the prevailing market value of HKD70 per share. Thus your unrealized loss will be HKD115,000 or 11.62% of your investment.

Table 1 – Payoff scenario if Early Redemption occurs

No. of days from Issue Date to Early Redemption Settlement Date	Return	Annualized Yield (p.a.)
5	(100 – 99)/99 = 1.01%	73.73%
10	(100 – 99)/99 = 1.01%	36.87%
15	(100 – 99)/99 = 1.01%	24.58%
20	(100 – 99)/99 = 1.01%	18.43%
25	(100 – 99)/99 = 1.01%	14.75%

Table 2 – Payoff scenario at maturity if Early Redemption has not occurred

Closing price of Stock A at maturity (% of initial price)	Return	Annualized Yield (p.a.)
80% or above	1.01%	12.29%
75%	-5.30%*	N/A
70%	-11.62%*	N/A
65%	-17.93%*	N/A
60%	-24.24%*	N/A

* Physical delivery of shares of Stock A

The examples, charts and calculations in this document are for illustrative purposes only and do not convey any information regarding actual circumstances or profits. They have not taken into account dividend payments or securities trading costs (brokerage fees, stamp duties, etc.)

Suitability

Market View	You expect the underlying to be range bound during the Note's Tenor. In any case you believe it will not fall below the Conversion Price at maturity. You would like to reap your profit as soon as the underlying rallies to the Callable Price. You are willing to take on some risk in exchange for the opportunity to earn enhanced returns. You expect a stable credit quality of the Issuer and do not expect it to default.
Investment Horizon	You have an investment horizon that is commensurate with the Tenor of the specific Note in which you are investing. You are willing to accept early redemption of the Note at par since that would give you a higher annualized yield when compared to holding to maturity.
Risk Tolerance	You are an experienced investor familiar with derivative products and the market of the underlying. You are willing to make an investment that is exposed to the full downside risk of the underlying. You do not require pre-determined, regular coupon income. You are aware that the Notes are subject to capital risk and the Notes may be redeemed by physical delivery of the underlying, which may be worth substantially less than the principal of the Notes or zero. Only for Professional Investors in Hong Kong or Accredited Investors in Singapore.

Risks

Product Specific Risks	The Note's upside potential is limited and it is likely to underperform the underlying if the underlying rallies. You are exposed to the full downside risk of the underlying, and in the worst case scenario, you may lose most or all of your capital. The Note is subject to capital risk and may be redeemed by delivery of the underlying, which may be worth substantially less than your initial investment or zero.
Credit Risk	Valuation: Should the credit rating of the Issuer deteriorate over the life of the investment, the product's value may be affected. Default: You are fully exposed to the credit default risk of the Issuer. You may lose all your investment and any return you may have otherwise earned if the Issuer defaults.
Liquidity	The Issuer intends, but is not obliged, to provide a daily off-exchange secondary market under normal market conditions. By selling in the secondary market you may receive less than the capital invested.
Market Risk	Before maturity, the value of the product will be influenced not only by the level of the underlying, but also by other factors such as interest rates, volatilities, time to maturity and correlation (if applicable). Therefore, the product may trade considerably below 100% during its lifetime even if the underlying has remained above the Conversion Price. You should be prepared to hold the product for the entire investment period.

Tax Treatment

UBS does not provide any tax advice for investment products. Tax treatment depends on the individual circumstances of each client and clients must therefore seek their own tax advice from a reputable service provider.

Contact

Please contact your UBS Client Advisor for further information.

www.ubs.com/asia
www.ubs.com/quotes

Further Information

This product description is for information purposes only. The final terms and conditions will be finalized on the pricing date. For detailed information about the terms and conditions, please consult the term sheet provided by the Issuer in English only.

This product is a structured product i.e. a combination of two or more financial instruments of which at least one is a derivative. For more information on "structured products", please refer to the brochure "Special Risks in Securities Trading – Asian Version". Additional information on UBS Structured Products in general, the various product families as well as risks and opportunities can be found in designated UBS brochures.

Please note that the above is merely a generic description of the product. Individual products launched may come with variation to the basic structure. Please contact your Client Advisor if you require further clarification on specific products.

Risk associated with discontinuation of benchmark rates

Please note that there may be risks associated with certain benchmark rates, especially interbank offered rates, such as LIBOR, which will be permanently discontinued. These risks include the replacement of such benchmark rate by a currently still unknown successor which may not have the same characteristics as the benchmark rate underlying this product. Investors should make their own assessment about the potential risks associated with this kind of benchmark rate replacement (e.g. valuation risks or unforeseen costs), including by referring to the Issuer's product documentation where available, and consult their own independent advisers as necessary.

Important Disclaimer:

The contents of this document have not been reviewed by any regulatory authority in Hong Kong or Singapore. Investors are advised to exercise caution in relation to any offer. If an Investor is in any doubt about any of the contents of this document, the Investor should obtain independent professional advice.

This document is communicated by UBS AG and/or its affiliates ("**UBS**") for the exclusive use of the party to whom UBS delivers this document. UBS may from time to time, as principal or agent, have positions in, or may buy or sell, or make a market in any securities, currencies, financial instruments or other assets underlying the transaction to which any term sheet, Information Memorandum, Prospectus, confirmation or other documentation for the issue of the product or to which the transaction relates (collectively, the "**Documentation**"). UBS may provide investment banking and other services to, or have officers who serve as directors of the companies referred to in the Documentation. UBS may pay or receive fees in connection with transactions of securities to or from third parties. Further information on any discount to the issue price provided by UBS Investment Bank division to UBS Wealth Management division is available in the pricing schedule or other similar document which may be provided by UBS Wealth Management division from time to time. UBS has policies and procedures designed to minimize the risk that officers and employees are influenced by any conflicting interest or duty and that confidential information is improperly disclosed or made available. The investor acknowledges that UBS may retain all or part of such fees.

UBS generally hedges its exposure under structured transactions, although it may elect not to hedge or to partially hedge any transaction. UBS' hedging activity may be conducted through transactions in the underlying asset, index or instrument or in options, futures or other derivatives related to the underlying asset, index or instrument on publicly traded markets or otherwise, and may have an impact on the price of the underlying asset. If a transaction is cash settled, UBS will generally unwind or offset any hedge it has for such transaction in close proximity to the relevant valuation time or period. In some cases, this activity may affect the value of the transaction.

Prospective investors should be aware that receipt of any payment (whether coupon payment, redemption amount or otherwise) or any securities by an investor in connection with the transaction is subject to the credit risk of the issuer of the securities (the "Issuer") or counterparty to the transaction (the "Counterparty"). **Investors assume the risk that the Issuer or Counterparty will not be able to satisfy its obligations under the transaction.** Except where specifically provided otherwise, the Issuer's or the Counterparty's obligations under the transaction will constitute general and unsecured contractual obligations of the Issuer or Counterparty, respectively, and such obligations will rank equally with all other unsecured contractual obligations of the Issuer or Counterparty, respectively, and any subsequent unsecured obligations of the Issuer or Counterparty, respectively. In the case of an insolvency of the Issuer or Counterparty, preferred liabilities of the Issuer or Counterparty, respectively, will have priority over unsecured obligations such as the transaction.

Any credit rating of the Issuer or the Counterparty stated in the Documentation reflects the independent opinion of the referenced rating agency as to the creditworthiness of the rated entity but is not a guarantee of credit quality of the Issuer or the Counterparty. Any downgrading of the credit ratings of the Issuer or Counterparty or their respective affiliates, by any rating agency could result in a reduction in the value of the product.

Structured transactions are complex and may involve a high risk of loss. Prior to entering into a transaction you should consult with your own independent legal, regulatory, tax, financial and accounting advisors to the extent you consider it necessary, and make your own investment, hedging and trading decisions (including decisions regarding the suitability of this transaction) based upon your own judgment and advice from those advisers you consider necessary. Save as otherwise expressly agreed, UBS is not acting as your financial adviser or fiduciary in any transaction.

Products which have not undergone UBS CIO's Sustainable Investing (SI) labelling methodology (i.e. non-SI vetted products) have not been labelled as such. We do not express any SI view on non-vetted SI products and we make no commitment or representation as to the Environmental, Social & Governance (ESG) references relating to non-SI vetted products. ESG relevant content / SI references with regard to and describing a non-SI vetted product are taken in good faith from the underlying product provider and/or third party sources and we make no representation or warranty and assume no responsibility for the accuracy, completeness and reliability of such ESG relevant content / SI references. In general, the use of ESG / SI references or other related terminologies in the product material does not necessarily mean that the product has been classified as SI according to UBS's assessment and in-house taxonomy. SI classification is subject to change without notice due to the evolving regulatory standards and industry practices. Please reach out to your client advisor if you require clarification.

This document is for information purposes only and has no regard to the specific investment objectives, financial situations or particular needs of any specific recipient. Any charts and scenarios are for illustrative purposes only. Historical performance is no guarantee for and is not an indication of future performance. The information herein is not intended to be a complete statement or summary of the developments referred to in this document. No representation or warranty is provided in relation to any information herein which is derived from independent sources.

The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The information and any opinions expressed in this document are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS as a result of using different assumptions and criteria. UBS is under no obligation to update or keep current the information contained in this document.

This document does not constitute and should not be construed as an offer, recommendation or solicitation to conclude a transaction nor should it be treated as an investment advice. The terms of the transaction will be exclusively subject to the detailed provisions, including any risk considerations, contained in the Documentation. Any investment or any other decisions should not be made based solely on this material. Neither UBS AG nor any of its affiliates, directors, employees or agents accepts any liability for any loss or damage arising out of the use of all or any part of this material.

UBS specifically prohibits the redistribution or reproduction of this document and any of the material in this document in whole or in part without the prior written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect.

No action has been or will be taken in any jurisdiction that would permit a public offering of the securities described in this document, save where explicitly stated in the Documentation. Where applicable, the securities must be sold in accordance with all applicable selling restrictions in the jurisdictions in which they are sold.

Not for distribution in the United States or to U.S. persons

UBS AG Singapore Branch / UBS AG Hong Kong Branch
Incorporated in Switzerland with limited liability

UBS AG	UBS AG
Singapore Branch	Hong Kong Branch
UEN S98FC5560C	Two International Finance
9 Penang Road	Centre 52/F, 8 Finance Street
Singapore 238459	Central, Hong Kong
Tel : +65-64958000	Tel : +852-2971 8888

Second Edition Mar 2021. Product Education Code: 103E.