

ETRACS 2xMonthly Leveraged Long Alerian MLP Infrastructure Index



Profile

Underlying Index	Alerian MLP Infrastructure Index
Issuer	UBS AG
Issuer Credit Rating¹	Aa3 (Moody's); A (S&P); A (Fitch)
Current Annual Index Yield²	5.78%
Current Annual Leveraged Yield²	10.71%
CUSIP	902664200
Primary Exchange	NYSE Arca
Initial Trade Date	July 6, 2010
Maturity Date	July 9, 2040
Leverage	2x
Annual Tracking Fee (%)[*]	0.85% accrued on a daily basis

^{*}As of December 31, 2011. See "Selected risk considerations" and the disclaimer for more information.

Ticker: MLPL

Key features

- Quarterly income potential
- Tax administration benefit
- Convenience of an exchange-traded security

About the ETN

Exchange Traded Access Securities (ETRACS) are innovative investment products offering easy access to markets and strategies that may not be readily available in the existing marketplace.

The ETRACS 2xMonthly Leveraged Long Alerian MLP

Infrastructure Index exchange-traded note, is designed to track a leveraged investment in the Alerian MLP Infrastructure Index (the "Index"), and pay a variable quarterly coupon linked to the leveraged cash distributions associated with the underlying MLP constituents, less financing costs and investor fees.

About the Index

The Index, comprised of 25 energy infrastructure MLPs, is a liquid, midstream-focused subset of the Alerian MLP Index (NYSE: AMZ). The Index, whose constituents generally earn the majority of their cash flow from the transportation and storage of energy commodities, provides investors with a benchmark for the infrastructure component of this emerging asset class. The Index is calculated using a capped, float-adjusted, capitalization-weighted methodology that results in greater diversification versus a pure market capitalization-weighted index. **The Index was created in March 2008 and has no performance history prior to that date.**

Historical returns

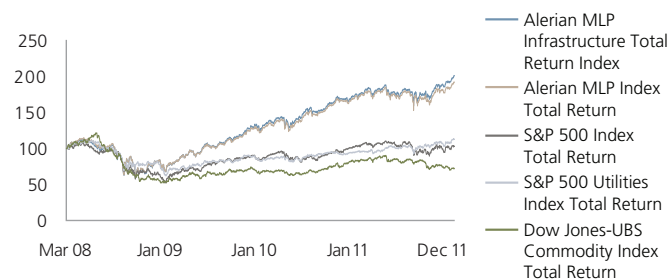
	Since Index Inception		6 Months [*]	1 Year [*]	3 Years [*]
	Total Return	Annualized Return			
Alerian MLP Infrastructure Total Return Index	100.73%	20.22%	11.13%	16.99%	42.97%
Alerian MLP Index Total Return	91.85%	18.79%	8.24%	13.88%	39.75%
S&P 500 Index Total Return	2.88%	0.75%	-3.69%	2.11%	14.11%
S&P 500 Utilities Index Total Return	12.62%	3.19%	9.96%	19.91%	12.27%
Dow Jones-UBS Commodity Index Total Return	-27.75%	-8.23%	-11.03%	-13.32%	6.39%

Historical results for the period from March 20, 2008 through December 31, 2011.

Source: Alerian, Standard & Poor's, and Dow Jones

^{*}Returns shown for periods less than one year are total returns during that period and returns for periods greater than one year are annualized returns. Historical information presented is as of December 31, 2011 and is furnished as a matter of information only. Historical performance of the Index is not an indication of future performance. Future performance of the Index may differ significantly from historical performance, either positively or negatively. The ETRACS ETNs are subject to investor fees. As a result, the return on the ETNs will always be lower than the total return on a direct investment in the Index or the Index constituents.

Index Comparisons



The graph illustrates the historical returns of the Index from March 20, 2008 through December 31, 2011 in comparison with other benchmark indices. Historical performance of the Index is not an indication of future performance. Future performance of the Index may differ significantly from historical performance, either positively or negatively. The ETRACS ETNs are subject to investor fees. As a result, the return on the ETNs will always be lower than the total return on a direct investment in the Index or the Index constituents.

Characteristics

Number of holdings: 25 MLPs

Top 10 Holdings		
Kinder Morgan Energy Partners LP	KMP	9.49%
Enterprise Products Partners LP	EPD	9.33%
ONEOK Partners LP	OKS	7.28%
Energy Transfer Partners LP	ETP	7.11%
Plains All American Pipeline LP	PAA	7.11%
Magellan Midstream Partners LP	MMP	7.05%
Enbridge Energy Partners LP	EEP	4.78%
El Paso Pipeline Partners LP	EPB	4.61%
Buckeye Partners LP	BPL	4.57%
Williams Partners LP	WPZ	4.55%

Source: Alerian; as of December 16, 2011 quarterly rebalancing

ETN overview

Why invest in MLPs? Because the revenues of MLPs tend to be correlated with demand for energy commodities, and demand for such commodities is less volatile than energy commodity prices, MLPs in energy infrastructure industries have relatively consistent, predictable cash flows. Therefore, MLPs have a relatively low historical correlation to the market prices of a wide range of asset classes including equities and commodities and have produced attractive historical yields compared to other income-oriented investments.

Benefits of investing in MLPL

Leveraged exposure to a portfolio of energy infrastructure MLPs through a single investment.

Leveraged income via variable quarterly coupons linked to the cash distributions, if any, paid on the MLPs in the Index, less fees. If the MLPs do not make distributions, or those distributions do not overcome the investor fees, then investors will not receive any coupons.

Tax administration — the coupons associated with the ETN are reported as ordinary income on Form 1099, and therefore the administrative burden associated with K-1 forms is eliminated.

Selected risk considerations

An investment in the ETRACS ETNs involves risks. Selected risks are summarized here, but we urge you to read the more detailed explanation of risks described in the “Risk Factors” section of the prospectus supplement for the ETRACS ETNs (the “ETRACS Prospectus”). Capitalized terms used below (and elsewhere in this document) but not defined herein shall have the meanings attributed to them in the ETRACS Prospectus.

- **You may lose some or all of your principal** — The ETRACS ETNs are exposed to two times any monthly decline in the level of the Index. If the compounded leveraged monthly return of the Index is insufficient to offset the negative effect of the Annual Tracking Fee and the Accrued Financing Charges over the relevant period, and Redemption Fee Amount, if applicable, less any Coupon Amounts, any Stub Reference Distribution Amount and/or Adjusted Coupon Amount, as applicable, or if the compounded leveraged monthly return of the Index is negative, you will lose some or all of your investment at maturity, call, acceleration or upon early redemption.
- **Payment based on VWAP Level** — The payment on the ETRACS ETNs at maturity, call, acceleration or upon early redemption, will be based on the VWAP Level of the Index and not on the closing level of the Index, as specified in the ETRACS Prospectus. The VWAP Level of the Index will most likely differ from the closing level of the Index.
- **Correlation and compounding risk** — There can be no guarantee that the ETRACS ETNs will achieve a high degree of correlation with the performance of the Index. Because the Current Principal Amount is reset monthly, you will be exposed to compounding of monthly returns. As a result, the performance of the ETRACS ETNs for periods greater than one month is likely to be either greater than or less than the Index performance times the leverage factor of two, before accounting for Annual Tracking Fees and Accrued Financial Charges, and the Redemption Fee Amount, if any. In particular, significant adverse monthly performances of your ETRACS ETNs may not be offset by subsequent beneficial monthly performances of equal magnitude.
- **Leverage risk** — The ETRACS ETNs are two times leveraged long with respect to the Index, which means that you will benefit two times from any beneficial, but will be exposed to two times any adverse, monthly performance of the Index, before the combined negative effect of the Annual Tracking Fee, the Accrued Financing Charges and Redemption Fee Amount, if any.
- **Market risk** — The return on the ETRACS ETNs, which may be positive or negative, is linked to the compounded leveraged monthly return on the Index. The monthly return on the Index is measured by the Monthly Performance Ratio, which, in turn, is affected by a variety of market and economic factors, interest rates in the markets and economic, financial, political, regulatory, judicial or other events that affect the markets generally.
- **Limited performance history** — The return on the ETRACS ETNs is linked to the performance of the Index, which was introduced in March 2008. As a result, the Index has a limited performance history, and it is uncertain how the index will perform. Limited historical information will be available for you to consider in making an independent investigation of the Index performance, which may make it more difficult for you to make an informed decision with respect to an investment in the ETRACS ETNs than if the Index had a longer performance history.
- **Credit of UBS** — The ETRACS ETNs are senior unsecured debt obligations of the issuer, UBS, and are not, either directly or indirectly, an obligation of any third party. Any payment to be made on the ETRACS ETNs, including any payment at maturity, upon early redemption, call or acceleration, depends on the ability of UBS to satisfy its obligations as they come due. As a result, the actual and perceived creditworthiness of UBS will affect the market value, if any, of the ETRACS ETNs prior to maturity, call, acceleration or early redemption. In addition, in the event UBS were to default on its obligations, you may not receive any amounts owed to you under the terms of the ETRACS ETNs.
- **Potential over-concentration in a particular industry** — There is only one industry – energy – related to the MLPs included in the Index. An investment in the ETRACS ETNs will increase your portfolio’s exposure to fluctuations in the energy industry.
- **A trading market for the ETRACS ETNs may not develop** — Although the ETRACS ETNs are listed on NYSE Arca, a trading market for the ETRACS ETNs may not develop. Certain affiliates of UBS may engage in limited purchase and resale transactions in the ETRACS ETNs, although they are not required to and may stop at any time. We are not required to maintain any listing of the ETRACS ETNs on NYSE Arca or any other exchange. Therefore, the liquidity of the ETRACS ETNs may be limited.
- **Minimum redemption amount** — You must elect to redeem at least 50,000 ETRACS ETNs for UBS to repurchase your ETRACS ETNs, unless we determine otherwise or your broker or other financial intermediary bundles your ETRACS ETNs for redemption with those of other investors to reach this minimum requirement. Therefore, the liquidity of the ETRACS ETNs may be limited.
- **Potential automatic acceleration** — In the event the indicative value of the ETRACS ETNs is equal to \$5.00 or less on any Index Business Day or the intraday index value on any Index Business Day decreases 30% from the most recent Monthly Initial Closing Level, the ETRACS ETNs will be automatically accelerated and mandatorily redeemed by UBS and you will receive a cash payment equal to the Acceleration Amount as determined during the Acceleration Valuation Period. The Acceleration Amount you receive on the Acceleration Settlement Date may be significantly less than \$5.00 per ETRACS ETN and may be zero if the level of the Index continues to decrease during trading on one or more Index Business Days during the Acceleration Valuation Period as measured by the Index Performance Ratio on one or more Index Business Days during the Acceleration Valuation Period.
- **You are not guaranteed a coupon payment** — You will not receive a coupon payment on a Coupon Payment Date if the Reference Distribution Amount is less than the Accrued Tracking Fee (which is based on the Annual Tracking Fee). Similarly, you will not receive a coupon payment on a Redemption Date, the Call Settlement Date or the Acceleration Settlement Date if the Adjusted Reference Distribution Amount is less than the Adjusted Tracking Fee (which is based on the Annual Tracking Fee), and in the case of a redemption, the Redemption Fee Amount.
- **Uncertain tax treatment** — Significant aspects of the tax treatment of the ETRACS ETNs are uncertain. You should consult your own tax advisor about your own tax situation.
- **UBS’s Call Right** — UBS may elect to redeem all outstanding ETRACS ETNs at any time on or after July 11, 2011, as described under “Specific Terms of the Securities — UBS’s Call Right” in the ETRACS Prospectus. If UBS exercises its Call Right, the Call Settlement Amount may be less than your initial investment in the ETRACS ETNs.

For questions or additional information about ETRACS:

Contact us

ETRACS Investor Service Center: +1-877-ETRACS 5
Hours available: Monday to Friday 8:00 a.m. – 5:00 p.m. EST

Email: etracs@ubs.com
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¹The issuer credit rating as of January 10, 2012 pertains to the creditworthiness of UBS AG (that is, the ability of UBS AG to meet its obligations under the terms of the ETNs) and is not indicative of the market risk associated with the ETNs. The creditworthiness of UBS AG does not affect or enhance the likely performance of the ETNs other than with respect to the ability of UBS AG to meet its obligations thereunder. We have not obtained a rating from any rating organization with respect to the ETRACS ETNs.

²The Current Annual Index Yield as of December 31, 2011 is calculated by Alerian and is based on a modified indicative formula, which takes the most recently declared quarterly distribution of each of the Master Limited Partnerships that constitute the Index (“constituent MLP”), and creates an annualized yield for each constituent MLP by (i) multiplying that number by four and (ii) dividing the resulting number by the current market price of the applicable constituent MLP. The Current Annual Index Yield is the sum of the products of those individual yields of each constituent MLP and their relative weights in the Index. The formula is considered “modified” indicative because in certain circumstances, Alerian can ignore the most recently declared distribution in its calculations and instead use an alternative distribution amount (derived from public sources) that, in its opinion, better reflects an investor’s expectation of future distributions using all publicly available information. The Current Annual Leveraged Yield is derived by multiplying the Current Annual Index Yield by the leverage factor, 2, and subtracting the Yearly Fee of .85%. The Current Annual Leveraged Yield is provided for illustrative purposes only. The actual annual ETN yield that investors may receive could be substantially different (either greater or less) than the Current Annual Leveraged Yield. You are not guaranteed any coupon or distribution amount under the ETN.

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