

Dividend ruler stocks

Monthly Update

- S&P 500 dividends grew 15% during the first quarter of the year. Strong cash flows are allowing Corporate America to respond to investors' search for income in a low interest rate environment.
- Dividend tax rates will likely remain an uncertainty and largely contingent on the election outcome. However, a substantial hike in dividend tax rates is not likely, in our view.
- We are removing AT&T (T) from our Dividend Ruler Stocks list. We make no additions to the list at this time.

Corporate America is getting the message

Dividends for the S&P 500 rose 15% year over year in the first quarter, and are on pace to exceed our estimate of 10% growth for 2012. This comes on top of 16% dividend growth in 2011. It is becoming increasingly clear that management teams are "getting the message." Investors are not satisfied with the lowest interest rates in a generation currently being offered in the government bond market (largely due to the slow growth in the economy and the Federal Reserve's efforts to keep interest rates low) and are looking elsewhere to generate income.

Corporate America is responding to this search for yield by meaningfully boosting dividends. In fact, S&P 500 dividend growth should easily outpace earnings growth in 2012 after both earnings and dividends grew at a mid-teens rate last year. We expect growth in dividends to outpace earnings in 2013 as well, enhancing the appeal of dividend growth companies. With continued growth in dividends as well as the recent downtick in interest rates, the S&P 500 dividend yield is now 20 basis points higher than the interest rate on 10 year treasury bonds (2.1% yield for the stock market versus an interest rate of 1.9% on 10 year treasuries). With dividend growth likely to remain robust for a number of years (dividend payout ratios are still only slightly higher than all time lows and companies are still sitting on over USD 1 trillion of cash) and interest rates likely to move higher over time, the outlook for dividend growth stocks appears far more attractive than the outlook for US treasury securities over the next decade.

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Figure 1: Dividend ruler stocks

| U.S. | Ticker | Current Dividend Yield |
|----------------------------|--------|------------------------|
| AFLAC | AFL | 3.0% |
| Air Products & Chemicals | APD | 3.0% |
| Boeing | BA | 2.3% |
| Coca-Cola | KO | 2.6% |
| Colgate-Palmolive | CL | 2.5% |
| Emerson Electric | EMR | 3.3% |
| ExxonMobil | XOM | 2.7% |
| General Mills | GIS | 3.2% |
| Home Depot | HD | 2.2% |
| Illinois Tool Works | ITW | 2.6% |
| Intel | INTC | 3.0% |
| Johnson & Johnson | JNJ | 3.8% |
| Medtronic Inc. | MDT | 2.5% |
| NextEra Energy | NEE | 3.8% |
| Northeast Utilities | NU | 3.8% |
| Occidental Petroleum | OXY | 2.5% |
| Raytheon | RTN | 3.7% |
| *United Parcel Service | UPS | 2.9% |
| United Technologies | UTX | 2.4% |
| International | ADR | Current Dividend Yield |
| AstraZeneca + | AZN | 6.4% |
| British American Tobacco + | BTI | 4.0% |
| Diageo + | DEO | 2.6% |
| Nestle + | NSRGY | 3.5% |
| Novartis + | NVS | 4.5% |
| Ntt Docomo + | DCM | 4.5% |
| Pearson + | PSO | 3.6% |
| Sanofi-Aventis + | SNY | 4.6% |
| Scotiabank + | BNS | 4.2% |
| TD Bank Financial + | TD | 3.5% |
| Vodafone Group + | VOD | 5.3% |
| WPP + | WPPGY | 3.0% |
| Average | | 3.4% |

* Denotes that stock is currently on the Firm's Restricted List (see page 3 for more details). Note: Stocks that are only covered by UBS Investment Research are annotated as such with a "+" sign. See Description and Methodology on page 6.

Source: UBS WMR, as of 4 May 2012

Dividend ruler stocks

Mega-caps deploy their firepower

Following Apple's lead, ExxonMobil, the second largest company in the S&P 500 by market value (and also a member of the Dividend Ruler stock list), raised its dividend by 21% to become the S&P 500's largest dividend payer by dollar amount. Exxon's annual dividend will total USD 10.7bn in 2012. Two other companies on our Dividend Ruler List announced dividend increases since our last monthly update. Johnson & Johnson increased its dividend by 7%, its 50th consecutive annual dividend hike. JNJ dividends have grown nearly 9% annually over the last five years. And Northeast Utilities announced a 17% increase in its dividend following the completion of its merger with NSTAR, another New England-based utility.

The most dire dividend tax scenarios are unlikely

Investors continue to fret about the potential impact of higher tax rates on dividend income in 2013 following the expiration of the Bush tax cuts. While we acknowledge that the precise tax rate on qualified dividend income beyond the current calendar year is uncertain, a large dividend tax hike appears unlikely. Even if President Obama is re-elected, his administration will still have to negotiate with what is likely to be a Republican controlled Congress. Congressional Republicans will not likely agree to large tax increases. It is also important to bear in mind that investors should not look at dividend tax rates in isolation. Changes to capital gains and ordinary income taxes (both of which are scheduled to rise under current law) will also have a potential impact on investor behavior. Any increase in dividend tax rates will likely be accompanied by an increase in tax rates on other sources of income as well. Further, the impact of tax rate changes on markets is not so straightforward. Pension funds, other retirement accounts and endowments (all of which constitute a substantial portion of financial market holdings and activity) are fairly insensitive to current tax rates because income generated in these accounts is either tax free or tax deferred. Lastly, valuations for dividend growth companies are not demanding. The P/E multiple of the stocks on our Dividend Ruler list is almost exactly in line with the market multiple, suggesting that dividend growth stocks are not currently a "crowded trade" and are likely already factoring in an adverse "policy discount."

Removing AT&T

After strong outperformance over the last five months, we remove AT&T from our list. The shares remain rated Marketperform (covered by George Lambertson).

Fig. 2: Performance - total return

Performance comparison with S&P benchmarks

| | Dividend Ruler Stocks | S&P 500 | S&P Global 1200 |
|----------------------------|--------------------------|------------|--------------------|
| 2003* | 7.2% | 7.4% | 8.1% |
| 2004 | 23.4% | 10.9% | 14.9% |
| 2005 | 5.3% | 4.9% | 10.2% |
| 2006 | 22.8% | 15.8% | 21.5% |
| 2007 | 5.6% | 5.5% | 10.2% |
| 2008 | -23.8% | -37.0% | -40.1% |
| 2009 | 23.2% | 26.5% | 31.7% |
| 2010 | 10.9% | 15.1% | 11.9% |
| 2011 | 7.4% | 2.1% | -5.1% |
| 2012 YTD | 4.4% | 9.6% | 8.1% |
| Since inception (10/17/03) | 111.0% | 56.6% | 66.0% |

* 2003 data include the total return from inception on 17 Oct. 2003. Source: DataStream, FactSet and UBS WMR, as of 4 May 2012

Dividend ruler stocks

UBS WMR Div Ruler Stock List Investment Thesis

| Name | UBS WMR Dividend Ruler Stock List Investment Thesis |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Consumer Discretionary | |
| Home Depot | Stabilizing housing market, roll-out of new regional distribution centers, technological and operational upgrades, should enhance efficiency and lead to solid earnings growth. |
| Pearson | Pearson has a leading position in textbooks. Transition to digital is driving strong revenue gains and now accounts for one third of sales. |
| WPP | Benefiting from growth in digital media (where WPP has a leading share) and emerging markets which each account for 30% of total revenues. |
| Consumer Staples | |
| British American Tobacco | British American Tobacco continues to take advantage of emerging markets, with over half of the company's profits derived from this region. |
| Coca Cola | Coke's brands, geographic footprint, product affordability, potential for margin expansion, strong balance sheet and cash flow - position it well in good times and bad. |
| Colgate-Palmolive | Product innovation and low segment penetration rates present an opportunity for Colgate to enjoy continued success in emerging markets, with over 50% of sales from these regions. |
| Diageo | Diageo distribution network, brand strength and growing emerging market demand should support earnings and dividend growth. |
| General Mills | Profit trends to improve as sales benefit from price increases, easing cost inflation and more favorable volume comparisons. |
| Nestle | With its industry-leading global brands and 35% revenue exposure to emerging economies, long-term organic revenue growth of 4-6% should be achievable. |
| Energy | |
| ExxonMobil | Exxon Mobil has an enviable track record of disciplined investment and strong cash flow generation, one of only four companies that has a AAA credit rating in the US. |
| Occidental Petroleum | Recent discovery in California could lead to better than expected growth. Company is recovering from disruptions to Libyan operations. |
| Financials | |
| Aflac | Sales in Japan have been growing nicely, due to effective marketing, popular product design and strong distribution. Strong market share has help maintain steady profit margins. |
| Scotiabank | The company has a solid long-term growth strategy in emerging markets, particularly with its extensive branch network throughout Latin American. 30% of earnings derived overseas. |
| TD Bank Financial | TD has leading positions in Canadian retail banking due to its strong service and convenience model. Loan growth remains strong, which stands out in this market. |
| Health Care | |
| AstraZeneca | AstraZeneca longer-term earnings power should be enhanced by its strong presence in emerging markets. Valuations are attractive relative to peers and history. |
| Johnson & Johnson | Johnson and Johnson is the largest healthcare company in the world, with a strong track record of producing steady earnings growth, margins and return on equity. |
| Medtronic | The company should be able to maintain sales and EPS growth given its continued expansion into non-US markets, focus on chronic diseases and new stream of products. |
| Novartis | Potential for better-than-average industry growth driven by a robust product pipeline, substantial emerging market exposure, and faster-growing non-pharmaceuticals businesses. |
| Sanofi-Aventis | Sanofi continues to transform its business by expanding its emerging markets capabilities; focusing on innovation; and by diversifying through licensing and acquisition deals. |

Dividend ruler stocks

UBS WMR Div Ruler Stock List Investment Thesis

| Name | UBS WMR Dividend Ruler Stock List Investment Thesis |
|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Industrials | |
| Boeing | Commercial aerospace orders should continue to grow in line with economic growth. 787 deliveries have begun and a revamped 737 is sparking interest amongst customers. |
| Emerson Electric | Leveraged to mid- to late-cycle industrial end markets. 34% of revenues derived from emerging markets. Rising capacity utilization should sustain demand for Emerson's products. |
| Illinois Tool Works | Strong track record of growth by acquisition. Further M&A activity, combined with its below-average valuation, should be a catalyst for outperformance. |
| Raytheon | Relatively large overseas business, diversified across programs and contracts & focus on growth in defense electronics & sensor technologies should continue to drive solid earnings. |
| UPS | Industry pricing dynamics are driving positive operating leverage and our expectation for strong earnings gains. |
| United Technologies | UTX has a history of strong execution with leading competitive positions in several attractive end-markets. Should benefit from upturn in commercial aerospace. |
| Materials | |
| Air Products & Chemicals | Essentially operates as unregulated utility, providing a multitude of materials to a broad, diversified number of industries. Should have strong volume leverage and pricing resiliency. |
| Technology | |
| Intel | Intel's new tri-gate transistor will lower power consumption and improve the company's position in the rapidly expanding mobile market. |
| Telecom | |
| NTT Docomo | Profits likely to improve driven by rising average revenue per user and falling capex. Stronger smartphone sales also helping. |
| Vodafone | Vodafone operates one of the fastest data networks in Europe and should be well-positioned to attract customers as smartphone penetration increases; it is only about 20% in Europe. |
| Utilities | |
| NextEra Energy | Valuation is low relative to its earnings growth potential given a bottoming in the Florida housing market and an improving state regulatory environment. |
| Northeast Utilities | Should trade at a premium valuation due to the company's higher-than-peer group earnings growth rate. Significant cost savings should help in coming years. |

Dividend ruler stocks

Figure 4: Dividend Ruler Stocks List metrics

| U.S. | Ticker | Current Dividend Yield | Sector | Dividend 10-Year CAGR | Dividend Growth Consistency |
|----------------------------|--------|------------------------|------------------------|-----------------------|-----------------------------|
| AFLAC | AFL | 3.0% | Financials | 21% | 97% |
| Air Products & Chemicals | APD | 3.0% | Materials | 11% | 97% |
| Boeing | BA | 2.3% | Industrials | 10% | 95% |
| Coca-Cola | KO | 2.6% | Consumer Staples | 10% | 99% |
| Colgate-Palmolive | CL | 2.5% | Consumer Staples | 13% | 97% |
| Emerson Electric | EMR | 3.3% | Industrials | 7% | 93% |
| ExxonMobil | XOM | 2.7% | Energy | 8% | 95% |
| General Mills | GIS | 3.2% | Consumer Staples | 8% | 93% |
| Home Depot | HD | 2.2% | Consumer Discretionary | 20% | 92% |
| Illinois Tool Works | ITW | 2.6% | Industrials | 13% | 95% |
| Intel | INTC | 3.0% | Tech | 25% | 98% |
| Johnson & Johnson | JNJ | 3.8% | HealthCare | 13% | 100% |
| Medtronic Inc. | MDT | 2.5% | HealthCare | 16% | 94% |
| NextEra Energy | NEE | 3.8% | Utilities | 7% | 97% |
| Northeast Utilities | NU | 3.8% | Utilities | 10% | 93% |
| Occidental Petroleum | OXY | 2.5% | Energy | 14% | 90% |
| Raytheon | RTN | 3.7% | Industrials | 7% | 86% |
| *United Parcel Service | UPS | 2.9% | Industrials | 11% | 97% |
| United Technologies | UTX | 2.4% | Industrials | 15% | 99% |
| International | ADR | Current Dividend Yield | Sector | Dividend 10-Year CAGR | Dividend Growth Consistency |
| AstraZeneca + | AZN | 6.4% | HealthCare | 14% | 98% |
| British American Tobacco + | BTI | 4.0% | Consumer Staples | 14% | 96% |
| Diageo + | DEO | 2.6% | Consumer Staples | 6% | 100% |
| Nestle + | NSRGY | 3.5% | Consumer Staples | 11% | 98% |
| Novartis + | NVS | 4.5% | HealthCare | 9% | 95% |
| Ntt Docomo + | DCM | 4.5% | Telecom | 41% | 92% |
| Pearson + | PSO | 3.6% | Consumer Discretionary | 6% | 99% |
| Sanofi-Aventis + | SNY | 4.6% | HealthCare | 16% | 99% |
| Scotiabank + | BNS | 4.2% | Financials | 12% | 92% |
| TD Bank Financial + | TD | 3.5% | Financials | 10% | 97% |
| Vodafone Group + | VOD | 5.3% | Telecom | 20% | 94% |
| WPP + | WPPGY | 3.0% | Consumer Discretionary | 17% | 93% |
| Average | | 3.4% | | | |

* Denotes that stock is currently on the Firm's Restricted List (see page 3 for more details). For more detail on Dividend Ruler Stocks List metrics, please see description and methodology on page 6. Note: Stocks that are only covered by UBS Investment Research are annotated as such with a "+" sign. Source Fact Set and UBS WMR, as of as of 4 May 2012

Dividend ruler stocks

The Dividend Ruler stock list consists of stocks traded on a US exchange and foreign ADRs, that meet the following four criteria:

- *Attractive yield.* Indicated dividend yield equal to or greater than the S&P 500 indicated dividend yield, currently at 2.1%.
- *Solid fundamentals/valuation.* All US-based stocks must be included on the Sector Outperform List from Wealth Management Research (WMR) at the time it is added to the Dividend Ruler Stock List, and must continue to be included on either the Sector Outperform or Sector Marketperform List (from WMR) to remain on the list. In the event that sector research coverage of a stock is not covered by WMR, it will remain eligible for continued inclusion on the list provided that it has a 12-month rated Buy or Neutral recommendation by UBS Investment Research. For ADRs on this list, only Buy-rated stocks by UBS Investment Research are added and each stock will remain eligible for continued inclusion provided that it has a 12-month rated Buy or Neutral recommendation by UBS Investment Research. UBS Investment Research is part of UBS Investment Bank (the UBS business group that includes, among others, UBS Securities LLC). Stocks that are only covered by UBS Investment Research (IR) are annotated as such with a "+" sign.
- *Historical dividend growth.* A 10-year compound annual growth rate of dividends per share (DPS) of greater than 4%.
- *Historical dividend consistency.* R-squared (measure of consistency) of the past 40 quarters' DPS, relative to linear trend line, of greater than 80% for US-based companies; 85% (10 years of annual dividends) for non-US-based companies in local currency.

Note: As dividend income from real estate investment trusts (REIT) are not eligible for the reduced dividend income tax rate of 15% for qualified dividend income, we exclude them from this list. The indicated performance is based on capital appreciation plus dividends of an equal weight portfolio, but does not include transaction costs such as commissions, fees, margin interest, and interest charges. Actual transactions adjusted for such transaction costs will result in reduced total returns. Prices of stocks in this performance reflect closing prices one trading day after the addition or deletion to ensure that changes to the list are announced in a manner that allows clients to match the list's performance. A complete record of all the recommendations upon which the report is based is available from UBS Financial Services Inc. upon written request. Past performance is not an indication of future results.

Treatment of companies on the Firm's Restricted List where securities are included on the Firm's Restricted List (explained in more detail below) are annotated as such with an asterisk, but have been left on their respective investment theme for performance tracking purposes only. At the time the security was added to the investment theme, and until the time it was added to the Restricted List, it met the WMR criteria for inclusion described above. However, while it is on the Restricted List, the firm and authors of this publication are prohibited from expressing their ongoing view of the security. As a matter of course, this should neither be necessarily construed positively or negatively, or as a recommendation to buy, hold or sell the security. The security remains on the investment theme list until such time that the security is removed from the Restricted List, at which time the analyst will either re-affirm his/her ongoing inclusion on the investment-theme list or remove it in accordance with the normal rules for changes to the list outlined above when other stocks are judged to offer more attractive risk/reward trade-offs.

The Firm's Restricted List

The principal reasons that issuers are included on the Firm's Research Restricted list are that one or more legal entities within the UBS group are involved as an advisor and/or underwriter in a publicly announced corporate transaction. Dependent on relevant security regulations /laws, firm policy, the management of conflicts of interest and to avoid the appearance of impropriety, there may be a requirement for all or a combination of the following: restrictions on the publication of new research, suspensions of research ratings and forecasts, prohibitions on making recommendations to clients, restrictions on placing securities into discretionary accounts and prohibitions on proprietary and/or personal account trading in respect of names on the list.

Statement of Risk

Equity markets are difficult to forecast because of fluctuations in the economy, investor psychology, geopolitical conditions, and other important variables.

Dividend ruler stocks

Dividend Ruler Stocks disclosures

The indicated performance in this report is based on capital appreciation plus reinvested dividends of an equal weight portfolio, but does not include transaction costs, such as commissions, fees, margin interest, and interest charges. Actual transactions adjusted for such transaction costs will result in reduced total returns. Prices of stocks in this performance reflect closing prices one trading day after the addition or deletion to ensure that changes to the list are announced in a manner that allows clients to match the list's performance. Since the original report including 212 stock recommendations, 142 advanced and 72 declined. Past performance is not indicative of future results. Source: UBS WMR

| Stock | Ticker | Date of addition | Price when added | Price (May 4,2012) | Total return since addition |
|--------------------------|--------|------------------|------------------|--------------------|-----------------------------|
| AFLAC | AFL | 1/7/2011 | \$55.13 | \$43.48 | -18.5% |
| Air Products & Chemicals | APD | 11/5/2010 | \$87.21 | \$85.52 | 2.0% |
| AstraZeneca | AZN | 6/3/2011 | \$51.43 | \$43.90 | -9.2% |
| Boeing | BA | 11/5/2010 | \$70.21 | \$75.84 | 11.4% |
| British American Tobacco | BTI | 10/2/2009 | \$62.18 | \$103.15 | 87.2% |
| Coca-Cola | KO | 9/30/2005 | \$43.21 | \$77.00 | 115.2% |
| Colgate-Palmolive | CL | 3/27/2009 | \$58.79 | \$99.13 | 83.3% |
| Diageo | DEO | 9/9/2011 | \$75.54 | \$102.91 | 37.7% |
| Emerson Electric | EMR | 5/6/2011 | \$56.18 | \$48.73 | -10.6% |
| ExxonMobil | XOM | 9/10/2010 | \$61.00 | \$84.57 | 43.7% |
| General Mills | GIS | 5/22/2009 | \$26.33 | \$38.32 | 59.5% |
| Home Depot Inc. | HD | 10/2/2009 | \$26.15 | \$51.96 | 113.9% |
| Illinois Tool Works | ITW | 4/9/2010 | \$47.96 | \$56.43 | 24.4% |
| Intel | INTC | 5/6/2011 | \$22.76 | \$27.90 | 26.7% |
| Johnson & Johnson | JNJ | 10/2/2009 | \$59.82 | \$64.74 | 18.1% |
| Medtronic | MDT | 7/9/2010 | \$37.68 | \$38.15 | 5.9% |
| Nestle | NSRGY | 11/6/2009 | \$47.62 | \$59.98 | 36.0% |
| NextEra Energy | NEE | 6/7/2010 | \$49.03 | \$63.57 | 38.9% |
| Northeast Utilities | NU | 10/2/2009 | \$23.26 | \$36.06 | 69.1% |
| Novartis Ag | NVS | 10/2/2009 | \$49.83 | \$54.10 | 20.4% |
| NTT DoCoMo | DCM | 4/23/2009 | \$14.17 | \$16.58 | 27.3% |
| Occidental Petroleum | OXY | 4/10/2012 | \$88.81 | \$87.88 | -1.0% |
| Pearson | PSO | 10/2/2009 | \$12.32 | \$18.71 | 67.0% |
| Raytheon | RTN | 4/9/2010 | \$57.43 | \$53.56 | 0.1% |
| Sanofi-Aventis | SNY | 3/4/2011 | \$35.31 | \$37.80 | 10.8% |
| Scotiabank | BNS | 3/9/2012 | \$54.25 | \$53.04 | -1.3% |
| TD Bank Financial | TD | 3/9/2012 | \$82.96 | \$81.51 | -0.9% |
| United Parcel Service | UPS | 6/7/2010 | \$58.45 | \$77.73 | 40.0% |
| United Technologies | UTX | 3/27/2009 | \$42.60 | \$79.48 | 100.7% |
| Vodafone Group | VOD | 8/5/2011 | \$25.89 | \$27.79 | 11.6% |
| WPP | WPPGY | 2/3/2012 | \$63.20 | \$66.79 | 5.7% |

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| UBS 12-Month Rating | Definition |
|---------------------|---------------------------------------|
| Buy | FSR is > 6% above the MRA. |
| Neutral | FSR is between -6% and 6% of the MRA. |
| Sell | FSR is > 6% below the MRA. |

Key Definitions

Forecast Stock Return (FSR) is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months.

Market Return Assumption (MRA) is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium).

Under Review (UR) Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation.

Exceptions and Special Cases

Core Banding Exceptions (CBE): Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Companies Mentioned or Company Disclosure table in the relevant research piece.

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Appendix

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Statement of Risk

Stock market returns are difficult to forecast because of fluctuations in the economy, investor psychology, geopolitical conditions and other important variables.

Required Disclosures

For a complete set of required disclosures relating to the companies that are the subject of this report, please mail a request to UBS Wealth Management Research Business Management, 1285 Avenue of the Americas, 13th Floor, Avenue of the Americas, New York, NY 10019.

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Analysts provide a relative rating, which is based on the stock's total return potential against the total estimated return of the appropriate sector benchmark over the next 12 months.

Industry sector relative stock view system

Outperform (OUT) Expected to outperform the sector benchmark over the next 12 months.

Marketperform (MKT) Expected to perform in line with the sector benchmark over the next 12 months.

Underperform (UND) Expected to underperform the sector benchmark over the next 12 months.

Under review

Upon special events that require further analysis, the stock rating may be flagged as "Under review" by the analyst.

Suspended

An outperform or underperform rating may be suspended when the stock's performance materially diverges from the performance of its respective benchmark.

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Issuing of research on a company by WMR can be restricted due to legal, regulatory, contractual or best business practice obligations which are normally caused by UBS Investment Bank's involvement in an investment banking transaction in regard to the concerned company.

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Sector analysts are required to have at least one "high conviction" outperform or underperform call for each sector they cover. Analysts have discretion over the selection of a recommendation as high conviction and the grounds for selection (e.g., greatest upside/downside to price target, most/least compelling investment case, etc.). The basis for each high conviction call is set forth in any research report identifying a recommendation as such.

Terms and Abbreviations

| Term / Abbreviation | Description / Definition | Term / Abbreviation | Description / Definition |
|---------------------|--------------------------------------------------------------------------|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A | actual i.e. 2010A | DPS | Dividend per share |
| E | expected i.e. 2011E | NV | Neutral View: The stock is expected to neither outperform nor underperform the relevant benchmark nor significantly appreciate or depreciate in absolute terms. |
| p.a. | Per annum (per year) | Shares o/s | Shares outstanding |
| UP | Underperform: The stock is expected to underperform the sector benchmark | WMR | UBS Wealth Management Research |
| CIO | UBS Chief Investment Office | | |

Appendix

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Version as per June 2011.

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