

# UBS Investment Research

## GUD Holdings Limited

### Strong Dec, less conviction on 2H

#### ■ Solid Xmas, cautious guidance going forward

GUD have announced 1) EBIT for the 6 months to December is expected to be >10% up on pcp, 2) full year EBIT is forecast to be in the range of \$64-68m (UBSe prev \$64.5m), and 3) net borrowing expenses are expected to be materially down year on year. Sunbeam in particular looks to have been a solid contributor through December.

#### ■ Sunbeam enjoyed a good December, Jan looks less impressive

We have raised our FY10 EBIT forecast by 5.8% to \$68.2m. Consumer EBIT forecast is now \$34.3m for FY10, assuming a 1H weighting split of 53% vs 55% in previous years. NPAT forecast is raised by 6% in FY10 and 2% in FY11.

#### ■ Update on 27<sup>th</sup> Jan

We expect more detail on consumer demand and the Breville bid with 1H10 results on 27<sup>th</sup> Jan. On our new forecasts GUD trades on 13x FY11 PE, a justifiable premium to the emerging companies avg PE of 11.5x – our 12 month price target and rating remain restricted.

#### ■ Valuation: no rating

Our valuation and rating is restricted.

Highlights (A\$m)	06/08	06/09	06/10E	06/11E	06/12E
Revenues	535.1	468.4	484.7	500.1	513.3
EBIT (UBS)	68.9	60.8	68.2	69.9	71.6
Net Income (UBS)	41.9	34.8	43.2	44.8	46.0
EPS (UBS, A\$)	0.70	0.60	0.71	0.73	0.76
Net DPS (UBS, A\$)	0.65	0.62	0.69	0.71	0.73
Profitability & Valuation	5-yr hist av.	06/09	06/10E	06/11E	06/12E
EBIT margin %	14.0	13.0	14.1	14.0	13.9
ROIC (EBIT) %	34.3	30.4	34.5	35.5	36.4
EV/EBITDA (core) x	7.4	6.1	8.3	7.7	7.5
PE (UBS) x	12.2	10.1	13.3	12.9	12.5
Net dividend yield %	6.7	10.3	7.3	7.5	7.7

Source: Company accounts, Thomson Reuters, UBS estimates. (UBS) valuations are stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of A\$9.47 on 12 Jan 2010 17:42 EST

Lachlan Parker

Analyst

lachlan-m.parker@ubs.com

+61-2-9324 3671

## Global Equity Research

Australia

Auto Parts

12-month rating	Restricted
12m price target	-

Price A\$9.47/US\$8.81

RIC: GUD.AX BBG: GUD AU

12 January 2010

#### Trading data (local/US\$)

52-wk range	A\$9.62-5.02/US\$8.90-3.23
Market cap.	A\$0.57bn/US\$0.53bn
Shares o/s	60.1m (ORD)
Free float	100%
Avg. daily volume ('000)	203
Avg. daily value (m)	A\$1.8

#### Balance sheet data 06/10E

Shareholders' equity	A\$0.14bn
P/BV (UBS)	4.2x
Net Cash (debt)	(A\$0.08bn)

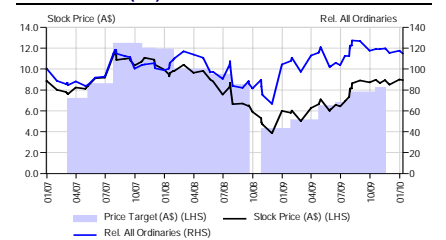
#### Forecast returns

Forecast price appreciation	-
Forecast dividend yield	10.6%
Forecast stock return	-
Market return assumption	9.4%
Forecast excess return	-

#### EPS (UBS, A\$)

	06/10E		Cons.	06/09 Actual
	From	To		
H1E	-	-	-	0.29
H2E	-	-	-	0.31
06/10E	0.67	0.71	0.66	
06/11E	0.72	0.73	0.71	

#### Performance (A\$)



Source: UBS

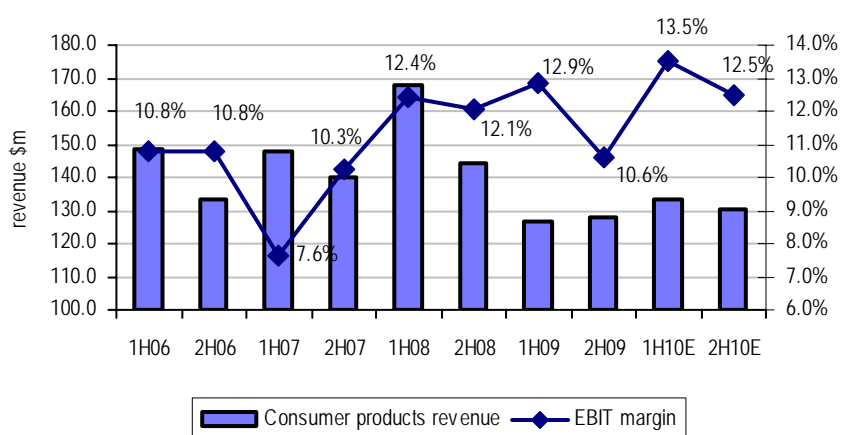
www.ubs.com/investmentresearch

This report has been prepared by UBS Securities Australia Ltd

ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 4.

UBS does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Chart 1: GUD Consumer products margin assumptions



Source: UBS estimates

Table 1: GUD divisional EBIT summary – interims

	1H06	2H06	1H07	2H07	1H08	2H08	1H09	2H09	1H10E	2H10E
<b>EBIT by Division</b>										
Consumer Products	16.0	14.4	11.3	14.3	20.9	17.4	16.3	13.6	18.0	16.3
Automotive	8.9	9.0	8.1	8.8	10.2	9.2	9.8	9.5	10.8	9.9
Water Products	6.6	7.3	10.7	8.5	8.5	5.0	8.4	6.6	8.9	7.6
Security Products	1.1	0.9	1.2	1.1	1.2	1.3	0.5	0.8	0.9	0.8
<b>Total EBIT</b>	<b>32.4</b>	<b>31.2</b>	<b>29.2</b>	<b>31.0</b>	<b>38.3</b>	<b>30.6</b>	<b>32.6</b>	<b>28.2</b>	<b>36.2</b>	<b>32.1</b>
<b>EBIT margin</b>										
Consumer Products	10.8%	10.8%	7.6%	10.3%	12.4%	12.1%	12.9%	10.6%	13.5%	12.5%
Automotive	24.7%	26.0%	23.5%	25.7%	28.0%	26.3%	25.4%	23.9%	26.1%	23.7%
Water Products	13.2%	15.5%	13.9%	11.7%	11.6%	7.8%	12.8%	11.4%	13.2%	12.8%
Security Products	16.2%	14.2%	17.4%	15.2%	16.8%	19.9%	7.8%	15.7%	14.0%	16.2%
<b>Group EBIT margin</b>	<b>13.4%</b>	<b>14.1%</b>	<b>11.0%</b>	<b>12.2%</b>	<b>13.4%</b>	<b>12.3%</b>	<b>13.7%</b>	<b>12.2%</b>	<b>14.6%</b>	<b>13.6%</b>

Source: UBS estimates

# GUD Holdings (GUD.AX)

## MARKET INFORMATION

<b>Rating:</b>	Restricted
Price (as of 12-Jan-10): (A\$)	9.47
<b>Price Target (12 months): (A\$)</b>	-
Shares outstanding: (m)	60.1
Market Capital (A\$ m):	569.4
Avg. daily turnover (A\$ m):	1.7
Year end:	June
Website:	www.gud.com.au
Major Shareholders:	-

## INVESTMENT SUMMARY

(A\$ m)	2009	2010E	2011E	2012E
Net profit [reported]	34.8	43.2	44.8	46.0
Net profit [adjusted]	34.8	43.2	44.8	46.0
EPS [reported]	0.60	0.71	0.73	0.76
<b>EPS [adjusted, diluted]</b>	<b>0.60</b>	<b>0.71</b>	<b>0.73</b>	<b>0.76</b>
EPS Growth (%)	(14.4)	18.6	3.4	2.9
<b>PER [adjusted]* (x)</b>	<b>10.1</b>	<b>13.3</b>	<b>12.9</b>	<b>12.5</b>
Dividend	0.62	0.69	0.71	0.73
Payout ratio, [EPS adj.] (%)	104	97	97	97
<b>Dividend Yield [Net]* (%)</b>	<b>10.3</b>	<b>7.3</b>	<b>7.5</b>	<b>7.7</b>
Shares [period-avg, basic] (m)	58.2	60.1	60.1	60.1
Book value per share	2.18	2.27	2.30	2.32
Price to Book* (x)	2.8	4.2	4.1	4.1
Equity Free Cash Flow Yield (%)	8.6	7.9	7.9	8.3
Franking (%)	100	100	100	100

## PROFIT AND LOSS

(A\$ m)	2009	2010E	2011E	2012E
Revenue	468.4	484.7	500.1	513.3
<b>EBITDA [adjusted]</b>	<b>71.7</b>	<b>79.0</b>	<b>81.2</b>	<b>83.3</b>
Depreciation & Amortisation	(10.9)	(10.8)	(11.3)	(11.7)
<b>EBIT [adjusted]</b>	<b>60.8</b>	<b>68.2</b>	<b>69.9</b>	<b>71.6</b>
Net interest	(11.5)	(6.8)	(6.3)	(6.1)
Income from associates	0.0	0.0	0.0	0.0
Other non-operating items	0.0	0.0	0.0	0.0
<b>Profit before tax [adj]</b>	<b>49.3</b>	<b>61.4</b>	<b>63.6</b>	<b>65.4</b>
Tax on pre-abnormal profit	(14.5)	(18.2)	(18.9)	(19.4)
Minority Interests	0.0	0.0	0.0	0.0
Dividends (preferred)	0.0	0.0	0.0	0.0
<b>Net Profit [adjusted]</b>	<b>34.8</b>	<b>43.2</b>	<b>44.8</b>	<b>46.0</b>
Abnormal Gain/(Loss) after Tax	0.0	0.0	0.0	0.0
<b>Net Profit [reported]</b>	<b>34.8</b>	<b>43.2</b>	<b>44.8</b>	<b>46.0</b>

## BALANCE SHEET

(A\$ m)	2009	2010E	2011E	2012E
Cash & equivalents	16.2	17.7	17.7	17.7
Accounts receivable	62.3	71.7	74.1	76.0
Inventory	82.7	85.8	88.6	90.9
Fixed assets	19.6	21.7	23.5	25.1
Intangibles	91.6	86.2	80.9	75.5
Investments	24.0	24.0	24.0	24.0
Other assets	7.1	7.1	7.1	7.6
<b>Total Assets</b>	<b>303.5</b>	<b>314.2</b>	<b>315.7</b>	<b>316.7</b>
Accounts payable	44.3	49.9	51.5	52.9
Short & long term debt	106.9	100.4	98.9	96.4
Provisions & other	21.1	25.4	25.4	25.9
Preferred securities	0.0	0.0	0.0	0.0
<b>Total liabs &amp; pref shares</b>	<b>172.3</b>	<b>175.7</b>	<b>175.8</b>	<b>175.2</b>
Minorities	0.0	0.0	0.0	0.0
Common equity	131.1	138.5	140.0	141.5
<b>Total liabilities &amp; equity</b>	<b>303.4</b>	<b>314.2</b>	<b>315.8</b>	<b>316.7</b>
<b>Net cash / (debt)</b>	<b>(90.7)</b>	<b>(82.7)</b>	<b>(81.1)</b>	<b>(78.7)</b>

## CASH FLOW

(A\$ m)	2009	2010E	2011E	2012E
Operating income [EBIT, UBS]	60.8	68.2	69.9	71.6
Depreciation & Amortisation	10.9	10.8	11.3	11.7
Net change in working capital	8.6	(1.9)	(3.5)	(2.9)
Other (operating)	0.0	0.0	0.0	0.0
<b>Pre-tax op cash flow</b>	<b>80.3</b>	<b>77.1</b>	<b>77.7</b>	<b>80.3</b>
Interest (paid) / received	(11.6)	(6.8)	(6.3)	(6.1)
Tax paid	(10.8)	(18.2)	(18.9)	(19.4)
Other	0.0	0.0	0.0	0.0
<b>Operating cash flow</b>	<b>57.9</b>	<b>52.0</b>	<b>52.5</b>	<b>54.8</b>
Capital expenditure	(6.8)	(6.8)	(6.8)	(6.8)
<b>Free cash flow</b>	<b>51.1</b>	<b>45.2</b>	<b>45.7</b>	<b>48.0</b>
Net (acquisitions) / disposals	(23.5)	(7.4)	(7.7)	(7.9)
Dividends paid (Common)	(37.6)	(42.1)	(43.3)	(44.5)
Shares issued/(repurchased)	14.1	6.2	0.0	0.0

## COMPANY DESCRIPTION

GUD Holdings (GUD) owns and manages a diverse group of businesses selling branded manufactured products in Australia and New Zealand. GUD operates several of Australia's most established and well-recognised consumer and industrial brands, including Sunbeam appliances, Ryco filters, Davey pumps and Oates cleaning accessories. GUD was formed in 1940 and first listed in 1959.

## KEY RATIOS

	2009	2010E	2011E	2012E
<b>Profitability (%)</b>				
Revenue growth	(12.5)	3.5	3.2	2.6
EBITDA margin	15.3	16.3	16.2	16.2
EBIT margin	13.0	14.1	14.0	13.9
Effective tax rate	29.4	29.6	29.6	29.6
Return on Inv Cap (post-tax)	21.5	24.3	25.0	25.6
Return on Equity	27.7	32.0	32.1	32.7
<b>Capital Structure</b>				
Net Debt / EBITDA (x)	1.2	1.1	1.0	1.0
Net Debt / Common equity (%)	69.1	59.7	57.9	55.6
Net Debt / Core EV* (x)	0.2	0.1	0.1	0.1
Capex / Depreciation (x)	0.6	0.6	0.6	0.6
EBIT / Net Interest (x)	5.3	10.0	11.1	11.7

## PROFIT AND LOSS (HALF YEAR)

(A\$ m)	1H 09	2H 09	1H 10E	2H 10E
Revenue	237.5	230.9	248.3	236.3
<b>EBITDA [adjusted]</b>	<b>37.8</b>	<b>33.9</b>	<b>36.2</b>	<b>32.1</b>
Depreciation & Amortisation	(5.2)	(5.7)	0.0	0.0
<b>EBIT [adjusted]</b>	<b>32.6</b>	<b>28.2</b>	<b>36.2</b>	<b>32.1</b>
Net interest	(8.8)	(2.7)	(3.5)	(3.3)
Income from associates	0.0	0.0	0.0	0.0
Other non-operating items	0.0	0.0	0.0	0.0
<b>Profit before tax [adj]</b>	<b>23.8</b>	<b>25.5</b>	<b>32.7</b>	<b>28.7</b>
Tax on pre-abnormal profit	(7.0)	(7.6)	(9.7)	(8.5)
Minority Interests	0.0	0.0	0.0	0.0
Dividends (preferred)	0.0	0.0	0.0	0.0
<b>Net Profit [adjusted]</b>	<b>16.9</b>	<b>17.9</b>	<b>23.0</b>	<b>20.2</b>
Abnormal Gain/(Loss) after Tax	0.0	0.0	0.0	0.0
<b>Net Profit [reported]</b>	<b>16.9</b>	<b>17.9</b>	<b>23.0</b>	<b>20.2</b>

## ENTERPRISE VALUE\*

(A\$ m)	2009	2010E	2011E	2012E
Market capital	351.9	569.4	569.4	569.4
Net debt / (cash) [avg]	88.4	88.4	81.9	79.9
Estimated share buy backs	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0
Pension provisions	0.0	0.0	0.0	0.0
<b>Total Enterprise Value</b>	<b>440.3</b>	<b>657.8</b>	<b>651.3</b>	<b>649.3</b>
(Non-core assets)	0.0	0.0	(24.0)	(24.0)
<b>Core Enterprise Value</b>	<b>440.3</b>	<b>657.8</b>	<b>627.3</b>	<b>625.3</b>
<b>Core EV Ratios</b>				
EV / Sales	0.9	1.4	1.3	1.2
EV / EBITDA	6.1	8.3	7.7	7.5
EV / EBIT	7.2	9.6	9.0	8.7
EV / OpFCF [post-tax]	6.0	9.4	8.8	8.5
EV / Invested Capital	2.2	3.3	3.2	3.2

## DIVISIONAL BREAKDOWN

(A\$ m)	2009	2010E	2011E	2012E
<b>Total Revenue</b>	<b>468.4</b>	<b>484.7</b>	<b>500.1</b>	<b>513.3</b>
Sunbeam Victa	254.9	263.8	272.3	280.4
Ryco Wesfil	78.4	83.1	86.4	88.2
Davey Pumps	123.6	126.7	129.9	132.5
Lock Focus	11.5	11.0	11.6	12.3
<b>EBIT</b>	<b>60.8</b>	<b>68.2</b>	<b>69.9</b>	<b>71.6</b>
Sunbeam Victa	29.9	34.3	34.3	35.1
Ryco Wesfil	19.3	20.7	20.7	21.2
Davey Pumps	15.0	16.5	17.9	18.3
Lock Focus	1.3	1.7	1.9	2.0
Adjustment	(4.7)	(4.9)	(4.9)	(4.9)

Source: UBS estimates, \* Historical valuations are based on an average share price for the period. Current & future valuations are based on a share price of A\$9.47 on 12-Jan-2010

## ■ GUD Holdings Limited

GUD Holdings (GUD) owns and manages a diverse group of businesses selling branded manufactured products in Australia and New Zealand. GUD operates several of Australia's most established and well-recognised consumer and industrial brands, including Sunbeam appliances, Ryco filters, Davey pumps and Oates cleaning accessories. GUD was formed in 1940 and first listed in 1959.

## ■ Statement of Risk

We believe the key risks include a downturn in spending on homewares in Australia, adverse currency movements, and variations in the cost of raw materials.

## ■ Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

## Required Disclosures

This report has been prepared by UBS Securities Australia Ltd, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit [www.ubs.com/disclosures](http://www.ubs.com/disclosures). The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request.

### UBS Investment Research: Global Equity Rating Allocations

UBS 12-Month Rating	Rating Category	Coverage <sup>1</sup>	IB Services <sup>2</sup>
Buy	Buy	48%	40%
Neutral	Hold/Neutral	40%	35%
Sell	Sell	13%	26%
UBS Short-Term Rating	Rating Category	Coverage <sup>3</sup>	IB Services <sup>4</sup>
Buy	Buy	less than 1%	17%
Sell	Sell	less than 1%	67%

1:Percentage of companies under coverage globally within the 12-month rating category.

2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category.

4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

Source: UBS. Rating allocations are as of 31 December 2009.

### UBS Investment Research: Global Equity Rating Definitions

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.
UBS Short-Term Rating	Definition
Buy	Buy: Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.
Sell	Sell: Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.

**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.

**Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case.

**Equity Price Targets** have an investment horizon of 12 months.

**EXCEPTIONS AND SPECIAL CASES**

**UK and European Investment Fund ratings and definitions are:** Buy: Positive on factors such as structure, management, performance record, discount; Neutral: Neutral on factors such as structure, management, performance record, discount; Sell: Negative on factors such as structure, management, performance record, discount.

**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 Company Disclosures table in the relevant research piece.

Research analysts contributing to this report who are employed by any non-US affiliate of UBS Securities LLC are not registered/qualified as research analysts with the NASD and NYSE and therefore are not subject to the restrictions contained in the NASD and NYSE rules on communications with a subject company, public appearances, and trading securities held by a research analyst account. The name of each affiliate and analyst employed by that affiliate contributing to this report, if any, follows.

**UBS Securities Australia Ltd:** Lachlan Parker.

**Company Disclosures**

<b>Company Name</b>	<b>Reuters</b>	<b>12-mo rating</b>	<b>Short-term rating</b>	<b>Price</b>	<b>Price date</b>
<b>GUD Holdings Limited<sup>3</sup></b>	GUD.AX	Restricted	N/A	A\$8.95	11 Jan 2010

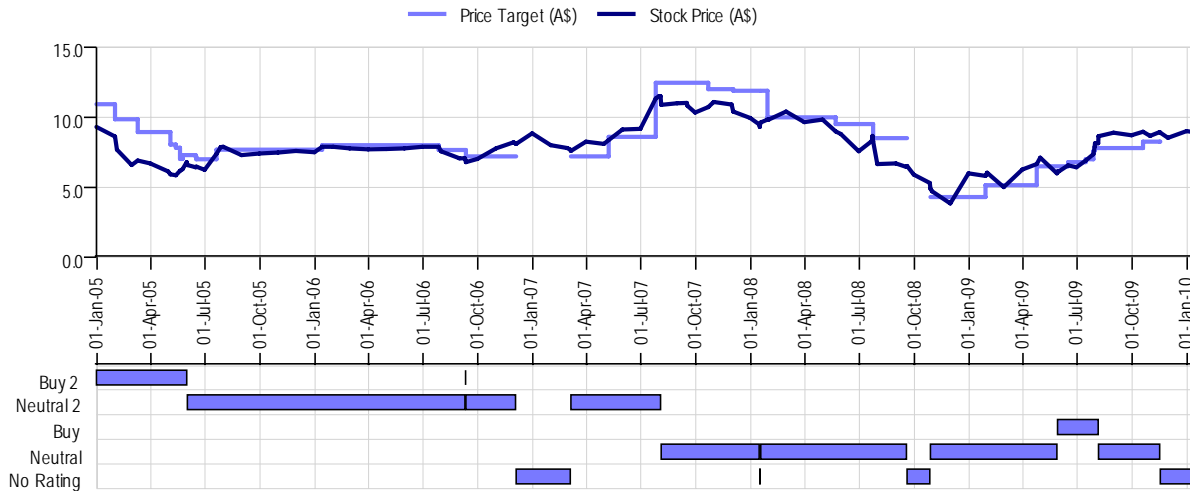
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

- UBS AG, Australia Branch is acting as Financial Adviser to Breville Group Limited on the approach from G.U.D. Holdings Limited and will be receiving a fee for acting in this capacity.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

GUD Holdings Limited (A\$)



Source: UBS; as of 11 Jan 2010

Note: On August 4, 2007 UBS revised its rating system. (See 'UBS Investment Research: Global Equity Rating Definitions' table for details). From September 9, 2006 through August 3, 2007 the UBS ratings and their definitions were: Buy 1 = FSR is > 6% above the MRA, higher degree of predictability; Buy 2 = FSR is > 6% above the MRA, lower degree of predictability; Neutral 1 = FSR is between -6% and 6% of the MRA, higher degree of predictability; Neutral 2 = FSR is between -6% and 6% of the MRA, lower degree of predictability; Reduce 1 = FSR is > 6% below the MRA, higher degree of predictability; Reduce 2 = FSR is > 6% below the MRA, lower degree of predictability. The predictability level indicates an analyst's conviction in the FSR. A predictability level of '1' means that the analyst's estimate of FSR is in the middle of a narrower, or smaller, range of possibilities. A predictability level of '2' means that the analyst's estimate of FSR is in the middle of a broader, or larger, range of possibilities. From October 13, 2003 through September 8, 2006 the percentage band criteria used in the rating system was 10%.

## Global Disclaimer

This report has been prepared by UBS Securities Australia Ltd, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS. In certain countries, UBS AG is referred to as UBS SA.

This report is for distribution only under such circumstances as may be permitted by applicable law. Nothing in this report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances or otherwise constitutes a personal recommendation. It is published solely for information purposes, it does not constitute an advertisement and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments in any jurisdiction. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, except with respect to information concerning UBS AG, its subsidiaries and affiliates, nor is it intended to be a complete statement or summary of the securities, markets or developments referred to in the report. UBS does not undertake that investors will obtain profits, nor will it share with investors any investment profits nor accept any liability for any investment losses. Investments involve risks and investors should exercise prudence in making their investment decisions. The report should not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in this report 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. Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. UBS is under no obligation to update or keep current the information contained herein. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates and other market conditions. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither UBS nor any of its affiliates, nor any of UBS' or 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 report. For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC and/or UBS Capital Markets LP) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this research report. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein.

Any prices stated in this report are for information purposes only and do not represent valuations for individual securities or other instruments. There is no representation that any transaction can or could have been effected at those prices and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions, by UBS or any other source, may yield substantially different results.

**United Kingdom and the rest of Europe:** Except as otherwise specified herein, this material is communicated by UBS Limited, a subsidiary of UBS AG, to persons who are eligible counterparties or professional clients and is only available to such persons. The information contained herein does not apply to, and should not be relied upon by, retail clients. UBS Limited is authorised and regulated by the Financial Services Authority (FSA). UBS research complies with all the FSA requirements and laws concerning disclosures and these are indicated on the research where applicable. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France SA. UBS Securities France S.A. is regulated by the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this report, the report is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:** Prepared by UBS Menkul Değerler AS on behalf of and distributed by UBS Limited. **Russia:** Prepared and distributed by UBS Securities CJSC. **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A.. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this report, the report is also deemed to have been prepared by UBS Italia Sim S.p.A.. **South Africa:** UBS South Africa (Pty) Limited (Registration No. 1995/011140/07) is a member of the JSE Limited, the South African Futures Exchange and the Bond Exchange of South Africa. UBS South Africa (Pty) Limited is an authorised Financial Services Provider. Details of its postal and physical address and a list of its directors are available on request or may be accessed at <http://www.ubs.co.za>. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a "non-US affiliate"), to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a report prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this report must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. **Canada:** Distributed by UBS Securities Canada Inc., a subsidiary of UBS AG and a member of the principal Canadian stock exchanges & CIPF. A statement of its financial condition and a list of its directors and senior officers will be provided upon request. **Hong Kong:** Distributed by UBS Securities Asia Limited. **Singapore:** Distributed by UBS Securities Pte. Ltd or UBS AG, Singapore Branch. **Japan:** Distributed by UBS Securities Japan Ltd to institutional investors only. Where this report has been prepared by UBS Securities Japan Ltd, UBS Securities Japan Ltd is the author, publisher and distributor of the report. **Australia:** Distributed by UBS AG (Holder of Australian Financial Services License No. 231087) and UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098) only to 'Wholesale' clients as defined by s761G of the Corporations Act 2001. **New Zealand:** Distributed by UBS New Zealand Ltd. An investment adviser and investment broker disclosure statement is available on request and free of charge by writing to PO Box 45, Auckland, NZ. **Dubai:** The research prepared and distributed by UBS AG Dubai Branch, is intended for Professional Clients only and is not for further distribution within the United Arab Emirates.

The disclosures contained in research reports produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS specifically prohibits the redistribution of this material in whole or in part without the written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect. © UBS 2010. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

