

UBS AG  
Form 424B2  
October 23, 2018

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**The information in this preliminary pricing supplement is not complete and may be changed. This preliminary pricing supplement is not an offer to sell nor does it seek an offer to buy these notes in any jurisdiction where the offer or sale is not permitted.**

Subject to Completion. Dated October 23, 2018.

## UBS AG

\$

Capped Leveraged Basket-Linked Medium-Term Notes due

**The notes will not bear interest.** The amount that you will be paid on your notes on the stated maturity date (expected to be the second business day after the determination date) is based on the performance of an unequally-weighted basket of five indices: the EURO STOXX 50<sup>®</sup> Index (36.00% weighting), TOPIX<sup>®</sup> Index (27.00% weighting), FTSE<sup>®</sup> 100 Index (20.00% weighting), Swiss Market Index (SMI)<sup>®</sup> (9.00% weighting) and S&P/ASX 200 Index (8.00% weighting) (each a “basket underlier” and together, the “basket underliers”) as measured from the trade date to and including the determination date (expected to be between 21 and 24 months after the trade date). The initial basket level will be set to 100 on the trade date and the final basket level (the basket closing level on the determination date) will equal the *sum* of the products, as calculated for each basket underlier, of: (i) the final underlier level of such basket underlier *times* (ii) the weighting multiplier for such basket underlier. The weighting multiplier will equal, for each basket underlier, a positive amount equal to the *quotient* of (i) the *product* of the initial basket level *times* the weighting percentage for such basket underlier *divided by* (ii) the initial underlier level for such basket underlier. If the final basket level on the determination date is greater than the initial basket level, the return on your notes will be positive, subject to the maximum settlement amount (expected to be between \$2,641.60 and \$2,926.00 for each \$1,000 face amount of your notes). If the final basket level is equal to the initial basket level, you will receive the face amount of your notes. **If the final basket level on the determination date is less than the initial basket level, the return on your notes will be negative. Specifically, you will lose 1% of the face amount of each of your notes for every 1% negative basket return. You could lose your entire investment in the notes.**

To determine your cash settlement amount, we will calculate the basket return, which is the percentage increase or decrease in the final basket level from the initial basket level. On the stated maturity date, for each \$1,000 face amount of your notes, you will receive an amount in cash equal to:

- if the basket return is *positive* (the final basket level is *greater than* the initial basket level), the *sum* of (i) \$1,000 *plus* (ii) the *product* of (a) \$1,000 *times* (b) the upside participation rate of 300.00% *times* (c) the basket return, subject to the maximum settlement amount;
- if the basket return is *zero* (the final basket level is *equal to* the initial basket level), \$1,000; or
- if the basket return is *negative* (the final basket level is *less than* the initial basket level), the sum of (i) \$1,000 *plus* (ii) the *product* of (a) the basket return *times* (b) \$1,000.

**Your investment in the notes involves certain risks, including, among other things, our credit risk. See “Additional Risk Factors Specific To Your Notes” beginning on page 14 of this preliminary pricing supplement.** You should read the additional disclosure herein so that you may better understand the terms and risks of your investment.

**The estimated initial value of the notes as of the trade date is expected to be between \$959.10 and \$989.10 per \$1,000 face amount. The range of the estimated initial value of the notes was determined on the date hereof by**

reference to UBS' internal pricing models, inclusive of the internal funding rate. For more information about secondary market offers and the estimated initial value of the notes, see "Additional Risk Factors Specific To Your Notes — Fair Value Considerations" and "Additional Risk Factors Specific To Your Notes — Limited or No Secondary Market and Secondary Market Price Considerations" on pages 15 and 16 of this preliminary pricing supplement.

**Original issue date:** , 2018                      **Original issue price:** 100.00% of the face amount  
**Underwriting discount:** % of the face amount    **Net proceeds to the issuer:** % of the face amount

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these notes or passed upon the accuracy or adequacy of this preliminary pricing supplement, the accompanying product supplement, the accompanying index supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense. The notes are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.**

### UBS Securities LLC

Pricing Supplement dated , 2018.

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The issue price, underwriting discount and net proceeds listed above relate to the notes we sell initially. We may decide to sell additional notes after the date of the final pricing supplement, at issue prices and with underwriting discounts and net proceeds that differ from the amounts set forth above. The return (whether positive or negative) on your investment in the notes will depend in part on the issue price you pay for such notes.

UBS Securities LLC, our affiliate, will purchase the notes from UBS for distribution to one or more registered broker dealers ("dealers"). UBS Securities LLC, the dealers or any of their respective affiliates may use this preliminary pricing supplement in market-making transactions in notes after their initial sale. **Unless UBS, UBS Securities LLC, the dealers or any of their respective affiliates selling such notes to you informs you otherwise in the confirmation of sale, the pricing supplement to which this preliminary pricing supplement relates is being used in a market-making transaction.** See "Supplemental plan of distribution (conflicts of interest); secondary markets (if any)" in this preliminary pricing supplement and "Supplemental Plan of Distribution (Conflicts of Interest)" in the accompanying product supplement.

## SUMMARY INFORMATION

UBS has filed a registration statement (including a prospectus, as supplemented by a product supplement for the notes and an index supplement for various securities we may offer, including the notes), with the Securities and Exchange Commission, or SEC, for the offering to which this preliminary pricing supplement relates. Before you invest, you should read these documents and any other documents relating to this offering that UBS has filed with the SEC for more complete information about UBS and this offering. You may obtain these documents without cost by visiting EDGAR on the SEC website at [www.sec.gov](http://www.sec.gov). Our Central Index Key, or CIK, on the SEC website is 0001114446.

You may access these documents on the SEC website at [www.sec.gov](http://www.sec.gov) as follows:

Underlier-Linked Notes product supplement dated May 2, 2016:

<http://www.sec.gov/Archives/edgar/data/1114446/000119312516572379/d174905d424b2.htm>

Index Supplement dated April 29, 2016:

<http://www.sec.gov/Archives/edgar/data/1114446/000119312516569883/d163530d424b2.htm>

Prospectus dated April 29, 2016:

<http://www.sec.gov/Archives/edgar/data/1114446/000119312516569341/d161008d424b3.htm>

References to “UBS,” “we,” “our” and “us” refer only to UBS AG and not to its consolidated subsidiaries. In this preliminary pricing supplement, “notes” refer to the Capped Leveraged Basket-Linked Medium-Term Notes that are offered hereby, unless the context otherwise requires. Also, references to the “accompanying product supplement” mean the UBS Underlier-Linked Notes product supplement, dated May 2, 2016, references to the “accompanying index supplement” mean the UBS index supplement dated April 29, 2016 and references to the “accompanying prospectus” mean the UBS prospectus titled “Debt Securities and Warrants,” dated April 29, 2016.

This preliminary pricing supplement, together with the documents listed above, contains the terms of the notes and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in “Additional Risk Factors Specific To Your Notes” beginning on page 14 and in “Risk Factors” on page PS-35 in the accompanying product supplement, as the notes involve risks not associated with conventional debt securities. We urge you to consult your investment, legal, tax and other advisors before deciding to invest in the notes.

UBS reserves the right to change the terms of, or reject any offer to purchase, the notes prior to their issuance. In the event of any changes to the terms of the notes, UBS will notify you and you will be asked to accept such changes in connection with your purchase. You may also choose to reject such changes in which case UBS may reject your offer to purchase.

## INVESTOR SUITABILITY

### **The notes may be suitable for you if:**

.. You fully understand the risks inherent in an investment in the notes, including the risk of loss of your entire initial investment.

You can tolerate a loss of all or a substantial portion of your investment and are willing to make an investment that has the same downside market risk as an investment in the basket underliers or in the stocks comprising the basket underliers (the “underlier stocks”).

You believe the level of the basket will appreciate over the term of the notes and the final basket level is unlikely to exceed the cap level (to be set on the trade date and expected to be between 154.72% and 164.20% of the initial basket level).

You understand and accept that your return on the notes is limited by the maximum settlement amount and you are willing to invest in the notes based on the maximum settlement amount (to be set on the trade date and expected to be between \$2,641.60 and \$2,926.00 for each \$1,000.00 face amount of your notes).

.. You can tolerate fluctuations in the price of the notes throughout their term that may be similar to or exceed the downside fluctuations in the level of the basket underliers or the price of the underlier stocks.

.. You do not seek guaranteed current income from your investment and are willing to forego any dividends paid on the underlier stocks.

.. You are willing to hold the notes to maturity, a term expected to be between 21 and 24 months, and accept that there may be little or no secondary market for the notes.

.. You seek an investment with exposure to companies in the Eurozone, Japan, United Kingdom, Switzerland and Australia.

.. You are willing to assume the credit risk of UBS for all payments under the notes, and understand that if UBS defaults on its obligations you may not receive any amounts due to you including any repayment of principal.

You understand that the estimated initial value of the notes determined by our internal pricing models is lower than the issue price and that should UBS Securities LLC or any affiliate make secondary markets for the notes, the price (not including their customary bid-ask spreads) will temporarily exceed the internal pricing model price.

### **The notes may not be suitable for you if:**

.. You do not fully understand the risks inherent in an investment in the notes, including the risk of loss of your entire initial investment.

.. You require an investment designed to guarantee a full return of principal at maturity.

.. You cannot tolerate a loss of all or a substantial portion of your investment or are not willing to make an investment that has the same downside market risk as an investment in the basket underliers or in the underlier stocks.

You believe that the level of the basket will decline during the term of the notes or you believe the level of the basket will appreciate over the term of the notes and that the final basket level is likely to exceed the cap level (to be set on the trade date and expected to be between 154.72% and 164.20% of the initial basket level).

You seek an investment that has unlimited return potential without a cap on appreciation or you are unwilling to invest in the notes based on the maximum settlement amount (to be set on the trade date and expected to be between \$2,641.60 and \$2,926.00 for each \$1,000.00 face amount of your notes).

.. You cannot tolerate fluctuations in the price of the notes throughout their term that may be similar to or exceed the downside fluctuations in the level of the basket underliers or the price of the underlier stocks.

.. You seek guaranteed current income from this investment or prefer to receive the dividends paid on the underlier stocks.

.. You are unable or unwilling to hold the notes to maturity, a term expected to be between 21 and 24 months, or you seek an investment for which there will be an active secondary market.

.. You do not seek an investment with exposure to companies in the Eurozone, Japan, United Kingdom, Switzerland and Australia.

.. You are not willing to assume the credit risk of UBS for all payments under the notes.

The investor suitability considerations identified above are not exhaustive. Whether or not the notes are a suitable investment for you will depend on your individual circumstances and you should reach an investment decision only after you and your investment, legal, tax, accounting and other advisors have carefully considered the suitability of an investment in the notes in light of your particular circumstances. You should also review “Additional Risk Factors Specific To Your Notes” in this preliminary pricing supplement and the more detailed “Risk Factors” in the accompanying product supplement for risks related to an investment in the notes.

**KEY TERMS**

**Issuer:** UBS AG London Branch

**Underlier:** An unequally-weighted basket of five indices. For more information about the indices see “The Basket and the Basket Underliers” on page 22 in this preliminary pricing supplement.

**About the Basket:** The following table lists the basket underliers and their corresponding Bloomberg tickers, percentage weights in the basket, weighting multipliers and initial underlier levels. The weighting multipliers and the initial underlier levels will not be determined until the trade date.

<b>Bloomberg Ticker</b>	<b>Basket Underlier</b>	<b>Percentage Weight in the Basket</b>	<b>Weighting Multiplier (to be set on the trade date)</b>	<b>Initial Underlier Level (to be set on the trade date)</b>
SX5E	EURO STOXX 50 <sup>®</sup> Index	36.00%	•	•
TPX	TOPIX <sup>®</sup> Index	27.00%	•	•
UKX	FTSE <sup>®</sup> 100 Index	20.00%	•	•
SMI	Swiss Market Index (SMI) <sup>®</sup>	9.00%	•	•
AS51	S&P/ASX 200 Index	8.00%	•	•

**Specified currency:** U.S. dollars (“\$”)

**Terms to be specified in accordance with the accompanying product supplement:**

• **type of notes:** notes linked to an unequally-weighted basket of five indices

• **averaging dates:** not applicable

• **cap level:** yes, as described below

• **buffer level:** not applicable

• **interest:** not applicable

**Face amount:** Each note will have a face amount of \$1,000; \$ \_\_\_\_\_ in the aggregate for all the offered notes; the aggregate face amount of the offered notes may be increased if the issuer, at its sole option, decides to sell an additional aggregate face amount of the notes subsequent to the date of the final pricing supplement. The issue price, underwriting discount, and net proceeds of the notes in the subsequent sale may differ substantially (higher or lower) from the original issue price you paid as provided on the cover of the final pricing supplement. The return (whether positive or negative) on your investment in the notes will depend in part on the issue price you pay for such notes.

**Purchase at amount other than face amount:** The amount we will pay you at the stated maturity date for your notes will not be adjusted based on the issue price you pay for your notes, so if you acquire notes at a premium (or discount) to face amount and hold them to the stated maturity date, it could affect your investment in a number of ways. The return on your investment in such notes will be lower (or higher) than it would have been had you purchased the notes at face amount. Also, the cap level would be triggered at a lower (or higher) percentage return than indicated below, relative to your initial investment. See “Additional Risk Factors Specific To Your Notes — If You Purchase Your Notes at a Premium to Face Amount, the Return on Your Investment Will Be Lower Than the Return on Notes Purchased at Face Amount and the Impact of Certain Key Terms of the Notes Will be Negatively Affected” beginning on page 17 in this preliminary pricing supplement.

**Supplemental discussion of U.S. federal income tax consequences:** You will be obligated pursuant to the terms of the notes — in the absence of a change in law, an administrative determination or a judicial ruling to the contrary — to characterize each note for all tax purposes as a pre-paid derivative contract in respect of the underlier, as described under “Supplemental U.S. Tax Considerations” in the accompanying product supplement. Pursuant to this approach, based on certain factual representations received from us, our counsel, Cadwalader, Wickersham & Taft LLP, is of the opinion that upon the taxable disposition of your notes, it would be reasonable for you to recognize capital gain or loss equal to the difference, if any, between the amount of cash you receive at such time and your tax basis in your notes. The Internal Revenue Service (the “IRS”) might not agree with this treatment, however, in which case, the timing and character of income or loss on your note could be materially and adversely affected.

Additionally, we will not attempt to ascertain whether any issuers of the underlier stocks would be treated as a “passive foreign investment company” (a “PFIC”) within the meaning of Section 1297 of the Internal Revenue Code of 1986, as amended (the “Code”). If any such entity were so treated, certain adverse U.S. federal income tax consequences might apply to U.S. holders upon the taxable disposition (including cash settlement) of the notes. You should refer to information filed with the SEC or an equivalent governmental authority by such entities and consult your tax advisor regarding the possible consequences to you if any such entity is or becomes a PFIC.

A 30% withholding tax (which may be reduced by an applicable income tax treaty) is imposed under Section 871(m) of the Code on certain “dividend equivalents” paid or deemed paid to a non-U.S. holder with respect to a “specified equity-linked instrument” that references one or more dividend-paying U.S. equity securities or indices containing U.S. equity securities. The withholding tax can apply even if the instrument does not provide for payments that reference dividends. U.S. Treasury Department (“Treasury”) regulations provide that the withholding tax applies to all dividend equivalents paid or deemed paid on specified equity-linked instruments that have a delta of one (“delta one specified equity-linked instruments”) issued after 2016 and to all dividend equivalents paid or deemed paid on all other specified equity-linked instruments issued after 2018. However, the IRS has issued guidance that states that the Treasury and the IRS intend to amend the effective dates of the Treasury regulations to provide that withholding on dividend equivalents paid or deemed paid will not apply to specified equity-linked instruments that are not delta one specified equity-linked instruments and are issued before January 1, 2021.

Based on our determination that the notes are not “delta-one” with respect to any basket underliers or U.S. underlier stocks, our counsel is of the opinion that the notes should not be delta one specified equity-linked instruments and thus should not be subject to withholding on dividend equivalents. Our determination is not binding on the IRS, and the IRS may disagree with this determination. Furthermore, the application of Section 871(m) of the Code will depend on our determinations made upon issuance of the notes. If withholding is required, we will not make payments of any additional amounts.

Nevertheless, after issuance, it is possible that your notes could be deemed to be reissued for tax purposes upon the occurrence of certain events affecting the basket underliers, underlier stocks or your notes, and following such occurrence your notes could be treated as delta one specified equity-linked instruments that are subject to withholding on dividend equivalents. It is also possible that withholding tax or other tax under Section 871(m) of the Code could apply to the notes under these rules if you enter, or have entered, into certain other transactions in respect of the basket underliers, underlier stocks or the notes. If you enter, or have entered, into other transactions in respect of the basket underliers, underlier stocks or the notes you should consult your tax advisor regarding the application of Section 871(m) of the Code to your notes in the context of your other transactions.

**Because of the uncertainty regarding the application of the 30% withholding tax on dividend equivalents to the notes, you are urged to consult your tax advisor regarding the potential application of Section 871(m) of the Code and the 30% withholding tax to an investment in the notes.**

Pursuant to final and temporary Treasury regulations and IRS Notice 2015-66, the withholding and reporting requirements under the Foreign Account Tax Compliance Act generally apply to certain “withholdable payments” and, if made after December 31, 2018, payments of certain gross proceeds on a sale or disposition and certain foreign passthru payments made after December 31, 2018 (or, if later, the date that final regulations defining the term “foreign pass-thru payment” are published). We will not pay additional amounts with respect to such withholding taxes discussed above.

Subject to the paragraph above, investors should read the discussion under “Supplemental U.S. Tax Considerations — Non-United States Holders — Foreign Account Tax Compliance Act” beginning on page PS-77 in the accompanying product supplement and consult their tax advisors concerning the potential application of the Foreign Account Tax Compliance Act.

For more information about the tax consequences of an investment in the notes, you should review carefully the section of the accompanying product supplement entitled “Supplemental U.S. Tax Considerations”.

**Cash settlement amount (on the stated maturity date):** for each \$1,000 face amount of your notes, we will pay you on the stated maturity date an amount in cash equal to:

- if the final basket level is *greater than or equal to* the cap level, the maximum settlement amount;
- if the final basket level is *greater than* the initial basket level but *less than* the cap level, the sum of (i) \$1,000 *plus* (ii) the product of (a) \$1,000 *times* (b) the upside participation rate *times* (c) the basket return;
- if the final basket level is equal to the initial basket level, \$1,000; or
- if the final basket level is *less than* the initial basket level, the sum of (i) \$1,000 *plus* (ii) the product of (a) \$1,000 *times* (b) the basket return.

**Initial basket level:** to be set equal to 100 on the trade date

**Basket closing level:** for any given trading day, the *sum* of the products, as calculated for each basket underlier, of the closing level for each basket underlier on such trading day *multiplied by* the weighting multiplier for each such basket underlier

**Closing level:** as described under “General Terms of the Notes — Closing Level” in the accompanying product supplement

**Initial underlier level:** for each of the basket underliers, the closing level of such basket underlier on the trade date, as determined by the calculation agent

**Final underlier level:** for each of the basket underliers, the closing level of such basket underlier on the determination date, as determined by the calculation agent

**Final basket level:** the basket closing level on the determination date, except in the limited circumstances described under “General Terms of the Notes — Market Disruption Event — Consequences of a Market Disruption Event or a Non-Trading Day” and “General Terms of the Notes — Discontinuance of or Adjustments to the Index Underlier or an Index Basket Underlier; Alteration of Method of Calculation” in the accompanying product supplement

**Basket return:** the *quotient* of (1) the final basket level *minus* the initial basket level *divided by* (2) the initial basket level, expressed as a percentage

**Weighting percentage:** for each basket underlier, the applicable percentage weight of such basket underlier within the basket of underliers as set forth under “About the Basket” on page 3; the sum of the weighting percentages of all basket underliers will equal 100%



**Weighting multiplier:** for each basket underlier, a positive amount equal to the *quotient* of (i) the *product* of the initial basket level *times* the weighting percentage for such basket underlier *divided* by (ii) the initial

underlier level for such basket underlier; the weighting multipliers will remain constant for the life of the notes

**Upside participation rate:** 300.00%

**Cap level (to be set on the trade date):** a level of the basket expected to be between 154.72% and 164.20% of the initial basket level

**Maximum settlement amount (to be set on the trade date):** expected to be between \$2,641.60 and \$2,926.00

**Trade date:** [ ]

**Original issue date (settlement date) (to be set on the trade date):** expected to be the fifth business day following the trade date

**Determination date (to be set on the trade date):** a specified date that is expected to be between 21 and 24 months after the trade date, subject to adjustment as described under “General Terms of the Notes — Determination Date” in the accompanying product supplement, provided, however, that the determination date may not be postponed to a date later than the originally scheduled stated maturity date (which is two (2) business days after the determination date) or, if the originally scheduled stated maturity date is not a business day, the first succeeding business day.

**Stated maturity date (to be set on the trade date):** a specified date that is expected to be the second business day after the determination date, subject to adjustment as described under “General Terms of the Notes — Stated Maturity Date” in the accompanying product supplement, provided, however, that if the determination date is postponed as provided under “Determination date” above, the stated maturity date will be postponed by the same number of business day(s) from but excluding the originally scheduled determination date to and including the actual determination date.

**Additional Market Disruption Event:** Notwithstanding any provision to the contrary in the accompanying product supplement, if the EURO STOXX 50<sup>®</sup> Index is calculated and published by its sponsor (the “underlier sponsor”), a market disruption event may occur if (a) underlier stocks constituting 20% or more, by weight, of such basket underlier or any constituent index of such basket underlier, or (b) any option or futures contracts, if available, relating to (i) such basket underlier, (ii) any constituent index of such basket underlier, or (iii) underlier stocks constituting 20% or more, by weight, of such basket underlier or any constituent index of such basket underlier do not trade on what were the respective primary markets for those underlier stocks or contracts, as determined by the calculation agent, including when one or more applicable markets are closed for trading under ordinary circumstances.

**No interest:** The offered notes will not bear interest.

**No redemption:** The offered notes will not be subject to a redemption right or price dependent redemption right.

**No listing:** The offered notes will not be listed on any securities exchange or interdealer quotation system.

**Business day:** as described under “General Terms of the Notes — Business Day” in the accompanying product supplement

**Trading day:** When we refer to a trading day with respect to a basket underlier, we mean (i) for the TOPIX<sup>®</sup> Index, the FTSE<sup>®</sup> 100 Index, the Swiss Market Index (SMI)<sup>®</sup> and the S&P/ASX 200 Index, a day as described under “General Terms of the Notes—Trading Day” in the accompanying product supplement and (ii) for the EURO STOXX<sup>®</sup> 50 Index, a day on which such basket underlier is calculated and published by its underlier sponsor.

**Use of proceeds and hedging:** as described under “Use of Proceeds and Hedging” in the accompanying product supplement

**ERISA:** as described under “ERISA Considerations” in the accompanying product supplement

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**Supplemental plan of distribution (conflicts of interest); secondary markets (if any):** UBS will agree to sell to UBS Securities LLC, and UBS Securities LLC will agree to purchase from UBS, the aggregate face amount of the notes specified on the front cover of the final pricing supplement. UBS Securities LLC proposes initially to offer the notes to certain unaffiliated securities dealers at an original issue price set forth on the cover page of this preliminary pricing supplement.

We expect to deliver the notes against payment therefor in New York, New York on , 2018, which is expected to be the fifth business day following the date of the final pricing supplement and of the pricing of the notes. Under Rule 15c6-1 of the Securities Exchange Act of 1934, as amended, trades in the secondary market generally are required to settle in two business days (T + 2), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on any date prior to two business days before delivery will be required, by virtue of the fact that the notes are initially expected to settle in five business days (T + 5), to specify alternative settlement arrangements to prevent a failed settlement.

*Conflicts of interest:* UBS Securities LLC is an affiliate of UBS and, as such, has a “conflict of interest” in the offering within the meaning of the Financial Industry Regulatory Authority, Inc. (“FINRA”) Rule 5121. In addition, UBS will receive the net proceeds from the initial public offering of the notes, thus creating an additional conflict of interest within the meaning of FINRA Rule 5121. Consequently, the offering is being conducted in compliance with the provisions of FINRA Rule 5121.

*UBS Securities LLC and its affiliates may offer to buy or sell the notes in the secondary market (if any) at prices greater than UBS’ internal valuation:* The value of the notes at any time will vary based on many factors that cannot be predicted. However, the price (not including UBS Securities LLC’s or any affiliate’s customary bid-ask spreads) at which UBS Securities LLC or any affiliate would offer to buy or sell the notes immediately after the trade date in the secondary market is expected to exceed the estimated initial value of the notes as determined by reference to our internal pricing models. The amount of the excess will decline to zero on a straight line basis over a period ending no later than 3 months after the trade date, provided that UBS Securities LLC may shorten the period based on various factors, including the magnitude of purchases and other requests from and negotiated arrangements with selling agents. Notwithstanding the foregoing, UBS Securities LLC and its affiliates are not required to make a market for the notes and may stop making a market at any time. For more information about secondary market offers and the estimated initial value of the notes, see “Additional Risk Factors Specific To Your Notes — Fair value considerations” and “Additional Risk Factors Specific To Your Notes — Limited or No Secondary Market and Secondary Market Price Considerations” in this preliminary pricing supplement.

*Prohibition of Sales to EEA Retail Investors:* The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended (“MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC, as amended, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC, as amended. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended (the “PRIIPs Regulation”), for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**Calculation agent:** UBS Securities LLC

**CUSIP no.:** 90270KUZ0

**ISIN no.:** US90270KUZ01

**FDIC:** The notes are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

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**HYPOTHETICAL EXAMPLES**

The following table and chart are provided for purposes of illustration only. They should not be taken as an indication or prediction of future investment results and are intended merely to illustrate the impact that the various hypothetical final basket levels on the determination date could have on the cash settlement amount at maturity assuming all other variables remain constant.

The examples below are based on a range of final basket levels that are entirely hypothetical; no one can predict what the basket level will be on any day throughout the life of your notes, and no one can predict what the final basket level will be on the determination date. The levels of the basket underliers have been volatile in the past — meaning that the levels of the basket underliers have changed considerably in relatively short periods — and their performance (and therefore the performance of the basket) cannot be predicted for any future period.

The information in the following examples reflects hypothetical rates of return on the offered notes assuming that they are purchased on the original issue date at the face amount and held to the stated maturity date. If you sell your notes in a secondary market prior to the stated maturity date, your return will depend upon the market value of your notes at the time of sale, which may be affected by a number of factors that are not reflected in the table below such as interest rates, the volatility of the basket underliers and the underlier stocks and our creditworthiness. In addition, the estimated value of your notes at the time the terms of your notes are set on the trade date (as determined by reference to our pricing models) will be less than the original issue price of your notes. For more information on the estimated value of your notes, see “Additional Risk Factors Specific To Your Notes — Fair Value Considerations — The Issue Price You Pay for the Notes Will Exceed Their Estimated Initial Value” in this preliminary pricing supplement. The information in the table also reflects the key terms and assumptions in the box below.

**Key Terms and Assumptions**

Face amount	\$1,000.00
Initial basket level	100
Upside participation rate	300.00%
Cap level	159.460% of the initial basket level (the midpoint of the range set forth herein)
Maximum settlement amount	\$2,783.80 (the midpoint of the range set forth on the cover page of this preliminary pricing supplement)

Neither a market disruption event nor a non-trading day occurs on the originally scheduled determination date. No change in or affecting any of the underlier stocks or the method by which any of the underlier sponsors calculate the respective basket underliers.

Notes are purchased on original issue date at the face amount and held to the stated maturity date.

Moreover, we have not yet set the initial underlier level or the weighting multiplier for each basket underlier that will serve as the baseline for determining the basket return or the cap level or the maximum settlement amount, each of which will affect the amount that we will pay on your notes, if any, at maturity. We will not do so until the trade date. As a result, the actual initial underlier levels for the basket underliers may differ substantially from their respective underlier levels prior to the trade date.

For these reasons, the actual performance of the basket underliers over the life of your notes, as well as the amount payable at maturity, if any, may bear little relation to the hypothetical examples shown below or to the hypothetical historical basket closing levels and historical levels of the basket underliers shown below under “The Basket and Basket Underliers — Hypothetical Historical Basket Level” and “The Basket and Basket Underliers — Historical High, Low and Closing Levels of the Basket Underlier” in this preliminary pricing supplement. Before investing in the offered notes, you should consult publicly available information to determine the levels of the underlier between the date of this preliminary pricing supplement and the date of your purchase of the offered notes.

Also, the hypothetical examples shown below do not take into account the effects of applicable taxes. Because of the U.S. tax treatment applicable to your notes, tax liabilities could affect the after-tax rate of return on your notes to a comparatively greater extent than the after-tax return on the underlier stocks.

Any rate of return you may earn on an investment in the notes may be lower than that which you could earn on a comparable investment in the underlier stocks. Among other things, the return on the notes will not reflect any dividends that may be paid on the underlier stocks.

The levels in the left column of the table below represent hypothetical final basket levels and are expressed as percentages of the initial basket level. The amounts in the right column represent the hypothetical cash settlement amounts, based on the corresponding hypothetical final basket level (expressed as a percentage of the initial basket level), and are expressed as percentages of the face amount of a note (rounded to the nearest one-thousandth of a percent). Thus, a hypothetical cash settlement amount of 100.000% means that the value of the cash payment that we would deliver for each \$1,000.00 of the outstanding face amount of the offered notes on the stated maturity date would equal 100.000% of the face amount of a note, based on the corresponding hypothetical final basket level (expressed as a percentage of the initial basket level) and the assumptions noted above.

<b>Hypothetical Final Basket Level (as Percentage of Initial Basket Level)</b>	<b>Hypothetical Cash Settlement Amount (as Percentage of Face Amount)</b>
180.000%	278.380%
170.000%	278.380%
160.000%	278.380%
<b>159.460%</b>	<b>278.380%</b>
150.000%	250.000%
140.000%	220.000%
130.000%	190.000%
120.000%	160.000%
115.000%	145.000%
110.000%	130.000%
105.000%	115.000%
<b>100.000%</b>	<b>100.000%</b>
95.000%	95.000%
90.000%	90.000%
85.000%	85.000%
80.000%	80.000%
70.000%	70.000%
60.000%	60.000%
50.000%	50.000%
25.000%	25.000%
<b>0.000%</b>	<b>0.000%</b>

If, for example, the final basket level were determined to be 25.000% of the initial basket level, the cash settlement amount that we would deliver on your notes at maturity would be 25.000% of the face amount of your notes, as shown in the table above. As a result, if you purchased your notes on the original issue date at the face amount and held them to the stated maturity date, you would lose 75.000% of your investment (if you purchased your notes at a premium to face amount you would lose a correspondingly higher percentage of your investment). In addition, if the final basket level were determined to be 180.000% of the initial basket level, the cash settlement amount that we would deliver on your notes at maturity would be capped at the maximum settlement amount (expressed as a percentage of the face amount), or 278.380% of each \$1,000.00 face amount of your notes, as shown in the table above. As a result, if you held your notes to the stated maturity date, you would not benefit from any increase in the final basket level over 159.460% of the initial basket level.

The following chart also shows a graphical illustration of the hypothetical cash settlement amounts (expressed as a percentage of the face amount of your notes) that we would pay on your notes on the stated maturity date, if the final basket level (expressed as a percentage of the initial basket level) were any of the hypothetical levels shown on the horizontal axis. The chart shows that any hypothetical final basket level (expressed as a percentage of the initial basket level) of less than 100.000% (the section left of the 100.000% marker on the horizontal axis) would result in a hypothetical cash settlement amount of less than 100.000% of the face amount of your notes (the section below the 100.000% marker on the vertical axis) and, accordingly, in a loss of principal to the holder of the notes. The chart also shows that any hypothetical final basket level (expressed as a percentage of the initial basket level) of greater than or equal to 159.460% (the section right of the 159.460% marker on the horizontal axis) would result in a capped return on your investment.

The cash settlement amounts shown above are entirely hypothetical; they are based on levels of the basket that may not be achieved on the determination date and on assumptions that may prove to be erroneous. The actual market value of your notes on the stated maturity date or at any other time, including any time you may wish to sell your notes, may bear little relation to the hypothetical cash settlement amounts shown above, and these amounts should not be viewed as an indication of the financial return on an investment in the offered notes. The hypothetical cash settlement amounts on notes held to the stated maturity date in the examples above assume you purchased your notes at their face amount and have not been adjusted to reflect the actual issue price you pay for your notes. The return on



your investment (whether positive or negative) in your notes will be affected by the amount you pay for your notes. If you purchase your notes for a price other than the face amount, the return on your investment will differ from, and may be significantly lower than, the hypothetical returns suggested by the above examples. Please read “Additional Risk Factors Specific To Your Notes — Market Risk” and “Additional Risk Factors Specific To Your Notes — If You Purchase Your Notes at a Premium to Face Amount, the Return on Your Investment Will Be Lower Than the Return on Notes Purchased at Face Amount and the Impact of Certain Key Terms of the Notes Will be Negatively Affected” on pages 15 and 17 of this preliminary pricing supplement.

The following examples illustrate the hypothetical cash settlement amount on each \$1,000 face amount note based on hypothetical initial underlier levels of the basket underliers and hypothetical final underlier levels of the basket underliers calculated based on the key terms and assumptions above. The levels in Column A represent the hypothetical initial underlier levels for each basket underlier, and the levels in Column B represent hypothetical final underlier levels for each basket underlier. The percentages in Column C represent the appreciation or depreciation of the hypothetical final underlier levels as compared to the respective hypothetical initial underlier levels. The amounts in Column D represent the hypothetical weighting multiplier for each basket underlier, and the amounts in Column E represent the *products* of Column B *times* the corresponding amounts in Column D. The final basket level for each example is shown beneath each example, and will equal the *sum* of the five products shown in Column E. The basket return for each example is shown beneath the final basket level for such example, and will equal the *quotient* of (i) the final basket level for such example *minus* the initial basket level *divided* by (ii) the initial basket level, expressed as a percentage. The values below have been rounded for ease of analysis.

The hypothetical initial underlier level for each basket underlier of 100.00 has been chosen for illustrative purposes only and does not represent a likely initial underlier level for that basket underlier. Because each hypothetical initial underlier level has been set to 100.00, these examples do not accurately reflect the differences in the levels of the basket underliers. For historical data regarding the actual historical levels of the basket underliers, please see the historical information set forth below under “The Basket and the Basket Underliers”.

**Example 1: The final basket level is greater than the initial basket level and less than the cap level. The cash settlement amount exceeds the \$1,000 face amount.**

Basket Underlier	Column A Hypothetical Initial Underlier Level	Column B Hypothetical Final Underlier Level	Column C Appreciation/ Depreciation	Column D Hypothetical Weighting Multiplier	Column E Column B × Column D
EURO STOXX 50 <sup>®</sup> Index	100.00	105.00	5%	0.360000000	37.80
TOPIX <sup>®</sup> Index	100.00	105.00	5%	0.270000000	28.35
FTSE <sup>®</sup> 100 Index	100.00	105.00	5%	0.200000000	21.00
Swiss Market Index (SMI) <sup>®</sup>	100.00	105.00	5%	0.090000000	9.45
S&P/ASX 200 Index	100.00	105.00	5%	0.080000000	8.40
				Final Basket Level:	105.00
				Basket Return:	5.00 %

In this example, all of the hypothetical final underlier levels for the basket underliers are greater than the applicable hypothetical initial underlier levels, which results in the hypothetical final basket level being greater than the initial basket level of 100.00. Because the hypothetical final basket level of 105.00 exceeds the initial basket level and is less than the cap level, the hypothetical cash settlement amount will equal:

Cash settlement amount =  $\$1,000 + (\$1,000 \times 300.00\% \times 5.00\%) = \$1,150.00$

**Example 2: The final basket level is greater than the initial basket level and greater than or equal to the cap level. The cash settlement amount equals the maximum settlement amount.**

	Column A	Column B	Column C	Column D	Column E
Basket Underlier	Hypothetical Initial Underlier Level	Hypothetical Final Underlier Level	Appreciation/Depreciation	Hypothetical Weighting Multiplier	Column B × Column D
EURO STOXX 50 <sup>®</sup> Index	100.00	170.00	70%	0.360000000	61.20
TOPIX <sup>®</sup> Index	100.00	170.00	70%	0.270000000	45.90
FTSE <sup>®</sup> 100 Index	100.00	170.00	70%	0.200000000	34.00
Swiss Market Index (SMI) <sup>®</sup>	100.00	170.00	70%	0.090000000	15.30
S&P/ASX 200 Index	100.00	170.00	70%	0.080000000	13.60
			Final Basket Level:		170.00
			Basket Return:		70.00 %

In this example, all of the hypothetical final underlier levels for the basket underliers are greater than the applicable hypothetical initial underlier levels, which results in the hypothetical final basket level being greater than the initial basket level of 100.00. Because the hypothetical final basket level of 170.00 exceeds the initial basket level and is greater than the cap level, the hypothetical cash settlement amount will be capped at the maximum settlement amount of \$2,783.80 for each \$1,000 face amount of your notes.

**Example 3: The final basket level is less than the initial basket level. The cash settlement amount is less than the \$1,000 face amount.**

	Column A	Column B	Column C	Column D	Column E
Basket Underlier	Hypothetical Initial Underlier Level	Hypothetical Final Underlier Level	Appreciation/Depreciation	Hypothetical Weighting Multiplier	Column B × Column D
EURO STOXX 50 <sup>®</sup> Index	100.00	40.00	-60%	0.360000000	14.40
TOPIX <sup>®</sup> Index	100.00	100.00	0%	0.270000000	27.00
FTSE <sup>®</sup> 100 Index	100.00	100.00	0%	0.200000000	20.00
Swiss Market Index (SMI) <sup>®</sup>	100.00	130.00	30%	0.090000000	11.70
S&P/ASX 200 Index	100.00	130.00	30%	0.080000000	10.40
			Final Basket Level:		83.50
			Basket Return:		-16.50 %

In this example, the hypothetical final underlier level of the EURO STOXX 50<sup>®</sup> Index is less than its hypothetical initial underlier level, while the hypothetical final underlier levels of the TOPIX<sup>®</sup> Index and FTSE<sup>®</sup> 100 Index are equal to their applicable hypothetical initial underlier levels and the hypothetical final underlier levels of the Swiss Market Index (SMI)<sup>®</sup> and S&P/ASX 200 Index are greater than their applicable hypothetical initial underlier levels.

Because the basket is unequally weighted, increases in the lower weighted basket underliers will be offset by decreases in the more heavily weighted basket underliers. In this example, the large decline in the EURO STOXX 50<sup>®</sup> Index results in the hypothetical final basket level being less than the initial basket level, even though the TOPIX<sup>®</sup> Index and FTSE<sup>®</sup> 100 Index remained flat and the Swiss Market Index (SMI)<sup>®</sup> and the S&P/ASX 200 Index increased.

Because the hypothetical final basket level of 83.50 is less than the initial basket level, the hypothetical cash settlement amount will equal:

$$\text{Cash settlement amount} = \$1,000 + [\$1,000 \times -16.50\%] = \$835.00$$

**Example 4: The final basket level is less than the initial basket level. The cash settlement amount is less than the \$1,000 face amount.**

Basket Underlier	Column A Hypothetical Initial Underlier Level	Column B Hypothetical Final Underlier Level	Column C Appreciation/ Depreciation	Column D Hypothetical Weighting Multiplier	Column E Column B × Column D
EURO STOXX 50 <sup>®</sup> Index	100.00	60.00	-40%	0.360000000	21.60
TOPIX <sup>®</sup> Index	100.00	65.00	-35%	0.270000000	17.55
FTSE <sup>®</sup> 100 Index	100.00	60.00	-40%	0.200000000	12.00
Swiss Market Index (SMI) <sup>®</sup>	100.00	55.00	-45%	0.090000000	4.95
S&P/ASX 200 Index	100.00	70.00	-30%	0.080000000	5.60
			Final Basket Level:		61.70
			Basket Return:		-38.30 %

In this example, the hypothetical final underlier levels for all of the basket underliers are less than the applicable hypothetical initial underlier levels, which results in the hypothetical final basket level being less than the initial basket level of 100.00. Since the hypothetical final basket level of 61.70 is less than the initial basket level, the hypothetical cash settlement amount for each \$1,000 face amount of your notes will equal:

$$\text{Cash settlement amount} = \$1,000 + [\$1,000 \times -38.30\%] = \$617.00$$

*We cannot predict the actual final basket level, the level of any particular basket underlier or what the market value of your notes will be on any particular trading day, nor can we predict the relationship between the basket level and the market value of your notes at any time prior to the stated maturity date. The actual amount that you will receive, if any, at maturity and the rate of return on the offered notes will depend on the actual initial underlier level and weighting multiplier for each basket underlier, the cap level and the maximum settlement amount, which we will set on the trade date, the actual final basket level determined by the calculation agent as described above and the price you pay for your notes. Moreover, the assumptions on which the hypothetical returns are based may turn out to be inaccurate. Consequently, the amount of cash to be paid in respect of your notes, if any, on the stated maturity date may be very different from the information reflected in the table and chart above.*

## **ADDITIONAL RISK FACTORS SPECIFIC TO YOUR NOTES**

*An investment in your notes is subject to the risks described below, as well as the risks described under “Considerations Relating to Indexed Securities” in the accompanying prospectus, dated April 29, 2016, and “Risk Factors” in the accompanying product supplement, dated May 2, 2016. You should carefully review these risks as well as the terms of the notes described herein and in the accompanying prospectus, dated April 29, 2016, as supplemented by the accompanying index supplement, dated April 29, 2016 and the accompanying product supplement, dated May 2, 2016, of UBS. Your notes are a riskier investment than ordinary debt securities. Also, your notes are not equivalent to investing directly in the underlier stocks, i.e., the stocks comprising the basket underliers to which your notes are linked. You should carefully consider whether the offered notes are suited to your particular circumstances.*

### **You May Lose Your Entire Investment In The Notes**

You can lose your entire investment in the notes. The cash payment on your notes, if any, on the stated maturity date will be based on the performance of the basket as measured from the initial basket level set on the trade date to the final basket level on the determination date. If the final basket level is *less than* the initial basket level, you will have a loss for each \$1,000 of the face amount of your notes equal to the *product* of (a) the basket return *times* (b) \$1,000. Thus, you may lose your entire investment in the notes, which would include any premium to face amount you paid when you purchased the notes. Specifically, you will lose 1% of the face amount of each of your notes for every 1% negative basket return.

Also, the market price of your notes prior to the stated maturity date may be significantly lower than the purchase price you pay for your notes. Consequently, if you sell your notes before the stated maturity date, you may receive far less than the amount of your investment in the notes.

### **The Upside Participation Rate Applies Only At Maturity**

You should be willing to hold your notes to maturity. If you are able to sell your notes prior to maturity in the secondary market, the price you receive will likely not reflect the full economic value of the upside participation rate of the notes and the return you realize may be less than the basket return multiplied by the upside participation rate, even if such return is positive. You can receive the full benefit of any positive basket return multiplied by the upside participation rate subject to the maximum settlement amount only if you hold your notes to maturity.

### **The Potential for the Value of Your Notes to Increase Will Be Limited**

Your ability to participate in any change in the value of the basket over the life of your notes and the positive effects of the upside participation rate on any positive basket return will be limited because of the cap level, which will be set on the trade date. The maximum settlement amount will limit the cash settlement amount you may receive for each of your notes at maturity, no matter how much the level of the basket may rise beyond the cap level over the life of your notes. Accordingly, the amount payable for each of your notes may be significantly less than it would have been had you invested directly in the basket underliers.

### **Your Notes Will Not Bear Interest**

You will not receive any interest payments on your notes. As a result, even if the cash settlement amount payable for your notes on the stated maturity date exceeds the face amount of your notes, the overall return you earn on your notes may be less than you would have earned by investing in a conventional debt security of comparable maturity that bears interest at a prevailing market rate.

### **The Notes Are Subject to the Credit Risk of the Issuer**

The notes are unsubordinated, 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 notes, including any repayment of principal, depends on the ability of UBS to satisfy its obligations as they come due. As a result, the actual and perceived creditworthiness of UBS may affect the market value of the notes and, in the event UBS were to default on its obligations, you may not receive any amounts owed to you under the terms