



Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

UBS

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INVESTOR OPTIMISM DECLINES FURTHER

UBS/Gallup Index of Investor Optimism Reaches New Low for the Year at 53

Seven in Ten Investors Say Real Estate Conditions are Getting Worse

NEW YORK, August 28, 2006 – Investor Optimism fell in August to a new low for the year, dropping two points to 53. Since January, the *Index* has been on a steadily declining trend, dropping 40 points. The UBS/Gallup *Index of Investor Optimism* is conducted monthly and had a baseline score of 124 when it was established in October 1996.

One key issue of growing concern to investors is the residential real estate market. Fifty-six percent of respondents rate conditions in the real estate market as “only fair” (44 percent) or “poor” (12 percent), a significant jump from the 46 percent who held these views in June and July. Additionally, 70 percent of investors believe that conditions in the real estate market are getting worse, up from 63 percent in June. Investor sentiment toward investing in real estate assets nationwide has also fallen. In August, 50 percent of investors said that now is a good time to invest in real estate related assets nationwide, down from 55 percent in June.

The vast majority of investors polled, 94 percent, continue to view energy prices as harmful to the investment climate. Respondents also believe that gasoline prices will continue to rise somewhat over the next three months. Investors are also greatly concerned about the unsettled geopolitical environment with 85 percent responding that they believe current international tensions are hurting the investment climate. Additionally, 75 percent are concerned about the Federal budget deficit and 72 percent worry about the danger of increased inflation.

“The drop in confidence in the real estate market reflects the economic data for that sector and suggests that investors are feeling the pinch in their local markets,” said Anne Briglia, Senior Fixed Income Strategist, UBS Wealth Management Research. “Although we have seen gasoline prices stabilize recently, investors are clearly worried about the implications of international tensions on future energy prices.”

With the “back-to-school” shopping season underway, investors were polled about their spending plans. Although only one-third of investors expect to shop for “back-to-school” items, 36 percent of those who do expect to spend more than they did last year while 11 percent expect to spend less. Thirty-nine percent of those shopping for “back-to-school” plan to spend \$300 or less, while one in four plans to spend more than \$1,000.

Investors’ outlooks on their personal investments have also dipped. The Personal Dimension of the *Index* fell three points to 54 from 57, indicating that investors are less optimistic

about their own portfolios than they were a month ago. At the same time, the Economic Dimension of the *Index* increased 1 point to -1 in August from -2 in July and +1 in June suggesting that investors as a whole are essentially neutral about the economic outlook over the next 12 months.

These findings are part of the 99th *Index of Investor Optimism*, which was conducted August 1-17, 2006. To track and measure *Index* changes on an ongoing basis, new samplings are taken monthly. Dennis J. Jacobe, Chief Economist for Gallup, said the sampling included 802 investors randomly selected from across the country. For this study, the American investor is defined as any person who is head of a household or a spouse in any household with total savings and investments of \$10,000 or more. Nearly 40 percent of American households have at least this amount in savings and investments. The sampling error in the results is plus or minus four percentage points.

For more than 60 years, the Gallup Organization has been a recognized leader in the measurement and analysis of people's attitudes, opinions and behavior. While best known for the Gallup Poll, founded in 1935, Gallup's current activities consist largely of providing marketing and management research, advisory services and education to the world's largest corporations and institutions.

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Additional information about the *Index of Investor Optimism* can be found at www.ubs.com/investoroptimism



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UBS *Index of Investor Optimism* overall trend

	<i>Overall Index</i>
06 August	53
06 July	55
06 June	58
06 May	64
06 April	63
06 March	79
06 February	80
06 January	93
05 December	79
05 November	50
05 October	47
05 September	34
05 August	61
05 July	58
05 June	54
05 May	50
05 April	52
05 March	74
05 February	82
05 January	76
04 December	79
04 November	69
04 October	62
04 September	74
04 August	77
04 July	88
04 June	95
04 May	71
04 April	73
04 March	85
04 February	97
04 January	108
03 December	104
03 November	93
03 October	69
03 September	54
03 August	61
03 July	54

03 June	77
03 May	42
03 April	66
03 March	5
03 February	9
03 January	38
02 December	52
02 November	41
02 October	29
02 September	60
02 August	52
02 July	46
02 June	72
02 May	90
02 April	89
02 March	121
02 February	92
02 January	115
01 December	88
01 November	84
01 October	86
01 September	50
01 August	76
01 July	74
01 June	85
01 May	90
01 April	81
01 March	82
01 February	77
01 January	96
00 December	106
00 November	130
00 October	132
00 September	147
00 August	160
00 July	143
00 June	149
00 May	155
00 April	140
00 March	150
00 February	168
00 January	178
99 December	174
99 November	148
99 October	139
99 September	160
99 August	149
99 July	166
99 June	146



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99 May	163
99 April	168
99 March	151
99 February	167
98 December	141
98 September	147
98 June	160
98 March	161
97 December	151
97 September	151
97 June	152
97 February	128
96 November	125
96 October	124

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