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Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM SURGES TO MATCH ITS HIGH POINT FOR THE YEAR

UBS/Gallup Index of Investor Optimism at 93 – Highest Level since January

Energy Price Concerns at Lowest Level Since Measurement Began in March 2004

NEW YORK, November 27, 2006 – Investor optimism surged 14 points to reach its highest point since January, according to the November UBS/Gallup Index of Investor Optimism. The Index has risen 40 points over the past three months and currently stands at 93. In August, optimism hit a low for the year at 53. The Index is conducted monthly and had a baseline score of 124 when it was established in October 1996.

Investor concerns about high energy prices continued to decline in November as the percentage of investors saying they believe energy prices are hurting the investment climate “a lot” fell to 54 percent – its lowest level since measurement began in March 2004. As recently as August, 78 percent of investors said energy prices were hurting the U.S. economy “a lot.” Currently, approximately the same percentage of investors considers the federal budget deficit (53 percent) and international tensions (52 percent) as harmful to the investment climate as energy prices.

With the November increase in the Index came increases in both the Personal and Economic Dimensions of the Index. The Personal Dimension, which measures people’s optimism about their own portfolios over the next 12 months, increased six points to 68 in November and is up 14 points since August. The Economic Dimension, which measures people’s optimism about the economy over the next 12 months, increased eight points in November to reach 25 – its highest level since June 2004. Investors as a whole have gone from being essentially neutral on the economy just three months ago to being somewhat optimistic about economic outlook over the next 12 months.

“The recent stabilization in gasoline prices has clearly impacted investors’ outlook on the economy as more money has been kept in investors’ pockets. The continued stock market rally is also fueling investor optimism, offsetting worries about other sectors, especially the housing market,” said Mike Ryan, Head of UBS Wealth Management Research Americas.

Investors’ perceptions of the U.S. economy also improved in November as the percentage of investors saying we are experiencing a “recovery” or an “economic expansion” rose to 46 percent, up from 38 percent in September to 43 percent in October. Another 41 percent say the economy is in a “slowdown,” down from 44 percent who held this view in October. Only

one in ten investors believes the U.S. is in a recession. This data suggests that investors increasingly believe that the U.S. economy is headed towards a so-called "soft landing."

Although investors are more optimistic about the economy overall, they remain concerned about conditions in the residential real estate market. Most investors seem to believe that the real estate market will continue to worsen before improving, both nationally and in their local communities. Sixty-four percent of investors rate conditions in today's residential real estate market nationwide as "only fair" (45 percent) or "poor" (19 percent), up from 59 percent in October. Seventy percent say economic conditions in the residential real estate market nationwide are getting worse, up slightly from October. In contrast, only 25 percent say conditions are improving, slightly lower than last month.

When considering their local real estate markets, nearly one in four investors (23 percent) rate conditions in their local residential real estate market as "poor," up from 18 percent who held this view last month and 16 percent in September. Another 36 percent rate conditions in their local residential real estate market as "only fair." Six in ten investors (59 percent) say conditions in the local residential real estate market are getting worse – the same as the percentage of investors who felt this way last month. In this regard, it is unsurprising that three in four investors believe that the potential for a real estate crash in some local markets is hurting the current investment climate.

These findings are part of the 104th *Index of Investor Optimism*, which was conducted November 1-16, 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 800 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.

UBS is one of the world's leading financial firms, serving a discerning global client base. As an organization, it combines financial strength with an international culture that embraces change. As an integrated firm, UBS creates added value for clients by drawing on the combined resources and expertise of all its businesses.

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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

	Overall Index
06 November	93
06 October	79
06 September	74
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



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99 December	174
99 November	148
99 October	139
99 September	160
99 August	149
99 July	166
99 June	146
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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