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www.ubs.com

Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM REMAINS BUOYANT AS 2006 COMES TO A CLOSE

Two in Three Investors Say Now Is a Good Time to Invest

Investors Generally Optimistic about Party Shift in Congress

NEW YORK, December 22, 2006 – Investor optimism held steady at one of its highest levels for 2006 at 90, according to the December UBS/Gallup Index of Investor Optimism. The Index declined just three points from its level of 93 in November but remains higher than during nine of the twelve months of 2006. The Index is conducted monthly and had a baseline score of 124 when it was established in October 1996.

Reacting to November's Congressional elections, investors responded somewhat positively to the shift from a Republican to a Democratic Congress. Thirty-eight percent of investors believe the shift will positively affect the investment climate, while 28 percent believe the change will have a negative impact. A further 32 percent believe the change in control will have no impact at all.

Investors are increasingly bullish on the financial markets, with two in three investors (67 percent) saying that now is a good time to invest in the financial markets. This is up sharply from the 57 percent who held this view last month and is the highest percentage of investors feeling this way since February 2004.

Despite their faith in the financial markets, investors seem less keen on the residential real estate market. Investor sentiment suggests that residential real estate market conditions are continuing to deteriorate and have not reached bottom. Seven in ten investors say economic conditions in the residential real estate market nationwide are getting worse, compared with only 23 percent who believe they are getting better. It is therefore not surprising that nearly three in four investors (72 percent) believe that the potential for a housing or real estate crash in some local markets is hurting the current investment climate "a lot" or "a little."

"Although investors have concerns about the real estate market, the continued rally in the equity markets fueled by solid corporate earnings is driving investors' positive feelings about the current investment climate," said Robin Miranda, Associate Strategist, UBS Wealth Management Research Americas.

High energy prices continued to top investor concerns in December with 55 percent saying they believe energy prices are hurting the current investment climate "a lot" – essentially the same as the 54 percent who felt this way in November, but significantly lower than the 78

percent who held this view in August 2006. In December, approximately the same percentage of investors identified international tensions (52 percent) and the federal budget deficit (48 percent) as major worries as pointed to energy prices.

The Personal Dimension, which measures people's optimism about their own portfolios over the next 12 months, increased one point to 69 in December – up 15 points since August (54). The Economic Dimension, which measures people's optimism about the economy over the next 12 months, decreased four points in December and now stands at 21, down from 25 in November but far above the -1 of August. This suggests that investors as a whole have gone from being essentially neutral on the economy this past summer to being somewhat optimistic about the economic outlook over the next 12 months as 2006 comes to a close.

These findings are part of the 105th *Index of Investor Optimism*, which was conducted December 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 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

	<i>Overall Index</i>
06 December	90
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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