



UBS

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Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM PLUNGES IN AUGUST

Energy Prices Still Top List of Investor Concerns; Housing and Real Estate Worries Rising

NEW YORK, August 27, 2007 – Investor optimism plunged 14 points to a level of 73 in August, its third consecutive month in decline and its lowest level in a year, according to the UBS/Gallup Index of Investor Optimism. The Index is conducted monthly and had a baseline score of 124 when it was established in October 1996.

The Economic Dimension of the Index, which measures investors' feelings about the direction of the overall US economy, dropped 11 points to 5 for the month of August, marking the lowest level of optimism about the economy since August 2006, when it stood at -1. Yet, investors remain hopeful about their individual investment portfolios, as the Personal Dimension of the Index dipped by just 3 points to 68.

"The high-profile troubles in the real estate market, particularly the subprime sector, coupled with ongoing energy price concerns are fueling investor skepticism about the US economy. Meanwhile, signs of an emerging consumer credit crunch and growing fears of a recession are weighing heavily on investor sentiment," said Mike Ryan, Head of UBS Wealth Management Research, Americas.

While still top of the list of investor concerns, worries about higher energy prices have decreased slightly. In August, 64 percent say they believe energy prices are hurting the current investment climate "a lot," down from 70 percent who held this view in July.

But housing and real estate worries are now second only to energy prices as an investor concern, with 54 percent of investors believing the potential for a housing or real estate crash in some local markets is hurting the investment climate "a lot." This is a sharp jump from the 41 percent who felt this way in July and represents the highest level of concern about housing since tracking of this issue began in October 2005.

Investor anxiety is rising about housing and real estate markets, with 80 percent saying they believe economic conditions in the national residential real estate market are getting worse. That is up from 71 percent who held this view in July and is the highest level of pessimism about the national housing market since tracking of this view began in June 2006. Sixty-two percent of investors say conditions in their local real estate markets are worsening, up from 58 percent in July.

Investors fear that the problems in the subprime mortgage market will spread, with 59 percent feeling there will be a spillover into the overall mortgage market, while only 28% feel it will be

contained. Investors felt that the credit crunch is squeezing even tighter, with 51 percent saying it is harder for Americans to get credit now than it was three months ago and 42 percent believing the crunch is hurting the investment climate “a lot.”

Finally, 65 percent of investors believe the US economy is now either in a slowdown or a recession, up from 55 percent who felt this way in July and the highest percentage of investors to hold this view since October 2005.

These findings are part of the 113th *Index of Investor Optimism*, which was conducted August 1-15, 2007. 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 804 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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UBS is present in all major financial centers worldwide. It has offices in 50 countries, with about 39% of its employees working in the Americas, 34% in Switzerland, 17% in the rest of Europe and 10% in Asia Pacific. UBS's financial businesses employ some 80,000 people around the world. Its shares are listed on the SWX Swiss Stock Exchange, the New York Stock Exchange (NYSE) and the Tokyo Stock Exchange (TSE).

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>
07 August	73
07 July	87
07 June	89
07 May	95
07 April	74
07 March	78
07 February	90
07 January	103
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



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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
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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