

Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM SLIDES AGAIN IN MARCH, ACCORDING TO UBS *INDEX*

Outsourcing, Energy Prices, Budget Deficit, Accounting Practices Top Investor Concerns

Six out of 10 Investors Expect Tax Refund; Average Refund Is \$1,500

NEW YORK, March 22, 2004 – Investor optimism dropped 12 points this month, as investors continued to express concerns about unemployment and the stock market's performance, according to the *UBS Index of Investor Optimism*[®], a joint effort of UBS and the Gallup Organization.

Currently at 85, the overall *Index* dipped 12 points this month, down from 97 in February. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

The drop can be attributed to a 10-point drop in the *Index's* economic dimension, which measures investors' sentiment on economic growth, unemployment, stock market performance and inflation, all of which scored lower this month. Of those surveyed:

- 54 percent remain optimistic on prospects for economic growth, down 3 points from last month and up 20 points from a year ago;
- 42 percent are optimistic on unemployment, down 4 points from last month and up 15 points from a year ago;
- 58 percent report they are optimistic about the stock market's performance, down 5 points from last month and up 30 points from a year ago;
- 45 percent remain optimistic about inflation, the same as last month and up 12 points from a year ago.

The *Index's* personal dimension, which measures investors' confidence in their ability to reach investment targets and maintain income, scored two points lower than last month. However, expectations for short-term return, over the next 12 months, reached its highest level since March 2002, with investors now expecting an average 12.7 percent return on their personal portfolios in the next year, up from 12.4 percent in February.

Additionally, 61 percent of those surveyed said they are confident in their ability to achieve their investment targets during the next 12 months, down slightly from 64 percent in February. Substantial investors, those with \$100,000 or more in investable assets, are more likely to share this view, with 67 percent saying they are optimistic about reaching their investment goals, compared with 57 percent among average investors, those with \$10,000 to \$100,000 in investable assets.

In the past 12 months, investors' personal portfolios saw their highest returns since September 2000, with an average return of 14 percent. Returns for more experienced investors, those with more than five years in the market, as well as older investors, those over age 40, fell in line with overall returns, with those investors reporting returns of 14 percent and 14.1 percent, respectively.

According to the *Index*, 57 percent consider the economy to be in either a sustained expansion or recovery, compared with 69 percent last month. Conversely, 42 percent believe the economy is either in a slowdown or recession, compared with 30 percent last month.

This month, investors were asked about the Federal Reserve's interest rate policy and, a majority, 63 percent, expect the Fed to hold interest rates at the same level during the next three months, compared with 28 percent who believe rates will be increased and 7 percent who anticipate a rate cut. Among those investors with an opinion on the subject, 70 percent agree the Fed should hold interest rates at their current levels through the second quarter.

Investors were also asked about conditions that could hurt the U.S. investment climate. The overwhelming majority, 90 percent, cites energy prices as negatively impacting the markets. This is followed by the issue of questionable accounting practices in business, 83 percent; the outsourcing of jobs to foreign countries, 81 percent; the federal budget deficit, 77 percent; the threat of more terrorist attacks, 75 percent; the current situation in Iraq, 74 percent; the general economic conditions in the United States, 59 percent; and the value of the dollar against other currencies, 53 percent.

Additionally, investors were asked about their 2003 income taxes. A majority, 62 percent, has either received a refund or expect to this year. Of those expecting or receiving a refund, 35 percent intend to use it to pay bills, 26 percent plan to save it, 20 percent will spend it on something special, 10 percent will invest it in stocks or bonds, and 9 percent will spend it in some other ways or have not yet decided.

These findings are part of the 71st *Index of Investor Optimism*, which was conducted March 1 to March 14. To track and measure Index changes on an ongoing basis, new samplings are taken monthly. Dennis J. Jacobe, research director for Gallup, said the sampling included 803 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 the world's leading wealth management business. In the U.S., it is the third largest private client business with a client base of more than 2 million investors. Its American network of more than 7,700 financial advisors manages roughly 634 billion Swiss francs in invested assets and provides sophisticated services through consultative relationships with affluent and high net worth clients. In Switzerland and internationally, UBS has more than 140 years of private banking experience, an extensive global network of 164 offices and nearly 701 billion Swiss francs in invested assets. More than 3,200 client advisors provide a comprehensive range of services customized for wealthy individuals, ranging from asset management to estate planning and from corporate finance to art banking.

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

UBS Index of Investor Optimism overall trend

	OVERALL INDEX
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
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