

Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM DIPS IN FEBRUARY, ACCORDING TO UBS *INDEX*

Concerns over Economic Growth, Short-Term Performance of Stock Market Dampen Optimism; One-Third of Investors Say Weakness of Dollar against Euro Hurting U.S. Investment Climate

NEW YORK, February 23, 2004 – Overall optimism dropped 11 points this month, with investors citing concerns over economic growth and the stock market's performance in the coming year, according to the *UBS Index of Investor Optimism*[®], a joint effort of UBS and the Gallup Organization.

Currently at 97, the overall *Index* dipped 11 points this month, down from 108 in January, when the *Index* reached its highest levels since March 2002. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

Interestingly, in February, 64 percent of those surveyed remain optimistic about their ability to achieve investment targets over the next 12 months, up 1 percentage point from January and 24 percentage points a year ago. Of those polled, 63 percent report they are optimistic about the performance of the stock market in the coming 12 months, down from 67 one month ago and up from 30 percent one year ago. Notably, 91 percent of investors surveyed believe the stock market will be the same or higher a year from now. Among those surveyed, 70 percent of investors say now is a good time to invest in the financial markets, up from 68 percent one month ago and 42 percent one year ago.

Younger investors, those under age 40, are more bullish about the financial markets, with 78 percent of this group saying now is good time to invest, compared with 68 percent of older investors, those over age 40. Yet, substantial investors, those with \$100,000 or more in investable assets, are more confident in the current investment climate, with 77 percent saying now is a good time to invest, compared with 65 percent of average investors, those with \$10,000 to \$100,000 in investable assets.

Expectations for short-term return, over the next 12 months, rose to 12.4 percent from 12.0 percent last month and 6.7 percent one year ago. This increase can be attributed to average investors, those with \$10,000 to \$100,000 in investable assets, whose expectations rose to 13.3 percent, compared to substantial investors, those with \$100,000 or more in investable assets, who reported expectations of 11.2 percent.

According to the *Index*, 68 percent consider the economy to be in either a sustained expansion or recovery, compared with 67 percent last month. Investors are slightly more optimistic about the unemployment rate, up to 46 percent from 44 percent last month. However, when compared to last month, investors are less optimistic about the outlook for both economic growth, down to 57 percent from 62 percent, and also the performance of the stock market, down to 63 percent from 67 percent.

This month, investors were asked about the strength of the U.S. dollar compared with other international currencies and how this might impact the U.S. investment climate and their personal investment decisions. On average, investors hold just 4.4 percent in assets of foreign companies or currencies in their personal portfolio and nearly three-quarters, 73 percent, expect that component of their portfolio to remain the same. The depreciation of the U.S. dollar against the Euro is either hurting or having no effect on the U.S. investment climate, report 70 percent of those polled. Despite that, 64 percent of investors say the weakened dollar will have no effect on their investments in foreign markets. Interestingly, more than half of those surveyed, 57 percent, say the U.S. dollar presents the most attractive investment, and 39 percent consider the Japanese Yen to be the least attractive currency in which to invest.

Investors were also surveyed about which investment sectors that offer attractive buying opportunities. Among those surveyed, pharmaceutical companies ranked first, with 73 percent saying they provide an excellent or very good investment opportunity. This is followed by defense industries, 62 percent; technology companies, 61 percent; biotechnology companies, 60 percent; energy companies, 54 percent; health care companies, 53 percent; telecommunication companies, 46 percent; utilities, 39 percent; financial services companies, 38 percent; Internet companies, 33 percent; retail companies, 24 percent; and transportation companies, 20 percent.

These findings are part of the 70th *Index of Investor Optimism*, which was conducted February 1 to February 15. 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 863 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 8,200 financial advisors manages roughly 600 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 650 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 www.ubs.com/investoroptimism.

UBS Index of Investor Optimism overall trend

	OVERALL INDEX
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