

Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM CLIMBED TO HIGHEST LEVELS IN 21 MONTHS, ACCORDING TO UBS INDEX

Seven in 10 Investors Now Say Economy in Recovery or Expansion, Majority Not Making Changes in Mutual Fund Investments Despite Scandals

NEW YORK, December 22, 2003 – Optimism increased for the second month in a row, posting a 21-month high in December, as investors expressed continued confidence in the U.S. economic recovery, according to the *UBS Index of Investor Optimism*[®], a joint effort of UBS and the Gallup Organization.

Currently at 104, the overall *Index* rose 11 points this month, up from 93 in November, reaching its highest levels since March 2002. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

Among those surveyed, 71 percent consider the economy to be in either a sustained expansion or recovery, compared with 60 percent last month. Sixty-seven percent of investors surveyed are optimistic about the outlook for economic growth, up from 57 percent last month and 45 percent one year ago.

Following recent gains in the financial markets, a majority of investors, 66 percent, say they are optimistic about the performance of the markets in the next 12 months, up from 44 percent one year ago. Further, 75 percent of investors say they believe 2004 will be better for the stock market than 2003, compared to 69 percent when the question was asked last December about 2003. And overall, investors remain bullish about the market with 65 percent saying now is a good time to invest, nearly unchanged from last month but up from 53 percent one year ago.

In December, investors were polled about their investment decisions, in light of recent scandals in the mutual fund industry. Notably, 65 percent said the problems have not affected their mutual fund investment decisions one way or the other and 73 percent do not plan to shift assets out of mutual funds in the near future. However, 75 percent said they would shift assets out of a mutual fund that admits to wrongdoing.

Perhaps not surprisingly, investors say they earned an average of 8.8 percent on their personal portfolios in the past 12 months, up from -3.6 percent one year ago. The increase was most pronounced among substantial investors, those with \$100,000 or more in investable assets, with an average return of 11.4 percent, up from -6.3 percent one year ago. Similarly, investors 40 years old and up saw their average returns climb to 8.6 percent from -5.3 one year ago while younger investors, ages 18-39, earned an average of 10 percent, up from 3.5 percent a year ago.

Short-term expectations over the next 12 months, dipped slightly to 10.4 percent from 11.3 percent last month, but up from 7.8 percent a year ago. Yet substantial investors remain more optimistic than average investors, those with \$10,000 to \$100,000 in investable assets, with

substantial investors expecting an average return of 10.8 percent and average investors expecting 10.1 percent returns on their portfolios.

This month, investors were also asked about their spending plans for the next six months. The vast majority plans to spend the same or more in the next six months, with 83 percent spending the same or more on home improvements; 77 percent on major appliances; 89 percent on travel; and 82 percent on consumer electronics.

These findings are part of the 68th *Index of Investor Optimism*, which was conducted December 1 to December 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 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
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