

# Index of Investor Optimism

## The UBS/Gallup Poll of Investor Attitudes

### **INVESTOR OPTIMISM RISES SLIGHTLY IN AUGUST, ACCORDING TO UBS *INDEX***

#### **Investors Foresee Higher Returns in the Stock Market Over the Next Year**

NEW YORK, August 25, 2003 – Investor optimism rose slightly in August, following a steep drop last month, as investors expressed increased confidence they will be able to reach their investment goals over then next 12 months, according to the UBS *Index of Investor Optimism*<sup>®</sup>, a joint effort of UBS and the Gallup Organization.

Currently at 61, the overall *Index* rose 7 points this month from 54 in July. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

This month, 54 percent of investors say they are confident in their ability to achieve their investment targets over the next 12 months, up from 50 percent in July. Interestingly, substantial investors, those with more than \$100,000 in investable assets, are more likely to share this view, with 63 percent saying they are optimistic about reaching their investment goals, compared with 49 percent among average investors, those with \$10,000 to \$100,000 in investable assets.

Expectations for short-term return, over the next 12 months, jumped in August following a decline last month. Investors now expect an average 12.0 percent return on their personal portfolios in the next year, up from 8.6 percent in July. Younger investors, those under age 40, expect an average rate of return of 13.6 percent, compared with 11.8 percent among older investors, those over age 40. Notably, those surveyed report that they earned an average 5.8 percent on their investments over the past 12 months, up from 1.2 percent in July and reaching its highest level since March 2001.

A majority of those surveyed, 61 percent, say now is a good time to invest in the markets, up from 58 percent last month. Likewise, 60 percent of investors believe the stock market will be somewhat or much higher a year from now, nearly unchanged from last month when 59 percent shared this view.

In August, investors were polled about current economic conditions and the prospects for economic recovery. Among those surveyed, 45 percent say they believe the U.S. economy is experiencing a recovery, up from 41 percent last month and reaching its highest level since August 2001 when the *Index* began polling on the subject. This compares with 28 percent who believe the economy is in a slowdown, and 20 percent who say it is in recession. Just 6 percent of those surveyed believe the economy is in a sustained expansion. Among those who believe the economy is in a slowdown or a recession, 21 percent believe it will be on the way to recovery within the next year, another 24 percent say it will be within two years, and more than half, 54 percent, believe it will be at least two years from now or longer until the U.S. economy is on the way to recovery.

This month investors were also asked about rising house prices and the recent 30 percent rise in stock prices and how this has impacted their spending behavior. Just 18 percent of investors say they have or will increase their personal spending because of rising stock prices, and 16 percent report they have or will increase spending due to rising house prices. When asked whether rising stock or house prices are more important for their own personal wealth, 65 percent of investors say rising stock prices have a higher impact, compared with 27 percent who cite rising house prices as more important.

Investors were additionally polled about which investment sectors currently provide the most attractive investment opportunities. Among those surveyed pharmaceutical companies ranked first, with 68 percent saying they provide an excellent or very good investment opportunity. This is followed by biotechnology companies, 57 percent; defense companies, 57 percent; technology companies, 52 percent; energy companies, 47 percent; health care companies, 46 percent; telecommunications companies, 39 percent; utilities, 38 percent; Internet companies, 32 percent; financial services companies, 29 percent; retail companies, 22 percent; and transportation companies, 19 percent.

These findings are part of the 64th *Index of Investor Optimism*, which was conducted from August 1 to August 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 of savings and investments. The sampling error in the results is plus or minus three 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 US, it is the third largest private client business with a client base of over 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 almost 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](http://www.ubs.com/investoroptimism)

**UBS *Index of Investor Optimism* overall trend**

	OVERALL INDEX
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