

Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM CONTINUES DECLINE, ACCORDING TO UBS *INDEX*

Majority of Investors Believe Outsourcing Bad for the Economy But Not Personally Concerned about Loss of Job

NEW YORK, April 26, 2004 – Optimism continued to slide this month, with investors weighing in about inflation and their ability to maintain income, according to the *UBS Index of Investor Optimism*[®], a joint effort of UBS and the Gallup Organization.

Currently at 73, the overall *Index* again dropped 12 points this month, down from 85 in March. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

The drop can be attributed to an 8-point decrease in the *Index's* personal dimension, which measures investors' confidence in their ability to maintain income and reach short-term and long-term investment targets, all of which scored lower this month. Average expectations for return during the next 12 months dipped to 10.4 percent from 12.7 percent in March, yet two-thirds of investors believe now is a good time to invest in the financial markets. Of those surveyed:

- 57 percent remain optimistic about prospects for short-term return, down four percentage points from last month and up five from a year ago; 67 percent are optimistic about prospects for long-term return, down three points from last month as well as a year ago;
- 63 percent report they are optimistic about their ability to maintain income in the near-term, down five points from last month and four points from a year ago;
- Portfolio returns in the past 12 months averaged 9.3 percent, down sharply from 14.0 in March, the highest average return since September 2000.

The *Index's* economic dimension, which measures investors' sentiment on economic growth, unemployment, stock market performance and inflation, fell four points. Investor confidence in the stock market's performance, 55 percent, and inflation, 38 percent, both dropped this month, 3 points and 7 points respectively. Additionally, optimism about economic growth remained unchanged at 54 percent this month. In the area of unemployment, investors were slightly more upbeat with 43 percent reporting optimism in the jobs market.

According to the *Index*, 59 percent consider the economy to be in either a sustained expansion or recovery, compared with 57 percent last month. Conversely, 40 percent believe the economy is either in a slowdown or recession, compared with 42 percent last month.

This month, investors were asked about the outsourcing of jobs to foreign countries and, the vast majority, 88 percent, reported they have heard a great deal, 56 percent, or a moderate amount, 32 percent, about this issue, and 66 percent think it is generally bad for the U.S. economy. Interestingly, 64 percent report that they are not worried that outsourcing will hurt them personally but almost a quarter of investors, 23 percent, say they are either very worried or somewhat worried that they or someone in their household will lose a job to outsourcing.

Notably, investors support more protectionist measures to stem outsourcing: 76 percent believe a requirement that all government-related jobs be performed in the United States would be effective; 72 percent back the creation of tax penalties for companies that move jobs out of the country; and 67 percent espouse the use of tariffs on goods produced overseas to discourage manufacturers from moving plants outside the United States. However, 76 percent believe that both improving the quality of education in this country and also reducing the cost of healthcare benefits would discourage outsourcing.

Investors were also asked about the Federal Reserve's interest rate policy, and 49 percent approve and 8 percent disapprove of the Fed's current policy.

These findings are part of the 72st *Index of Investor Optimism*, which was conducted April 1 to April 18. 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 802 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 www.ubs.com/investoroptimism.

UBS Index of Investor Optimism overall trend

	OVERALL INDEX
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

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