

Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM DIPS AGAIN IN SEPTEMBER, ACCORDING TO UBS *INDEX*

Nearly Half of Investors Say Re-electing Bush Would Buoy Investment Climate Versus 29 percent Who Say Kerry Would Be Positive for the Markets

NEW YORK, September 27, 2004 – Optimism dropped again this month, with investors expressing slightly less confidence in their personal investments, according to the *UBS Index of Investor Optimism*[®], a joint effort of UBS and the Gallup Organization.

Currently at 74, the overall *Index* reached a four-month low, down from 77 in August. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

The decrease can be attributed to a 5-point decline in the *Index's* personal dimension, which measures investors' confidence in their ability to reach investment targets and maintain income. However, this month's drop was offset by a 2-point increase in the economic dimension, which measures economic growth, unemployment, stock market performance and inflation. Of those surveyed:

- 52 percent say they are confident in the prospects for economic growth in the next 12 months, unchanged from last month and up 3 percentage points from a year ago;
- 44 percent are optimistic on unemployment, up 1 from last month and up 13 from a year ago;
- 47 percent report they are optimistic about the stock market's performance, up 1 from last month and down 8 from a year ago;
- 42 percent remain optimistic about inflation, up 3 from last month and up 5 from a year ago;
- 56 percent expressed confidence in their ability to achieve investment targets during the next 12 months, up 1 from last month and up 2 from a year ago;
- 67 percent report they are optimistic that they'll achieve investment targets during the next five years, unchanged from last month and from a year ago;
- 65 percent say they are optimistic in their ability to maintain income during the next 12 months, unchanged from last month and up 3 from a year ago.

Average expectations for return during the next 12 months increased to 10.1 percent from 9.3 percent in August, and 56 percent of investors surveyed believe now is a good time to invest in the financial markets, down 4 percentage points from last month.

According to the *Index*, 52 percent consider the economy to be in either a sustained expansion or recovery, compared with 54 percent last month. Conversely, 47 percent believe the economy is either in a slowdown or recession, compared with 44 percent last month. Of those who believe the economy is in a slowdown or recession, 60 percent believe it will be at least two years before the U.S. economy is on the way to recovery, up from 47 percent last month.

This month, investors were asked about factors affecting the investment climate. The majority, 56 percent, cites energy prices and, separately, outsourcing of jobs to foreign countries as hurting the markets a great deal. This is followed by the issue the current situation in Iraq, 50 percent; the federal budget deficit, 47 percent; questionable accounting practices in business, 43 percent; and the threat of more terrorist attacks, 38 percent.

In addition, investors were polled about the effect the presidential election will have on the U.S. investment climate. Few investors, 20 percent, think that uncertainty about the outcome of the presidential election is hurting the investment climate a lot. Still, 48 percent say a Bush win would be positive for the investment climate, while 29 percent say a Kerry win would be positive. Last month, sentiment was more evenly divided: 41 percent to 36 percent in favor of a Bush win. Notably, 97 percent of those polled report they plan to vote in the presidential election with 50 percent saying they will vote for Bush and 36 percent saying they intend to vote for Kerry.

When asked whether they approve or disapprove of how President Bush is handling his job, 55 percent of those surveyed say they approve and 43 percent disapprove. Investors were asked whether they approve or disapprove of how Bush has handled several topics. The majority, 65 percent, approve of Bush's handling of terrorism. This is followed by education, 54 percent; the situation in Iraq, 51 percent; the economy, 50 percent; and foreign affairs, 50 percent.

These findings are part of the 77th *Index of Investor Optimism*, which was conducted September 1 to September 19. 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 809 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 one of the world's financial services firms. In the United States, it is the third largest private client business with a client base of more than 2 million investors. UBS's client and financial 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. Its American network of 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.

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 September	74
04 August	77
04 July	88
04 June	95
04 May	71
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