

Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM RISES SLIGHTLY, ACCORDING TO UBS *INDEX*

Price of Energy Greatest Detriment to Investment Climate; Declining Value of Dollar Shows Modest Impact

NEW YORK, February 28, 2005 – Investor optimism gained slightly this month, with investors more positive both about their short-term investment targets and economic growth, according to the *UBS Index of Investor Optimism*[®], a joint effort of UBS and the Gallup Organization.

Currently at 82, the overall index increased 6 points this month, up from 76 in January. Conducted monthly, the Index had an initial baseline of 124 when it was established in 1996.

The increase can be attributed to 3-point gains in both the *Index's* personal dimension, which measures investors' confidence in their ability to reach investment targets and maintain income as well as the *Index's* economic dimension which measures investors' sentiment on economic growth, unemployment, stock market performance and inflation.

The increase in the personal dimension, which is now 62, comes primarily from investors who express greater confidence in their ability to meet their short-term investment targets. Optimism about their level of income and ability to meet their long-term goals is essentially unchanged from last month.

The economic dimension is at 20, its highest level since last July. This increase comes primarily from a more positive view of economic growth, while investor optimism about the stock market, inflation and unemployment are essentially unchanged from last month's reading.

Despite the *Index's* increase, the survey shows little improvement in investors' expectations for return on their investments over the next year. The median expected return is 8 percent, unchanged from last month, while the average rate of return is 10.1 percent, down slightly from the 11.4 percent measured in January.

Investors are also no more likely this month than in January to say that now is a good time to invest in the markets. 62 percent of investors express this view this month, compared with 63 percent last month and 64 percent the previous month. Still, it is higher than the 53 percent measured last October.

This month, investors were polled about the factors that could be hurting or helping the investment climate in the United States, with a specific focus on the value of the U.S. dollar. The survey shows that the price of energy continues to be the number one source of investor concern, followed by the outsourcing of jobs to foreign countries, the federal budget deficit, and the issue of questionable accounting practices in business. The value of the dollar appears to be a relatively modest concern, though significantly higher than last year.

87 percent of all investors say energy prices are hurting the U.S. investment climate, including 56 percent who say “hurting a lot” and 31 percent “hurting a little.” 79 percent of investors also find outsourcing of jobs and, separately, the federal budget deficit, are hurting the investment climate. 77 percent express the same view about the issue of questionable accounting practices in businesses.

Other concerns mentioned by investors include the current situation in Iraq (69 percent), illegal immigration (65 percent), the threat of more terrorist attacks (65 percent), the value of the dollar against other currencies (63 percent) general economic conditions in the country (52 percent), and the cost of housing (48 percent).

A slight majority of investors feel the current level of interest rates *helps* the investment climate more than they hurt, by a 51 percent to 33 percent margin. In the last reading on this item in October 2004, investors were positive about interest rates but by a smaller margin of 42 percent to 36 percent.

Given the falling value of the U.S. dollar against other currencies, it is not surprising to see that the attractiveness of the dollar is considerably lower now than it was at the last reading in February 2004. In the current poll, 39 percent of investors rated the dollar as the most attractive currency among four listed, down from 57 percent who gave that rating last year. The Euro came in second, mentioned by 29 percent of investors, while the Japanese Yen came in third at 12 percent, and the British pound came in last at 7 percent.

The current 10-point gap in attractiveness between the dollar and the Euro is the closest ever measured by the Index, which first asked the ratings in April 2002. At that time, 73 percent of investors chose the dollar and only 8 percent the Euro.

When asked how the current value of the dollar against the Euro would affect their investments in foreign markets, most investors – 56 percent – said it would have no effect. 15 percent said it would make them more likely to invest in foreign markets, up from just 8 percent who said that a year ago. However, 26 percent said the dollar’s value compared with the Euro would make them less likely to invest in foreign markets, essentially unchanged from last year.

These findings are part of the 82nd *Index of Investor Optimism*, which was conducted February 1 to February 20. 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 a leading financial firm, combining financial strength with a reputation for innovation and a global culture that embraces change.

UBS is one of the world's largest wealth managers, a premier investment banking and securities firm, and one of the largest global asset managers. In Switzerland, UBS is a market leader in retail and commercial banking.

Headquartered in Zurich and Basel, UBS employs around 66,000 people, and has operations in over 50 countries and in all major financial centers.

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 |
|--------------|---------------|
| 05 February | 82 |
| 05 January | 76 |
| 04 December | 79 |
| 04 November | 69 |
| 04 October | 62 |
| 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 |