

Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM DECLINES, ACCORDING TO UBS *INDEX*

Six in Ten Investors Expect Income Tax Refund

Three in Four Investors Say Rise in Gas Prices Permanent; Four in Ten Feeling Pinch

NEW YORK, March 28, 2005 – Investor optimism declined this month, with investors less positive about economic growth, inflation, and the stock market, according to the *UBS Index of Investor Optimism*[®], a joint effort of UBS and the Gallup Organization.

The Index is now at 74, eight points lower than last month, and two points lower than it was in January. Conducted monthly, the Index had an initial baseline of 124 when it was established in 1996.

The decrease can be attributed to 10-point drop in the *Index's* economic dimension, offset somewhat by a two-point gain in the personal dimension.

Currently at 10, the economic dimension is at the same level it was last October, the lowest it had been since June 2003. The decline comes as investors see rising gas prices becoming permanent, and express greater worries about inflation as well as the economy. The recent decline in the stock market appears to have added to their concerns.

The slight gain in the personal dimension comes from greater optimism about maintaining personal income; however, investors are less optimistic about reaching long-term investment goals.

Despite the *Index's* decline, the survey shows little change in investors' expectations for return on their investments over the next year. The average expected return is 10.3 percent, essentially the same as last month when it was 10.1 percent.

Investors are only a little less likely this month than they were in February to say that now is a good time to invest in the markets. Sixty percent of investors express this view now, compared with 62 percent last month. Still, it is higher than the 53 percent measured last October.

This month, investors were also polled about gas prices and their income tax returns. The poll shows 93 percent of all investors expect to meet the April 15 deadline for filing their tax returns, with only 4 percent saying they will take an extension. Almost two in three, 62 percent, expect a refund, with the median amount between \$1,000 and \$2,000. Almost a quarter of investors, 23 percent, expect refunds of \$3,000 or more, including 10 percent expecting more than \$5,000.

Most investors will not save or invest their refunds, but instead will spend the money either on their routine bills (32 percent) or on some special purchase (21 percent). Thirty-one percent say they will put the money in a savings account, and another 8 percent say they will invest the money.

The poll also finds that four in ten investors say they are already feeling the pinch of higher gas prices, including 30 percent who say it is at least a moderate hardship. Moreover, 77 percent of investors say

the higher prices represent a permanent change, while just 21 percent say the recent increases are just part of a temporary fluctuation.

This is a more pessimistic view than what investors expressed in May 2004. At that time, just 56 percent thought the higher prices were permanent, while 44 percent expected them to be temporary.

When asked specifically about the level of gas prices, investors estimate current prices at an average of \$1.98 per gallon, and that six months from now the price will probably be about \$2.21 per gallon. Again, this is more pessimistic than what investors said last year. In August 2004, when the average price was estimated at \$1.86 per gallon, investors projected that the price would go up in the next six months by only four cents, to 1.90 per gallon.

These findings are part of the 83rd *Index of Investor Optimism*, which was conducted March 1 to March 16. 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.

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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 March	74
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