



UBS

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Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

INVESTORS SAY HIGHER ENERGY PRICES CAUSING THEM FINANCIAL HARDSHIP

Investor Optimism Lowest Since May 2003, According to UBS/Gallup Index

NEW YORK, May 23, 2005 – Investor optimism dropped slightly this month to the lowest point in two years. In May of 2003 the index was at 42. Currently at 50, the May 2005 UBS/Gallup Index of Investor Optimism has steadied somewhat since a thirty point drop in March and April of this year. This month, investors were questioned about the conditions affecting the investment climate in the United States. The survey finds that 72 percent of investors believe the price of energy, including gas and oil, is hurting the investment climate “a lot.” That percentage is up sharply from 56 percent who expressed that view in February.

Close to half of all investors, 47 percent, say the higher gas prices this year have caused them a financial hardship, up from 39 percent who expressed that view in March. A large majority of investors, 72 percent, still believe the higher prices are permanent rather than a temporary fluctuation. In May 2004, only 56 percent of investors believed higher prices at that time were permanent.

When asked to predict the price of gas six months from now, investors gave an average figure of \$2.32, up from the \$2.18 they report as the average price they pay right now. That represents a projected 6.4 percent increase in the price of gas in the next half year.

“The rising price of energy is acting as a drag on investor optimism,” said Anne Briglia, a Senior Strategist with UBS Wealth Management Investment Strategy and Research Team.

An unusual characteristic of the Index these past two months is the disappearance of differences between the average and substantial investors. Typically, substantial investors – with assets of more than \$100,000 – are more optimistic than average investors, with assets of \$10,000 to \$100,000. In February, when the Index was at 82, substantial investors had an Index score of 111, compared with 65 for average investors. But for the past two months, the Index scores of the two groups have been very similar. This month, the Index for substantial investors is 51; for average investors, it is 49, suggesting that economic conditions such as energy prices are affecting people across the board.

This past February, the Index of Investor Optimism reached a seven-month high of 82, before beginning its current decline. Conducted monthly, the Index had an initial baseline of 124 when it was established in 1996.

Investor expectations of return on their portfolio continue on a gradual slide. Since January, when expectations were at 11.4 percent, investors have become somewhat more pessimistic, with expectations now more than two points lower at 9.1 percent.

Similarly, there has been a gradual decline in the percent of investors who think now is a good time to invest in the financial markets. The current survey finds 56 percent of investors with that view, only a point lower than last month, but eight points lower than the 64 percent measured last December.

Outsourcing of jobs to foreign countries remains a drag on the investment climate, according to 61 percent of investors. Other factors hurting “a lot” are the federal budget deficit (mentioned by 52

percent of investors), the issue of questionable accounting practices in business (46 percent), illegal immigration (44 percent), and the situation in Iraq (43 percent).

These findings are part of the 84th *Index of Investor Optimism*, which was conducted May 1 to May 15. 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 May	50
05 April	52
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

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