

Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

UBS/GALLUP INDEX OF INVESTOR OPTIMISM UP AGAIN IN JULY CONTINUING MODEST REBOUND

Energy Prices Still Largest Drag on Economy

Rising Interest Rates Again Not Seen as Important Negative

NEW YORK, July 25, 2005 – Investor optimism is at 58, up four points from last month and eight points since May, according to the July results of the *UBS/Gallup Index of Investor Optimism*. Last February, the Index hit a six-month high of 82, but then slid 32 points over the next four months. The most recent figures suggest the decline has probably bottomed out and started to correct. Polled by Gallup for the first time about identity theft, investors cited the issue as a significant factor negatively affecting the investment climate, although the price of energy remains the most important concern.

“Despite the rise in energy prices and investors’ continued related concerns, it is significant that the *Index* still managed to post a second straight, albeit modest, gain in July, said Maury Harris, UBS Chief US Economist. “Also, it is noteworthy that investors are as concerned as reported about identity theft and its effect on the investment climate.”

The price of energy remains the topmost concern, cited by 71 percent of investors nationwide as hurting the investment climate “a lot,” followed by the outsourcing of jobs to foreign countries (61 percent), and the federal budget deficit (51 percent).

In the wake of increased media attention, identity theft ranks among the significant issues hurting the economy. Forty-four percent of investors reported that the fear of identity theft hurts the investment climate “a lot,” just behind Iraq (46 percent), but ahead of questionable accounting practices (42 percent), illegal immigration (39 percent), and the threat of more terrorist attacks (36 percent). Other issues hurting the investment climate include the cost of housing (31 percent), inflation (28 percent), the value of the dollar (25 percent) and interest rates (17 percent).

Although optimism has increased slightly, investors do not project a significantly larger rate of return on their portfolio this month than they have for the past several months. Currently, the expected rate of return is 9.8 percent, little different from the 10.0 percent average of the past six months.

This month investors were surveyed about the impact of interest rates, which ranked least harmful to the investment climate among the twelve factors measured. In fact, more investors say the current level of interest rates has helped the economy than hurt it.

As for the recent changes in interest rates, most investors (63 percent), discount any impact on their portfolios. The rest of investors are about evenly divided as to whether the recent changes have hurt the investment climate (20 percent) or helped it (16 percent).

Given the slight impact, 77 percent of investors say the recent changes in interest rates have not affected their decisions about whether to invest more money or less money in stocks. The changes have encouraged 17 percent of investors to invest less in stocks and 6 percent to invest more.

These findings are part of the 88th *Index of Investor Optimism*, which was conducted July 1 to July 17. 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 801 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 July	58
05 June	54
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