

Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

SHARP DROP IN INVESTOR OPTIMISM, ACCORDING TO UBS/GALLUP INDEX OF INVESTOR OPTIMISM

Hurricanes Shake Investor Optimism

Energy Prices Continue to Worry Investors

NEW YORK, September 26, 2005 – Investor optimism plunged in the aftermath of Hurricanes Katrina, reaching its lowest point in two-and-a-half years. Currently at 34, the UBS/Gallup *Index of Investor Optimism* is 27 points lower than last month, when the *Index* was at 61. Energy costs appear to be weighing heavily on investors' minds and dampening their outlook of the investment climate.

"Investors were clearly jolted by the impact of Hurricanes Katrina and Rita, the spiraling rebuilding costs and the implications for oil supply and distribution," said Maury Harris, UBS Chief US Economist. "Having also lived with high energy prices this summer, investors now view rising costs as part of a longer-term trend, rather than a short-lived phenomenon. "

The great majority of investors say the current energy prices are hurting the U.S. investment climate. Fifty-four percent say the investment climate is hurt "a great deal," while 34 percent say it is hurt a "moderate amount." As compared with last year, investors now believe that the current rise in gas prices represents a more permanent trend. Seventy-one percent of investors believe the rising prices are part of a permanent trend, compared with 56 percent in May of 2004.

At the time of the survey, the average price of gas experienced by investors was \$2.99 a gallon. Investors expect that three months from now, the average price will be \$3.09. On this matter, the views of investors varied considerably. Forty-seven percent expect that prices will rise in the next three months, by an average of \$.55 a gallon. Forty percent of investors expect prices to decline by an average of \$.39 cents a gallon. Another 12 percent of investors expect no change. This uncertainty is undoubtedly due to the unpredictability of gas prices and conflicting predictions in the media. Interestingly, women polled were considerably more pessimistic about gas prices, expecting on average a \$.19 per gallon increase over the next three months, than men polled, who expected only a \$.04 per gallon increase.

Investors say the impact of higher energy prices has been felt personally as well as in the markets. Fifty-one percent of investors say they have suffered financial hardship this year because of the price increases, compared with 42 percent in August of 2004. Seventy-eight percent of investors say they have curtailed spending in at least one of four areas as a direct consequence of higher energy prices: 66 percent are curtailed their driving, 57 percent cut back on general spending, 49 percent cut back on vacation, and 31 percent reduced their use of fans and air conditioners.

This month's survey also showed a significant drop in the percentage of investors who think now is a good time to invest in the financial markets, from 59 percent who felt that way last month to 51 percent now. The last time investors were this pessimistic was in March 2003. Other issues weighing on investors' minds are concerns about economic growth and inflation.

These findings are part of the 90th *Index of Investor Optimism*, which was conducted September 1 to September 18. 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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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.

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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 September	34
05 August	61
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

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