



Index of Investor Optimism

A UBS/Gallup Poll of Investor Attitudes

UBS

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INVESTOR OPTIMISM REMAINS AT SIX MONTH LOW

UBS/Gallup Index of Investor Optimism at 64, Unchanged From April

Over 90% of Investors Say Energy Prices Hurting Investment Climate

Majority of Investors Fear Weakening Housing Market

NEW YORK, May 22, 2006 – Investor optimism remains at a low point for the year, at 64, during the month of May. This reading represents a one point rise since April and a 29 point decline since the beginning of 2006. The Index is conducted monthly and had a baseline score of 124 when it was established in October 1996.

Concerns among investors include rising interest rates, the value of the U.S. dollar and the softening housing market. Forty-seven percent of respondents feel that the current level of interest rates is hurting them, up from 40 percent in March. Sixty-three percent said that they are concerned that the value of the dollar against other currencies will unfavorably affect the investment climate, up eight points from March. A clear majority of respondents, 63 percent, feel that the softening housing market is harming the investment climate.

Of particular concern to investors is the continued rise in energy prices. Ninety-two percent of investors believe that energy prices are negatively affecting the U.S. investment climate, a reading that has held steady since March. Investors are clearly feeling the pinch at the pump and expect to continue to pay more for gasoline. Two years ago, in May 2004, investors reported paying an average of \$1.92 per gallon of gasoline; during the first two weeks of May 2006, investors reported paying an average of \$2.93, representing an increase of over 50 percent. Respondents believe the price will continue to rise over the next three months by another \$0.30 (or 10 percent) per gallon to \$3.23 per gallon.

“Investors are approaching the markets with caution and are readjusting their financial holdings to respond to current economic conditions and concerns over the direction of future policy changes,” said Mike Ryan, Head of UBS Wealth Management Research. “Because of the rise in energy prices, 14 percent of investors tell us that they are increasing their holdings in utility companies, and another 18 percent are shifting money into cash or CDs.”

A clear majority, 81 percent, of investors feel that the federal government should be doing more about high gas prices. However, investors are not as clear that cutting gasoline taxes is an action the government should take. When asked if all federal, state and local taxes on a gallon of gas should be temporarily suspended until prices fall below \$2.50 a gallon, investors are evenly split with 51 percent in favor of a temporary suspension and 47 percent opposed.

Although investors are cautious about the economy, they expect to reap a healthy double-digit average return of 13.6 percent on their investment portfolios over the next 12 months. And

investors continue to believe in the financial markets, with six in ten responding that now is a good time to invest in the financial markets, unchanged from April and only slightly down from the first three months of 2006.

These findings are part of the 97th *Index of Investor Optimism*, which was conducted May 1-14, 2006. 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 803 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 one of the world's leading financial firms, serving a discerning global client base. As an organization, it combines financial strength with an international culture that embraces change. As an integrated firm, UBS creates added value for clients by drawing on the combined resources and expertise of all its businesses.

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Additional information about the *Index of Investor Optimism* can be found at www.ubs.com/investoroptimism



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UBS *Index of Investor Optimism* overall trend

	<i>Overall Index</i>
06 May	64
06 April	63
06 March	79
06 February	80
06 January	93
05 December	79
05 November	50
05 October	47
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



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99 February	167
98 December	141
98 September	147
98 June	160
98 March	161
97 December	151
97 September	151
97 June	152
97 February	128
96 November	125
96 October	124

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