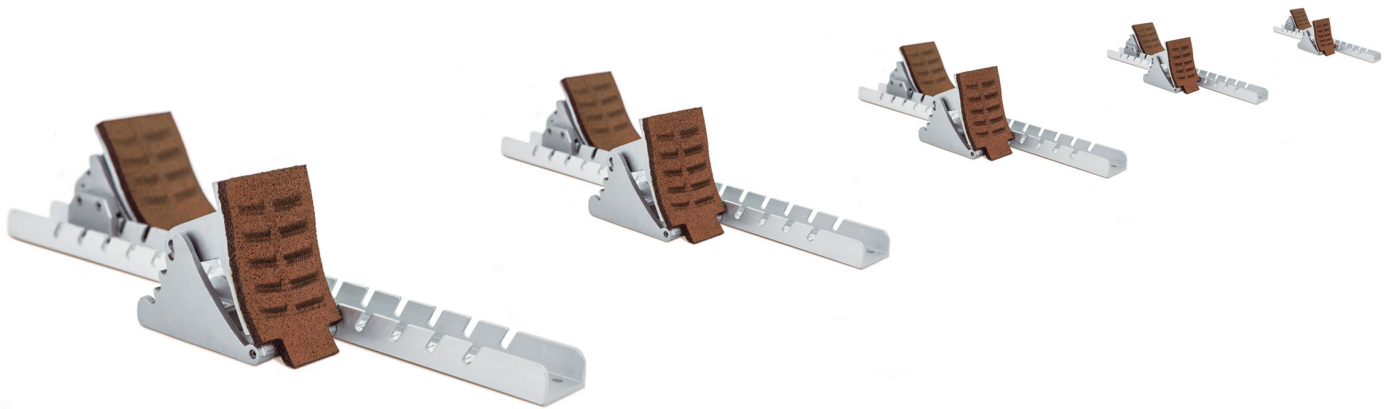


UBS Investor Watch

Analyzing investor sentiment and behavior / 2Q 2017

On your mark...

100 days into the new administration,
investors are **poised to act**



As investors assess the administration's first 100 days in office, optimism on the U.S. economy and the stock market remains high. Investors are poised to act, anticipating more progress from the administration on key initiatives that will boost the economy.

On the administration's overall performance, opinions diverge along party lines. Republicans, for example, are far more favorable than Democrats and Independents in their approval of the administration. But when it comes to the economy, optimism is higher across the political spectrum—even Democrats feel more positive than they did in December.

As a result, more than half of investors are looking to put cash to work. Before committing, however, they want to see more progress on key initiatives, specifically infrastructure, taxes and healthcare reform. Business owners feel even more optimistic and are already making plans. Two thirds plan to increase investments in their business, and more than half intend to step up hiring.

Though investors have tempered their expectations based on the initial outcome of the healthcare bill, many are hoping the administration will fulfill its central campaign promises. Now it's up to Washington to deliver.

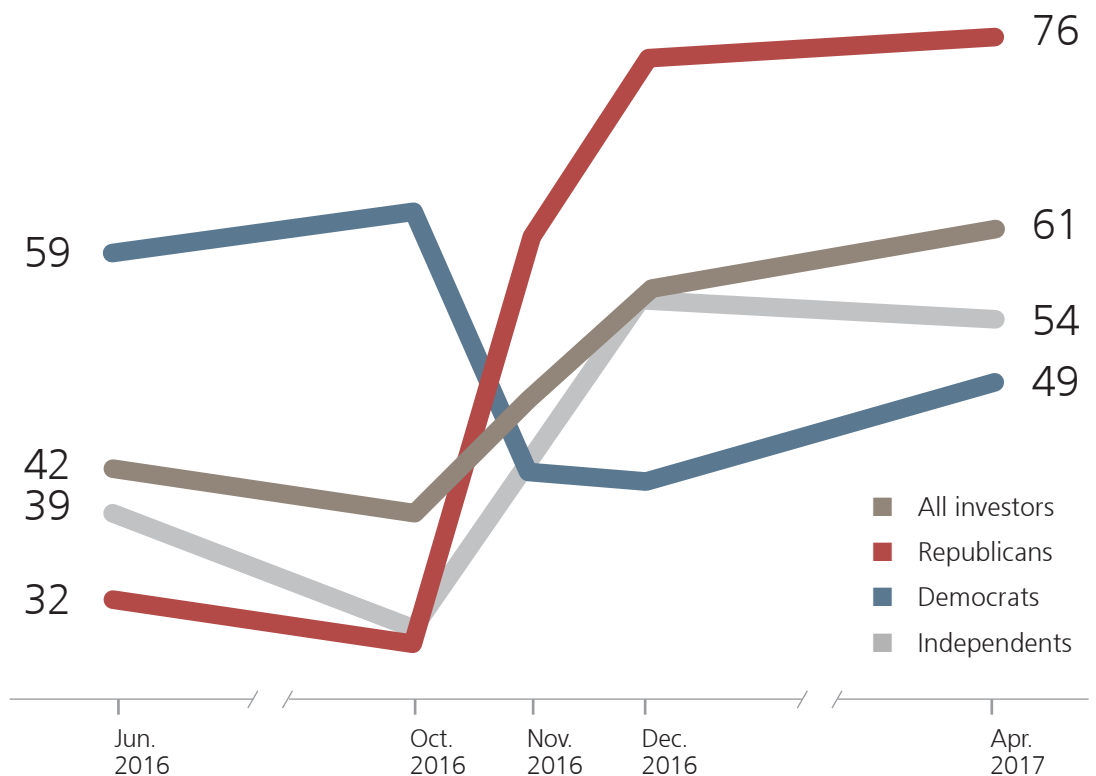
1

Investors see a brighter future for the U.S. economy...

Since the election, investor optimism on the U.S. economy continues to improve. 61% are optimistic about the economic outlook, up from 42% last summer. Over the last quarter, Republicans have maintained their level of optimism, while Democrats' outlook has actually improved. Nearly half of investors are more optimistic about the economy now than at any time since the financial crisis.

Investors' economic outlook driven by political views

Percentage optimistic about 12-month economic outlook:



“I feel much the same about a Trump presidency as I did about the Reagan presidency. Government needs to get out of the way to unleash the economic engine in our country.”

– Male, 67

“I’m optimistic about the economy because Trump is a business man. He has a lot of experience handling budgets and economics.”

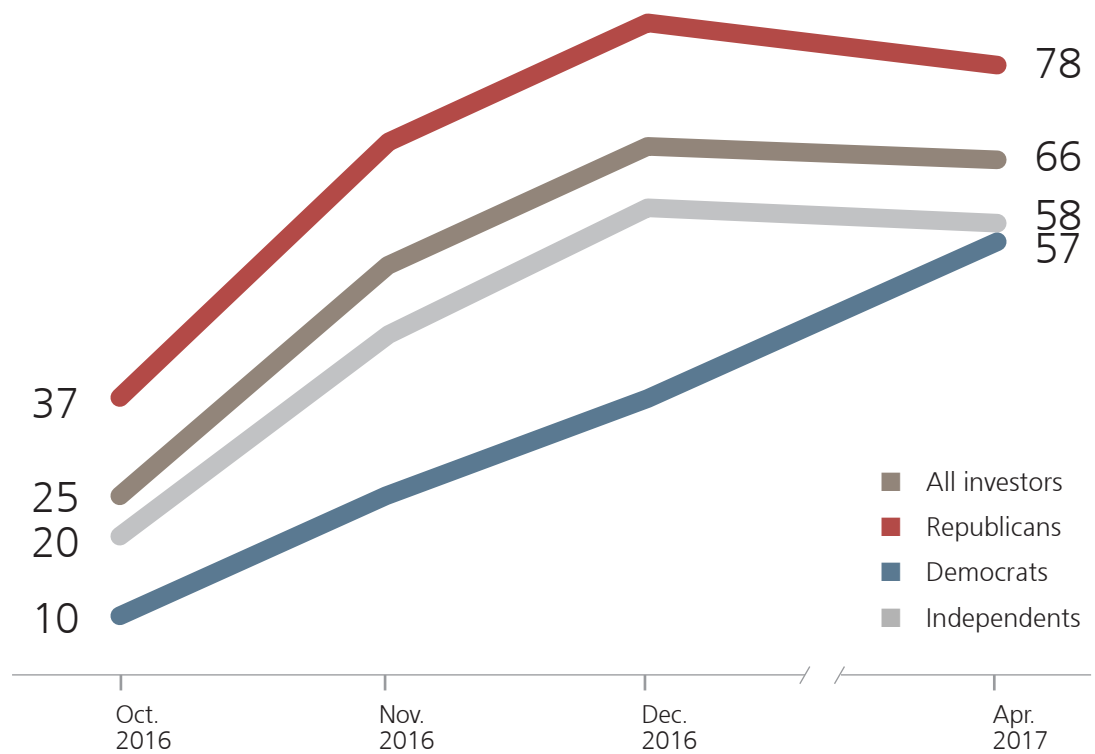
– Female, 34

...and feel confident about the stock market

Overall, investors tend to see the current investment climate as one with potential for high returns. Two-thirds (66%) feel optimistic about the short-term outlook for stocks. While confidence among Republicans and Independents has remained steady, sentiment among Democrats has jumped significantly. Many investors have become more worried about missing out on market gains.

Investors still confident about the stock market

Percentage optimistic about S&P 500 returns in the next six months:



“I expect the stock market to be positive the rest of the year but with increasing volatility as the political games in D.C. play out. Business and consumer confidence is very positive—I expect this to continue and drive further gains.”

– Male, 63

“Trump will bring confidence to the markets. The optimism that consumers feel about the economy and their personal finances will make them spend more on products and services.”

– Male, 31

2

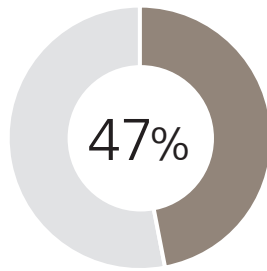
Investors' views of the administration's first 100 days differ by party affiliation...

Overall, almost half (47%) of investors approve of the administration's performance. However, ratings vary by party affiliation, with Republicans approving at a much higher rate than Democrats and Independents.

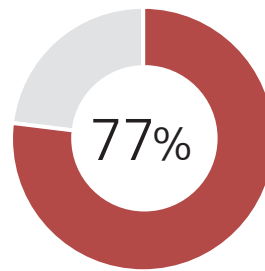
On specific issues, most investors approve of the administration's approach to the economy, national security and the Supreme Court nomination. However, most investors disapprove of foreign policy and the recent handling of healthcare reform.

Approval ratings vary dramatically by party affiliation

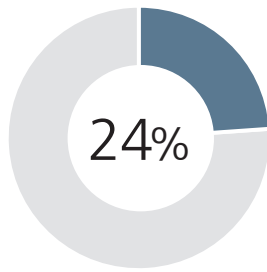
Percentage who approve of the job the administration is doing:



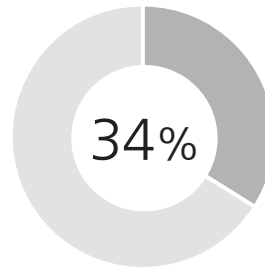
All investors



Republicans



Democrats



Independents

“I give President Trump a ‘B’ for trying to effect change at the federal level. Hard to do when your own party can’t effectively work together toward a common goal.”

– Male, 65

“I feel like President Trump is leading the country in very dangerous ways. I disagree with his stance on most issues.”

– Female, 65

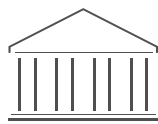
...but they are ready to invest on signs of additional progress

Investors continue to hold around 20% of their investable assets in cash. A majority (56%) want to put more cash to work once they see more progress from the administration on key issues.

Because the economy remains investors' number one issue, they expect government action on initiatives that will boost economic growth, specifically tax reform and infrastructure spending. They also seek greater stability and clarity from the administration.

Investors seek stability and results

Percentage waiting on the following before investing cash:



61%

More stability from the administration

“The stock market may have another leg up if Trump succeeds in making a deal with the Democrats on infrastructure spending, repatriation of overseas business assets and lower business taxes.”

– Male, 73



48%

More clarity on what government will focus on for the rest of the year

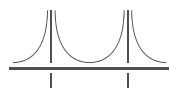
“I’ve kept money in the stock market and conserved cash. I’m not planning on any major spending until I get a better idea of what’s going to happen with tax policy.”

– Male, 68



40%

Lower personal income taxes



40%

More infrastructure spending

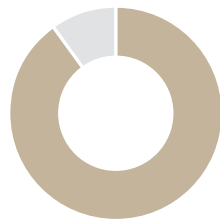
3

Healthcare reform is still a top priority for investors...

Healthcare is still a top concern for investors, and most want the current Affordable Care Act revised. However, they are willing to wait for a more thoughtful, effective alternative. Only 35% of investors, for example, believe the proposed AHCA would have been better than the current policy. Nearly all believe Republicans should have offered a stronger plan.

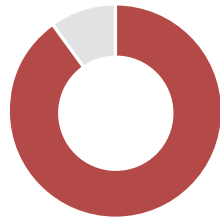
Investors disappointed with the outcome on healthcare

Percentage who agree:



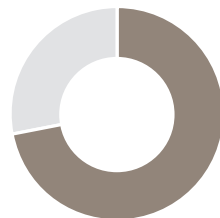
90%

Government should spend more time coming up with a better healthcare solution



90%

Republicans should have had a better healthcare plan



72%

The lack of success on healthcare has hurt Trump's presidency



61%

I would like to see the Affordable Care Act revised

“Trump has to work with Democrats and Republicans to craft a good healthcare bill. It’s complicated and can’t be done overnight in the back room.”

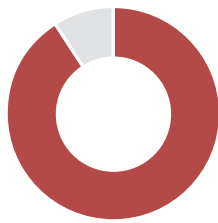
– Male, 56

...along with infrastructure and tax reductions

Investors from both parties agree that, in addition to healthcare, infrastructure spending and lower taxes should be two key priorities for the new administration. However, many investors have tempered their expectations based on the fate of the recent healthcare bill.

Strong agreement on importance of infrastructure

Percentage who agree:



91%

Investing in infrastructure will positively impact the economy

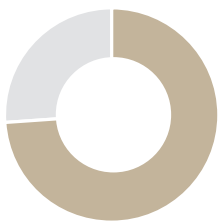


79%

Building infrastructure is a highly important issue

Investors would like to see tax reform but are less optimistic about results

Percentage who agree:



74%

Government should focus on tax reform next



67%

I am less optimistic about tax reform based on what happened with healthcare

“I think the tax code needs to be completely rewritten and simplified. However, given what a failure the healthcare reform was, I am skeptical.”

– Female, 28

“I am optimistic that he will be able to strike a deal with the Democrats about infrastructure spending, a crying need in our country.”

– Male, 73

Business owners feel positive about the potential for growth...

Three in four business owners are optimistic about the outlook for their business in the next 12 months. They are increasingly optimistic about the greater ease of doing business and fewer regulations.

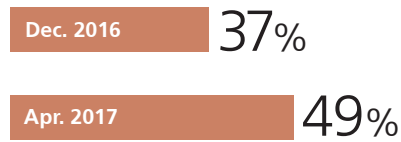
Business owners increasingly optimistic about an improved business environment

Percentage who are highly optimistic about:

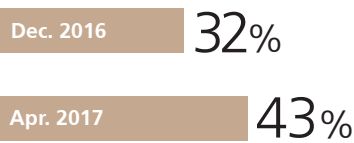
Improved business environment with fewer regulations



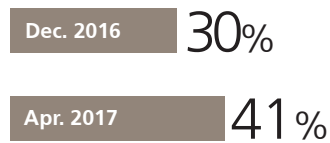
Greater ease of doing business



Growing my business



Ease of getting a business loan or credit line



“I believe that downsizing the government and eliminating regulation will be helpful to all businesses, not just mine. Reducing corporate and individual tax rates will increase spending for businesses and consumers alike.”

– Male, 47

“The less time I spend complying with unnecessary regulations, the more time I can spend operating and growing my business.”

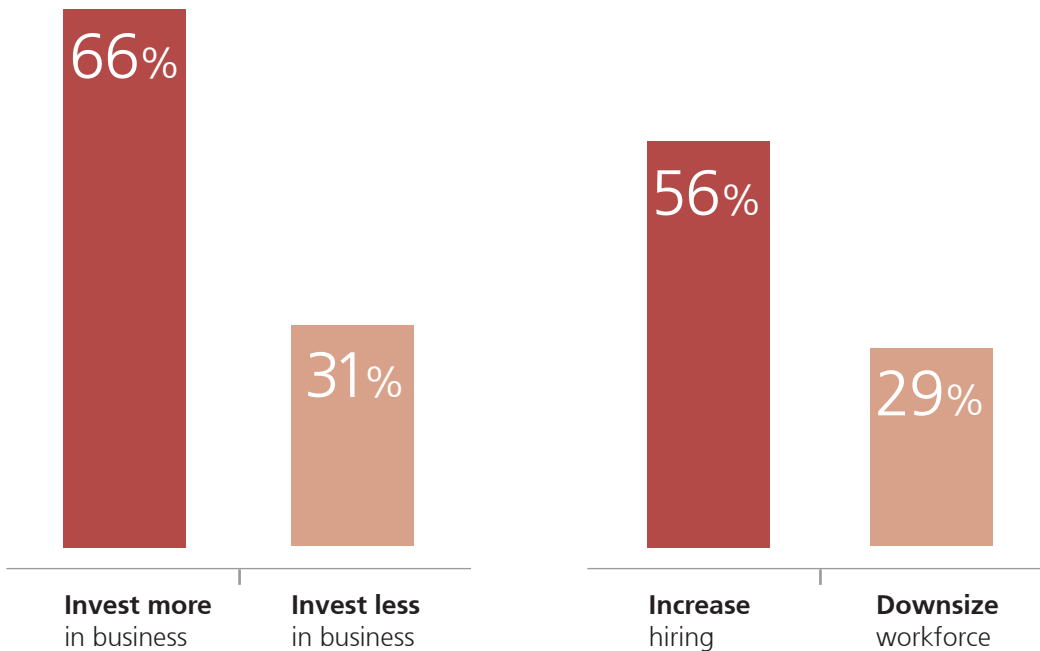
– Male, 60

...prompting them to invest in their business

While investors are waiting for more clarity from the administration, business owners are ready to take action. The proportion planning to invest more in their business and increase hiring is twice as high as those looking to invest less or downsize.

Business owners are taking steps to grow their business

Percent planning to take each action:



“Lower corporate taxes will enable me to invest more in my business and hire additional staff. I think there is now a spirit in this country since Trump’s election toward opportunity and growth.”

– Male, 67

“Trump’s policies about economic issues will reduce my taxes and make me more confident to invest in my business.”

– Male, 31

About the survey: UBS Wealth Management Americas surveys U.S. investors on a quarterly basis to keep a pulse on their needs, goals and concerns. After identifying several emerging trends in the survey data, UBS decided in 2012 to create the *UBS Investor Watch* to track, analyze and report the sentiment of affluent and high net worth investors.

UBS Investor Watch surveys cover a variety of topics, including:

- Overall financial sentiment
- Economic outlook and concerns
- Personal goals and concerns
- Key topics, like aging and retirement

For this nineteenth edition of *UBS Investor Watch*, 2,272 affluent and high net worth investors (with at least \$1 million in investable assets) participated from March 28 – April 3, 2017, including 510 with at least \$5 million. We also included an oversample of 383 business owners who have at least one employee besides themselves. With 90 survey respondents, we conducted qualitative follow-up interviews.

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