

News Release

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INDEPENDENT ADVISOR OPTIMISM ON THE RISE ACCORDING TO SCHWAB INSTITUTIONAL STUDY

SAN FRANCISCO, August 18, 2008 — Independent investment advisors are now more optimistic about the U.S. economy and think the stock market may have reached a bottom, according to the latest Schwab Institutional study of independent registered investment advisors. Nearly six in ten (58 percent) say they expect the S&P 500 to rise by the end of the year compared to just 46 percent who thought so in January. And 57 percent say energy prices are likely to decrease in the next six months, up markedly from 42 percent in January. Other key economic findings:

- Seventy-one percent of advisors feel the housing market will continue to soften, down from 81 percent who felt that way in January
- Fed Chairman Ben Bernanke's approval rating has shot back up to 71 percent from 61 percent six months ago
- More than half (52 percent) of advisors think the Fed will raise rates again in the next six months, a big leap from just six percent who felt that way in January

Schwab Institutional is a leading provider of custodial, operational and trading support for more than 5,500 independent investment advisors. The semi-annual Independent Advisor Outlook Study ("study") measures the views of independent Registered Investment Advisors (RIAs) on a variety of topics. More than 1,000 independent investment advisors with \$208 billion in total assets under management participated from July 8-18, 2008.

Cautiously Optimistic Coaches

Although 77 percent of advisors still call the current market environment difficult and nearly half (49 percent) say their clients have requested more conservative investments this year, an average of just one in four clients have needed reassurance since January.

"No one thinks today's market conditions are easy," says Bernie Clark, senior vice president of Schwab Institutional. "But advisors are known for their long-term perspective. They see a light at the end of this tunnel and are leading their clients toward it."

He continues, "Advisors describe their role as quarterback or coach, and they've been in tough games before. This time, they are playing an increasingly proactive role -- more than half say they have increased the frequency of client phone calls and are providing their clients with more education on the market."

Clark notes that affluent investors in today's market environment are less comfortable managing money on their own and are continuing to turn to independent advisors for trustworthy advice. The data reveals why:

- Eighty-five percent of advisors report they won new clients during the past six months from full-service brokerage firms for two primary reasons: 66 percent say their new clients want more personal advice, and 57 percent say their new clients lost trust in their previous firm
- Eighty-four percent of advisors say they won new clients who had been managing their own investments, 52 percent say they won clients who were looking for more personalized advice

Divided Over Investment Strategies

Advisors have strong opinions about their investment game plans, but are somewhat divided: 22 percent of advisors plan to invest more in cash, while an equal number (23 percent) plan to invest less. Similarly, 22 percent of advisors plan to invest more in U.S. small cap equities during the next six months, up significantly from 9 percent in January, while 19 percent intend to invest less, down from 38 percent six months ago.

Twenty-one percent of advisors say they plan to invest more in international large cap equities in developed markets over the next six months, down from a high of 31 percent in January 2007. Just 20 percent plan to invest more in fixed income over the next six months, down from a high of 27 percent in January. They identify the top three vehicles in the next six months as ETFs, REITs, and mutual funds that employ hedging strategies.

Advisors and Clients Both Focused on Energy

As a result of current market conditions, approximately one in four advisors report that their clients have purchased more fuel-efficient vehicles (26 percent) or delayed selling a home (22 percent).

The study shows that energy is expected to be the top performing sector in the next six months (at 38 percent) with information technology and health care tied close behind, both at 33 percent. Health care, however, is down from a high of 46 percent in January. Consumer staples have fallen to fourth place (at 31 percent down from 35 percent in January), and financials are gaining ground (up to 27 percent from 24 percent in January).

Internationally, Hong Kong continues to rank number one (27 percent) as advisors' pick for the top-performing developed international market during the next six months, while Singapore has fallen from the number two spot (from 32 percent last January to 23 percent in July), replaced by Canada, which has steadily been gaining in popularity among advisors (at 27 percent up from 20 percent in January 2008 and 12 percent in January 2008). Japan stands at third with 27 percent of advisors identifying it as a top-performing market for the remainder of 2008. On the emerging markets front, advisors expect the top three markets to be Brazil (which has risen to 42 percent from 22 percent in January 2007), China and India (tied at 28 percent).

United Nation on the Horizon

More advisors expect the domestic political environment to become more united in the next six months (23 percent up from 14 percent in January and seven percent a year ago), with Democrats more optimistic about our political climate than Republicans (40 percent vs. 16 percent). And while nearly half (47 percent) of advisors surveyed call themselves Republican, a larger number of advisors (62 percent) believe that, if elected, Senator John McCain will have the most positive impact on their client portfolios. The top two issues advisors think the new President should focus on during his first 100 days in office: U.S. involvement in Iraq and stimulating the U.S. economy.

About Schwab Institutional

Schwab Institutional is a leading provider of custodial, operational and trading support for independent investment advisors. As of June 30, 2008, client assets custodied with Schwab Institutional stood at \$575 billion. These assets, managed by the approximately 5,500 independent advisor firms Schwab Institutional currently serves, represent approximately one-third of total client assets custodied with The Charles Schwab Corporation. Brokerage products offered by Schwab Institutional are not FDIC insured, are not

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The Independent Advisor Outlook Study, conducted for Schwab Institutional by Koski Research in July 2008, has a 3.15% margin of error. Koski Research is not affiliated with nor employed by Charles Schwab & Co. Inc. Detailed findings can be found at ([link here](#)).

About Charles Schwab

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