

# Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

## **INVESTOR OPTIMISM FALLS IN FEBRUARY, UBS *INDEX* SHOWS**

### **Vast Majority of Investors Troubled by Questionable Accounting Practices**

NEW YORK, February 25, 2002 – Optimism dropped this month as investors express concerns over the performance of the financial markets and the impact of questionable accounting practices on the investment climate, according to the *Index of Investor Optimism*<sup>®</sup>, a joint effort of UBS and the Gallup Organization.

Currently at 92, the overall *Index* declined 23 points from 115 last month. Conducted monthly, the *Index* had a baseline of 124 when it was first established in October 1996.

Expectations for short-term return, over the next 12 months, fell to 9.5 percent in January from its six-month high of 10.2 percent last month. Interestingly, expectations among younger investors, those under age 40, rose to 13.2 percent in February from 10.3 percent last month. In contrast, expectations among older investors, those over age 40, declined to 8.4 percent from 10.3 percent in January.

Investor optimism about the performance of financial markets over the next 12 months decreased in February, dropping to 50 percent of those surveyed from 60 percent last month and ending a steady rise from its record low of 36 percent in September 2001. In fact, fewer investors currently believe that now is a good time to invest in the markets, with 67 percent of those surveyed sharing this view compared with 72 percent last month. However, more than half of all investors, 57 percent, also believe that the worst of the nation's recession is over, up from 36 percent in December 2001, and 71 percent say the U.S. economy will be in a recovery six months from now.

According to the *Index*, the overwhelming majority of investors, 89 percent, are familiar with the Enron bankruptcy and the accounting irregularities that led to the company's demise. Moreover, 62 percent of those surveyed believe these accounting concerns are widespread in business, and 79 percent of investors across all age and asset levels say this issue is hurting the U.S. investment climate.

"Despite an improving earnings outlook, the drop in optimism clearly shows that investors are affected by the Enron bankruptcy and the ongoing questions it raises about corporate accounting practices," said Mary Farrell, UBS PaineWebber senior investment strategist. "While volatile market conditions persist, there are a number of companies with strong fundamentals that continue to sell below peak levels and present excellent buying opportunities for investors."

When asked how the issue of questionable accounting practices has affected their views about investing, one-third of those surveyed, 34 percent, report they are now less likely to invest in stocks. Conversely, one-quarter say they are more likely to put their money in bonds, cash and real estate as a result. Indeed, 50 percent of all investors believe bonds are currently a more promising investment compared with 40 percent who prefer stocks.

More than three-quarters of those surveyed, 83 percent, believe as a general rule it is a problem when employees have most of the 401K retirement accounts invested in their company's stock, and 59 percent favor setting limits on the amount that can be invested. Notably, older investors are much more likely to support limits with 64 percent holding this opinion, compared with 46 percent of younger investors.

These findings are part of the 46th *Index of Investor Optimism*, which was conducted from February 1 to February 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 1,001 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 of savings and investments. The sampling error in the results is plus or minus three percentage points.

In January 2002, UBS established the *Index of Investor Optimism – EU 5*, the European counterpart to the U.S. survey covering France, Germany, Great Britain, Italy and Spain. This month, 1,000 investors across these EU markets were polled from February 1 to February 18. Overall optimism registered at 20 in February, down from 40 last month.

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 AG is a leading global financial services firm with 71,000 employees worldwide, providing a wide range of services to a client base that includes affluent individuals, corporations, institutions and governments. Headquartered in Switzerland, the bank has significant operations in all of the world's major financial centers.

Additional information about the *Index of Investor Optimism*  
can be found at [www.ubs.com/investoroptimism](http://www.ubs.com/investoroptimism)

**Overall *Index of Investor Optimism- U.S. / - EU 5***

	<b>Overall</b>	<b>Personal</b>	<b>Economic</b>
<b><i>Index – U.S.</i></b>	<b>92</b>	<b>69</b>	<b>23</b>
<b><i>Index – EU 5</i></b>	<b>20</b>	<b>37</b>	<b>-17</b>

***Index of Investor Optimism – U.S. / EU 5***  
**Expectations for short-term return on own portfolio**

	<b>Expected Rate of Return</b>
<b><i>Index – U.S.</i></b>	<b>9.5%</b>
<b><i>Index – EU 5</i></b>	<b>7.9%</b>