

Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM UNCHANGED IN MAY, UBS *INDEX* SHOWS

More Investors Say Now Is Not A Good Time To Invest

NEW YORK, May 28, 2002 – Optimism held steady in May, as investors continued to 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*[®], a joint effort of UBS and the Gallup Organization.

Currently at 90, the overall *Index* was essentially unchanged, up only one point from 89 in April. Conducted monthly, the *Index* had a baseline of 124 when it was established in October 1996.

Expectations for short-term return, over the next 12 months, fell to 9.2 percent in May from 10.6 percent last month, a decline reported across all age levels. Among younger investors, those under age 40, expectations dipped to 11.2 percent in May from 13.3 percent last month. Similarly, expectations among older investors, those over age 40, decreased to 8.6 percent this month from 9.9 percent in April.

According to the *Index*, the number of investors who say now is a good time to invest in the markets dropped to 59 percent this month, its lowest level since September 2001. Indeed, investors across all age and asset classes report this view. Moreover, optimism about the prospects for the financial markets in the coming 12 months declined to 46 percent in May from 49 percent last month, also matching a September 2001 low. Conversely, approval for the Federal Reserve remains strong at 87 percent among those investors who report having an opinion on the board's current policies, and a majority of investors, 62 percent, now say they expect the Fed to hold interest rates steady in the next three months, up 13 percentage points from last month.

In May, investors were polled about conditions that could hurt the U.S. investment climate. The overwhelming majority, 84 percent, say the issue of questionable accounting practices is negatively impacting the markets. This is followed by the conflict between the Israelis and the Palestinians, 73 percent; the war on terrorism, 66 percent; issues of conflict of interest between Wall Street firms' research departments and investment banks, 62 percent; the general economic environment in the U.S., 61 percent; and current U.S. tax policy, 53 percent.

When asked about the ongoing fallout from the Enron bankruptcy and the questionable accounting practices that led to the company's demise, nearly three-quarters of those surveyed, 71 percent, believe these accounting concerns are widespread in business, up from 62 percent in February. In fact, a growing number of investors, 40 percent, now say they are less likely to invest in stocks or mutual funds as a result, up from 34 percent in February. Similarly, fewer investors, 38 percent, report the issue has had no effect on their views about investing, down from 49 percent three months ago.

At the same time, investors are divided over the controversy surrounding financial analysts' objectivity and possible conflicts of interest. Forty percent of those surveyed report they are now less likely to invest in stocks or mutual funds, compared with 42 percent who say the controversy has had no impact on their investment behavior.

Interestingly, the number of investors who now say they favor new stricter accounting regulations by the government decreased from 75 percent in March to 68 percent this month, and less than half of those surveyed, 48 percent, favor measures that would prohibit Wall Street firms from providing both research and investment banking services to the same company.

These findings are part of the 49th *Index of Investor Optimism*, which was conducted from May 1 to May 16. 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 1,002 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 May 1 to May 17. Overall optimism registered at 28 in May, up from 26 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 and is comprised of four business groups; UBS Warburg, UBS PaineWebber, UBS Switzerland, and UBS Global Asset Management.

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
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
97 December	151
97 September	151
97 June	152
97 February	128
96 November	125
96 October	124