

Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM RETREATS IN MAY FOLLOWING SURGE LAST MONTH, ACCORDING TO UBS *INDEX*

Investors Cite Prolonged Economic Downturn as Top Threat to Investment Climate

NEW YORK, May 27, 2003 – Investor optimism declined in May following a dramatic increase in April, as investors expressed concerns about the state of the nation's economy and the job market, according to the UBS *Index of Investor Optimism*, a joint effort of UBS and the Gallup Organization.

Currently at 42, the overall *Index* fell 24 points this month from 66 in April. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

This month, investors are less confident about prospects for the unemployment rate over the next 12 months, with just 33 percent of those surveyed expressing optimism, compared with 41 percent in April. Likewise, 46 percent of those surveyed are optimistic about economic growth in the coming year, down from 49 percent in April.

Despite this gloomier economic outlook, investors say they expect an average 7.9 percent return on their personal portfolio over the next 12 months, up slightly from 7.3 percent in April. Indeed, 58 percent of those surveyed say they believe now is a good time to invest in the financial markets, up from 54 percent last month, and reaching its highest level since June 2002. Substantial investors, those with more than \$100,000 in investable assets are more likely to share this view, with 64 percent agreeing that now is a good time to invest, compared with 54 percent among average investors, those with \$10,000 - \$100,000 in investable assets.

Importantly, nearly half of those surveyed, 45 percent, continue to believe the economy has not yet hit bottom, down from 61 percent in March, when overall investor optimism sunk to its lowest level in the UBS *Index's* six-year history. Two-thirds of investors, 66 percent say they expect the economy to slowly improve over time, compared with 33 percent who believe the nation's economy will first get worse before it gets better.

In May, investors were also polled about current situations that can negatively impact the U.S. investment climate. Perhaps not surprisingly, a prolonged economic downturn ranked as the top concern, with 28 percent of those surveyed citing it as the most important threat. This is followed by major terrorist attacks, 20 percent; instability in the Middle East, 20 percent; strained relations between the U.S. and some European countries, 14 percent; a potential conflict with North Korea, 11 percent; and the spreading of SARS, 4 percent.

These findings are part of the 61st *Index of Investor Optimism*, which was conducted from May 1 to May 14. 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 May 1 to May 15. Overall optimism registered at negative (-17) in May, up from negative (-29) 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 69,000 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 Wealth Management and Business Banking, 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
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
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