

Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM RISES SLIGHTLY IN SEPTEMBER, ACCORDING TO UBS *INDEX*

Investors Split Over How War With Iraq Would Affect the Nation's Economy

NEW YORK, September 23, 2002 – Overall optimism rose slightly for the second month in a row as investors express less anxiety about the negative conditions impacting the investment climate, according to the *Index of Investor Optimism*[®], a joint effort of UBS and the Gallup Organization.

Currently at 60, the overall *Index* increased 8 points from 52 in August. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

In September, investor's expectations for short-term return, over the next 12 months, held relatively steady at 7.6 percent, compared with 7.4 percent last month. Notably, the expectations of younger investors, those under age 40, continue to be much higher than that of older investors, those over age 40. In fact, the short-term expectations of younger investors' increased to 11.9 percent in September from 10 percent in last month, in contrast to a slight decrease among older investors to 6.5 percent from 6.7 percent in August.

This month, investors were surveyed about the current state of the nation's economy, and its prospects for recovery. Importantly, investors are split over whether the recent economic downturn has hit bottom, with 45 percent responding that it has reached bottom, and 52 percent saying it has not. Substantial investors, those with more than \$100,000 in investable assets, were more likely to say the economy has bottomed, with 52 percent holding this opinion compared with 41 percent of average investors, those with \$10,000 - \$100,000 in investable assets.

Overall, a majority of investors, 52 percent, agree that the nation's economy will not be as strong a year from now as it was at the end of the 1990s. This is compared with 28 percent who say it will be about as strong, and 19 percent who believe it will be stronger.

In September, investors were also surveyed about what factors are impacting the nation's investment climate. A majority of those surveyed, 70 percent, cite questionable accounting practices as having a very negative effect, down from 80 percent in July when investors were last polled on the subject. This is followed by current corporate earnings, 39 percent (47 percent in July); discussions of a possible U.S. attack on Iraq, 39 percent; and the threat of more terrorist attacks, 38 percent.

While a slight majority of investors, 52 percent, believe a war with Iraq will have a negative effect on the nation's economy, more than one-third, 36 percent, say it will have a positive impact, and 8 percent believe it will have no economic implications.

Approval for the Federal Reserve remains strong at 89 percent among those investors who report having an opinion. In September, nearly two-thirds of those surveyed, 63 percent, expect the Fed to hold interest rates at the same level over the next three months -- the same percentage who held this opinion in June when investors were last polled on the subject. In contrast, 21 percent of those surveyed now expect a rate cut in the short-term, up from 10 percent just three months ago, and only 12 percent of investors believe the Fed will increase rates in the next three months, down from 23 percent in June.

These findings are part of the 53rd *Index of Investor Optimism*, which was conducted from September 1 to September 15. 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 1,004 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 September 1 to September 15. Overall optimism registered at negative (24) in September, down from negative (1) 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 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
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