

Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM PLUMMETS TO RECORD LOW IN OCTOBER, ACCORDING TO UBS *INDEX*

Investors Cite War on Terrorism, Economy, Iraq as Most Important Issues in Upcoming Elections

NEW YORK, October 28, 2002 – Overall optimism fell dramatically in October to an all-time low as investors expressed increased concern over the prospects for the economy and the financial markets in the coming year, according to the *Index of Investor Optimism*[®], a joint effort of UBS and the Gallup Organization.

Currently at 29, the overall *Index* decreased 31 points from 60 in September. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

For the first time in the survey's history, less than half of investors, 48 percent, say now is a good time to invest in the markets. However, among substantial investors, those with more than \$100,000 in investable assets, 58 percent view the current environment as a buying opportunity, compared with 43 percent among average investors, those with \$10,000 - \$100,000 in investable assets.

In October, 38 percent of investors report they are optimistic about the prospects for economic growth over the next 12 months, down from 49 percent last month, and matching a record low reached in September 2001. Moreover, just 33 percent of those surveyed say they are confident about the performance of the stock market in the coming year, compared with 38 percent one month ago.

Expectations for short-term return, over the next 12 months, increased slightly in October to 8.1 percent from 7.6 percent last month. The modest rise in expectations can be largely attributed to the least experienced investors, those with less than five years in the markets. Among this group, short-term expectations jumped to 14.5 percent from 9.7 percent in September.

This month, the *Index* also polled investors about the upcoming congressional elections and the public policy issues that will influence their votes. Notably, 81 percent of those surveyed say they will almost certainly vote this November. Among this group, 45 percent intend to vote for the Democratic candidate in their congressional district, while 50 percent say they will support the Republican candidate.

Investors are split on which political party's control of Congress they believe would be best for the investment climate. Indeed, 39 percent favor Republican control of both houses, 30 percent favor Democratic control, and 23 percent prefer one party to have a majority in the House and the other to control the Senate. Overall, more than half of those surveyed, 56 percent, say the investment climate will be affected a moderate to great deal by the results of the congressional elections, compared with 29 percent who believe the investment climate will not be impacted at all.

Perhaps not surprisingly, the nation's war on terrorism, the economy, and a possible war with Iraq top the list of the most important issues for investors this election. Among those surveyed, 78 percent say a candidate's position on the war on terrorism will be very or extremely important in influencing their vote. This is followed by the economy, 75 percent; the possibility of war with Iraq, 73 percent; health care, 69 percent; education, 67 percent; corporate corruption, 65 percent; and the federal budget, 60 percent.

Investors were additionally asked which party they feel would better deal with these key issues. Those surveyed responded as follows:

Issue	Republicans	Democrats	Both Equally Well
The economy	38%	36%	22%
The war on terrorism	47%	16%	32%
Health Care	22%	50%	23%
Education	23%	42%	31%
Corporate corruption	33%	30%	32%
Possibility of war with Iraq	49%	22%	23%
The federal budget	39%	32%	24%

These findings are part of the 54th *Index of Investor Optimism*, which was conducted from October 1 to October 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 October 1 to October 16. Overall optimism registered at negative (33) in October, down from negative (24) 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 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