

Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM STABILIZES IN AUGUST, ENDING A THREE-MONTH SLIDE, ACCORDING TO UBS *INDEX*

Investors Say Corporate CEOs Should Play Largest Role in Restoring Investor Confidence

NEW YORK, August 27, 2002 – Overall optimism rose slightly in August, following three months of steep declines, as investors expressed increased confidence in the prospects for the financial markets, according to the *Index of Investor Optimism*[®], a joint effort of UBS and the Gallup Organization.

Currently at 52, the overall *Index* rose 6 points from 46 in July. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

This month, 39 percent of those surveyed say they are optimistic about the prospects for the financial markets over the next 12 months, up from 32 percent in July. Optimism about economic growth over the same period held steady at 48 percent, compared to 47 percent last month.

Conversely, investor's expectations for short-term return, over the next 12 months, fell to an all-time low, declining to 7.4 percent in August, from 9.6 percent last month. The decline in expectations was most pronounced among the least experienced investors, those with less than five years in the markets, falling to 9.2 percent in August from 14.7 percent last month. Expectations for short-term return among the most experienced investors, those with more than 20 years in the markets, decreased only slightly to 5.7 percent this month from 6.0 percent in July. At the same time, investors report an average negative (2.4) percent rate of return on their portfolio over the past year, the lowest level in the survey's history.

A majority of those surveyed, 54 percent, say now is a good time to invest in the markets, up from 50 percent in July. Indeed, 63 percent of investors believe the stock markets will be higher a year from now, compared with 56 percent last month. Moreover, 59 percent of investors say they are more optimistic about the financial markets in the U.S. than in Europe (14 percent), Japan (11 percent), or countries known as the emerging markets (7 percent).

When asked to describe the ideal long-term asset allocation, on average investors say their portfolio should be 31 percent stocks, 22 percent bonds, 23 percent cash, and 24 percent real estate. Perhaps surprisingly, two-thirds of investors say they would not change these allocations if they were investing for the short-term. Among the 30 percent who report they would change their asset allocations for short-term investing, on average they favor a portfolio that is 23 percent stocks, 24 percent bonds, 31 percent cash, and 22 percent real estate.

In August, investors were polled about the circumstances that can have a large impact on improving conditions in the financial markets. Two-thirds, 67 percent, cite an overall improvement in economic conditions; 66 say aggressive enforcement by state and federal authorities of current laws against corporate fraud; and 63 percent look to a significant improvement in corporate earnings. Interestingly, just 37 percent of investors say that further interest rate cuts will have a large impact on improving market conditions.

Additionally, investors were asked who they believe will have the greatest influence in helping to improve investor confidence. Nearly one-quarter of those surveyed, 23 percent, cite the CEOs of large corporations; 19 percent name the President of the United States; 19 percent say the Chairman of the Federal Reserve; 17 percent of investors believe it is the U.S. Congress; and 11 percent name the Chairman of the Securities and Exchange Commission.

These findings are part of the 52nd *Index of Investor Optimism*, which was conducted from August 1 to August 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 1,012 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 July 22 to August 16. Overall optimism registered at negative (1) in August, down from 2 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 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