

Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM SOARS TO NOVEMBER 2000 LEVELS, ACCORDING TO UBS *INDEX*

-- Majority of Investors Foresee U.S. Economic Recovery Within Year --

**-- Investors Cite War on Terrorism, Public Education and Prescription Drug
Benefits as Top Legislative Priorities --**

NEW YORK, January 28, 2002 – Optimism rose dramatically in January to its highest level since November 2000, as investors express growing confidence in the prospects for economic recovery in 2002, according to the *Index of Investor Optimism*[®], a joint effort of UBS Americas Inc. and the Gallup Organization.

Currently at 115, the overall *Index* increased 27 points in January from 88 last month. These numbers reflect the newly recalibrated *Index* survey, introduced with this month's findings to enhance its forecasting potential for national economic trends. Conducted monthly, the recalibrated *Index* had a baseline of 124 when it was first established in October 1996.

Expectations for short-term return, over the next 12 months, rose to 10.2 percent in January, a six-month high, from 8.1 percent last month. The increase was most pronounced among the least experienced investors, those with less than five years in the markets, climbing to 11.7 percent from 9.2 percent in December. Among the most experienced investors, those with more than 20 years in the markets, expectations increased to 7.8 percent from 6.8 last month.

In January, more than a quarter of those surveyed, 26 percent, say the nation is currently experiencing an economic recovery, an increase of 18 percentage points from two months ago. In comparison, 71 percent of investors believe the U.S. is presently in a slowdown or recession, down from 87 percent in November. However, among this group, 62 percent predict a recovery within a year, and 59 percent of all investors think the economy will be as strong or stronger a year from now than it was in the late 1990s.

"While we are still feeling the effects of last year's challenging economic environment, a more positive earnings picture is anticipated for mid 2002 and beyond," said Mary C. Farrell, UBS PaineWebber senior investment strategist. "Clearly, the increase in investor optimism reflects this improved outlook for the financial markets and the nation's economy."

When asked about the legislative issues investors personally feel should be addressed by the President and Congress in the year ahead, 93 percent of those surveyed say pursuing the war on terrorism should be a major or top priority. This is followed by an increase in public education spending, 75 percent; providing prescription drug benefits for seniors, 73 percent; helping people who lost their jobs or health insurance due to the economy, 69 percent; and reforming Social Security, also 69 percent. Interestingly, support for balancing the budget fell dramatically to 48 percent in January from 80 percent in September when investors were last polled on the subject.

While approval for the Federal Reserve remains at 85 percent this month among those investors who report having an opinion, more investors now favor the U.S. Congress to take the lead role in setting the nation's economic policy. Notably, 39 percent support Congress in this role, up from 27 percent in April 2001 when investors were last surveyed on the matter. In contrast, 30 percent of those surveyed cite the Fed as their first choice, down from 38 percent, and 19 percent favor the President, up from 10 percent in April 2001.

Investors were also polled about which sectors they believe will provide the most attractive investment opportunities over the next six months. Nearly three-quarters, 71 percent, cited pharmaceuticals as a very good or excellent investment, followed by biotechnology (66 percent), technology (52 percent) and healthcare (51 percent). Close on the heels of these top picks are energy (50 percent), telecommunications (50 percent) and utilities (42 percent). The sectors least favored by investors are financial services (30 percent), Internet (25 percent), transportation (23 percent) and retail (22 percent).

This month, the UBS *Index of Investor Optimism – EU 5* was introduced in Europe, covering France, Germany, Great Britain, Italy and Spain and representing approximately 80 percent of the EU market. According to the *Index – EU 5*, overall optimism registered 40 in January, following a baseline survey in October 2001. The survey will poll 1,000 randomly selected individual investors monthly in these EU markets.

These findings are part of the 45th *Index of Investor Optimism*, which was conducted from January 1 to January 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 1,001 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.

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.

Additional information about the *Index of Investor Optimism* can be found at www.ubs.com/investoroptimism

Overall *Index of Investor Optimism- U.S. / - EU 5*

	Overall	Personal	Economic
<i>Index - U.S.</i>	115	85	30
<i>Index - EU 5</i>	40	44	-4

Index of Investor Optimism - U.S. / EU 5 Expectations for short-term return on own portfolio

	Expected Rate of Return
<i>Index - U.S.</i>	10.2%
<i>Index - EU 5</i>	8.7%

Overall *Index of Investor Optimism - U.S.*

