

Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM PLUMMETS TO RECORD LOW, ACCORDING TO UBS INDEX

Possible War with Iraq Poses Largest Threat to U.S. Financial Markets, Investors Say

NEW YORK, February 24, 2003 – Overall optimism fell to an all-time low this month, as investors expressed heightened concerns about the state of the nation's economy and the effects of a possible war with Iraq, according to the *Index of Investor Optimism*[®], a joint effort of UBS and the Gallup Organization.

Currently at 9, the overall *Index* tumbled 29 points from 38 in January. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

In February, just 35 percent of those surveyed say they are optimistic about the prospects for economic growth over the next 12 months, the lowest level in the survey's history, and down from 42 percent in January. Likewise, only 30 percent of investors express optimism about the performance of the financial markets in the short term, compared with 51 percent who say they are pessimistic. Indeed, less than half of those surveyed, 42 percent, say now is a good time to invest in the markets, also a record low.

Expectations for short-term return, over the next 12 months, held steady at 6.7 percent in February. Notably, younger investors, those under age 40, continue to anticipate higher returns for their portfolio over the next year. Expected rates of return among this group average 9.1 percent, compared with 6.1 percent among older investors, those over age 40.

Despite a gloomy overall outlook, a majority of investors, 60 percent, say they are still more optimistic about the U.S. markets than other regional financial markets. European markets ranked a distant second with 12 percent; Japan followed with 11 percent; and countries referred to as emerging markets were favored by only 10 percent of investors.

When asked about possible events that may negatively impact the investment climate, a war with Iraq ranked as the top concern, with 37 percent of those surveyed saying it poses a major threat. A prolonged economic downturn was cited by 22 percent; major terrorist attacks were named by 22 percent; significant depreciation of the U.S. dollar was cited by 9 percent; and conflict with North Korea was the largest concern for 6 percent of investors.

Importantly, more than half of those surveyed, 56 percent, believe that if the U.S. does invade Iraq, there will be a negative effect on the nation's economy. This is compared with 35 percent who say war with Iraq will have a positive economic impact, and only 7 percent who believe it will have no effect at all.

This month, investors were also surveyed about different industry sectors and which ones they believe will provide the most attractive investment opportunities in the next six months. Perhaps not surprisingly, defense industries ranked first with 73 percent of investors saying they provide a very good or excellent investment opportunity. This is followed by pharmaceutical companies, 64 percent; biotechnology companies, 56 percent; energy companies, 45 percent; health care companies, 43 percent; technology companies, 40 percent; utilities, 34 percent; telecommunications companies, 27 percent; financial services companies, 25 percent; Internet companies, 20 percent; transportation companies, 14 percent; and retail companies, 12 percent.

These findings are part of the 58th *Index of Investor Optimism*, which was conducted from February 1 to February 16. 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 1,000 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 February 1 to February 16. Overall optimism registered at negative (47) in December, down from negative (37) 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
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