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## **OPTIMISM UNCHANGED IN AUGUST AFTER HITTING RECORD LOW LAST MONTH, UBS PAINWEBBER *INDEX* SHOWS**

### **-- More Than One-Third of Investors Believe Economy Will Be Weak For At Least Another Year --**

NEW YORK, August 27, 2001 – Optimism held steady in August, hovering near record lows as investors continued to express concerns over the state of the nation’s economy, according to the *Index of Investor Optimism*<sup>®</sup>, a joint effort of UBS PaineWebber Inc. and the Gallup Organization.

Currently at 86, the overall *Index* increased 4 points in August from 82 last month. Conducted monthly, the *Index* had a baseline of 100 when it was established in October 1996.

Expectations for short-term return, over the next 12 months, fell to 9.4 percent this month from 10.4 percent in July. Notably, among older investors, those over age 40, expectations declined significantly, dipping to 8.8 percent from 10.1 percent last month. Conversely, expectations increased modestly among younger investors, those under age 40, rising to 11.4 percent from 10.6 percent last month.

When asked about the condition of the nation’s economy and the outlook for future growth, nearly two-thirds of investors, 64 percent, say they believe the U.S. is experiencing an economic slowdown. In contrast, 17 percent of those surveyed say the economy is in a period of recovery, and nine percent believe the U.S. is in a sustained economic expansion. Only eight percent of investors believe the country is in a recession. Interestingly, among those who believe the economy is in a slowdown or recession, the majority, 56 percent, say it will take a year or more for the economy to recover, a view held across all ages and asset levels. This is compared with 30 percent who believe a recovery will occur within six to 12 months.

“Recent negative economic news and ongoing market volatility continue to affect the optimism of investors,” said Mary C. Farrell, UBS PaineWebber senior investment strategist. “However, for those with a long-term outlook, there are reasons to be optimistic. The easing of interest rates by the Federal Reserve as well as improved earnings visibility, should provide attractive opportunities for investors with buy-and-hold strategies.”

In August, investors were asked which industry sectors they believe will provide the best investment opportunities over the next six months. Pharmaceutical companies were most attractive among those surveyed, with 75 percent saying they are a very good or excellent investment, followed by biotechnology companies with 60 percent, and energy companies with 50 percent. These numbers are steady since March 2001, when investors were last polled on the subject. In contrast, investors cited Internet and retail companies as poor investments, also unchanged since March.

Investors were additionally polled this month about Social Security and proposals to reform the system. A majority of those surveyed, 55 percent believe the nation's Social Security system needs major changes or a complete overhaul, compared with only eight percent who say it is fine the way it is. Nearly two-thirds of investors, 64 percent, are aware of proposals to use a portion of Social Security taxes for personal retirement accounts, up from 49 percent in June 2000, when the *Index* last surveyed investors on the issue. More than half of those surveyed, 54 percent prefer the personal retirement accounts to the current system, although support for the proposal is down slightly from 60 percent in June 2000. Most investors, 63 percent, say it is very or extremely important for the Congress and the President to address the issue of private retirement accounts.

Those surveyed were largely opposed to several other proposals to keep the current Social Security system solvent with 75 percent of investors saying it would be a poor idea to raise Social Security taxes to bolster the system. Seventy-one percent oppose extending the age at which Social Security benefits can be received, 69 percent disapprove of reducing benefits for all recipients, and 62 percent say they are not in favor of reducing benefits for high income Americans only.

These findings are part of the 40th *Index of Investor Optimism*, which was conducted from August 2 to August 19. 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 1,002 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 PaineWebber Inc., a member of the UBS financial services group, provides investment advice and wealth management services to an affluent client base.

**Additional information about the *Index of Investor Optimism*  
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