

Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM REMAINS WEAK IN MARCH, ACCORDING TO UBS INDEX

Investors Fear War with Iraq and Strained Relations Between U.S. and Europe Will Have Negative Economic Impact

NEW YORK, March 24, 2003 – Investor optimism remained at record low levels in March as investors expressed concerns about the impact of war in Iraq and the state of the nation's economy, according to the *Index of Investor Optimism*[®], a joint effort of UBS and the Gallup Organization.

Currently at 5, the overall *Index* declined 4 points this month, down from 9 in February, and reaching a new low in the survey's history. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

Expectations for short-term return, over the next 12 months, also decreased to the survey's lowest level, dropping to 6.3 percent in March from 6.7 percent last month. The decline in expectations can be attributed to younger investors, those under age 40, whose expectations fell to 7.2 percent from 9.1 percent one month ago. Short-term expectations among older investors, those over age 40, held steady at 6.1 percent. Despite investors' reduced short-term expectations, more than half of those surveyed, 53 percent, believe the stock market will be higher a year from now, up from 47 percent last month.

Importantly, nearly half of those surveyed, 44 percent, say the weak performance of the stock market in recent years has caused them to permanently change the amount they expect to invest in stocks in the future. Of this group, 46 percent say they will invest much less in stocks, 42 percent report they will invest somewhat less, and 12 percent plan to invest more in stocks.

This month, investors were also asked about their views on the state of the nation's economy. Notably, 61 percent of those surveyed believe the nation's economic downturn has yet to hit bottom, up from 52 percent in September 2002, when investors were last polled on the subject. Still, 57 percent of investors predict a moderate to strong economic recovery in the next year, compared with 40 percent who foresee continued economic weakness or a worsened economic situation.

Perhaps not surprisingly, war with Iraq ranks as the top concern among investors, with 47 percent saying they believe it is the most important threat to the U.S. investment climate over the next 12 months, up from 37 percent just one month ago. This is followed by major terrorist attacks, 20 percent; a prolonged economic downturn, 14 percent; a conflict with North Korea, 8 percent; and significant depreciation of the U.S. dollar, 6 percent.

Interestingly, 40 percent of investors believe that a U.S. invasion of Iraq will have a positive impact on the economy. This is compared with 51 percent who expect the war to have a negative impact, and 8 percent who believe it will have no effect at all.

In March, investors in both the U.S. and Europe (U.K., Germany, France, Italy, Spain) were polled about recent tensions between the U.S. and some European countries, specifically France and Germany, over the issue of Iraq. The majority of those surveyed, 74 percent in both the U.S. and Europe, describe the tension in transatlantic relations as serious. Furthermore, 55 percent of U.S. investors, and 67 percent of European investors believe the strained relations will have serious implications for their respective economies.

These findings are part of the 59th *Index of Investor Optimism*, which was conducted from March 1 to March 12. 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 March 1 to March 16. Overall optimism registered at negative (57) in December, down from negative (47) 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 March	5
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