

Index of Investor Optimism

The UBS/Gallup Poll of Investor Attitudes

INVESTOR OPTIMISM SURGES IN MARCH, UBS *INDEX* SHOWS

Seventy-five Percent of Investors Say Government Should Enact Stricter Accounting Regulations

NEW YORK, March 25, 2002 – Optimism rose in March to its highest level since November 2000, as investors expressed renewed confidence in the economy and the financial markets, according to the *Index of Investor Optimism*[®], a joint effort of UBS and the Gallup Organization.

Currently at 121, the overall *Index* increased 29 points from 92 in February. Conducted monthly, the *Index* had a baseline of 124 when it was established in 1996.

Short-term expectations, over the next 12 months, jumped to 12.8 percent in March from 9.5 percent last month. The increase was most pronounced among average investors, those with \$10,000 - \$100,000 in investable assets, with expectations rising dramatically to 14.2 percent this month from 9.9 percent in February. Among substantial investors, those with more than \$100,000 in investable assets, expectations increased to 10.7 percent in March from 8.8 percent last month.

Overall, investors are more bullish about the financial markets, with nearly three-quarters of those surveyed, 71 percent, saying now is a good time to invest, up from 67 percent in February. Indeed, 60 percent of those surveyed in March express optimism about the performance of the stock market over the next year, an increase of 10 percentage points over last month.

According to the *Index*, a majority of those surveyed, 65 percent, agree the worst of the nation's recession is behind us, compared with 57 percent last month. Moreover, the number of investors who say the economy has not yet hit bottom declined significantly to 31 percent this month from 41 percent in February.

In March, investors were polled about the fallout from the Enron bankruptcy and the questionable accounting practices that led to the company's demise. The vast majority of those surveyed, 89 percent, believe the accounting practices issue is a serious problem for U.S. businesses. In fact, 75 percent favor new stricter accounting regulations by the government.

When asked about proposed measures to address questionable business accounting practices, 87 percent of investors report they favor requiring companies to produce consolidated balance sheets. Furthermore, 63 percent support prohibiting an accounting firm from acting as both a consultant and the auditor for the same corporation, and 62 percent believe there should be increased funding and authority for the Securities Exchange Commission to provide stricter oversight of business accountants.

Interestingly, investors were split over proposals to replace the privately-run Financial Accounting Standards Board [FASB] with a new oversight board controlled by the government. Thirty-six percent of those surveyed say they favor reforming FASB compared with 29 percent opposing and 35 percent with no opinion. Investors were similarly split on limiting the amount of stock that employees can purchase from their own companies for their 401k retirement accounts, with 42 percent in support and 50 percent opposed. In addition, 38 percent of those surveyed expressed support for prohibiting Wall Street firms from providing both research coverage and investment banking services to the same company while 29 percent oppose this proposal and 33 percent say they have no opinion.

This month, investors were also surveyed about conditions that could hurt the U.S. investment climate. The majority, 81 percent, cite the issue of questionable accounting practices as negatively impacting the markets. This is followed by the conflict between the Israelis and Palestinians, 63 percent; the general economic environment in the U.S., 59 percent; Japan's economic problems, 58 percent; and the nation's war on terrorism, 57 percent. Conversely, in the wake of the Federal Reserve's year-long series of interest rate cuts, 60 percent of all investors say the Fed's policies are helping the investment climate.

These findings are part of the 47th *Index of Investor Optimism*, which was conducted from March 1 to March 14. 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 1,004 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 15. Overall optimism registered at 32 in February, up from 20 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 Switzerland, and UBS 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 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