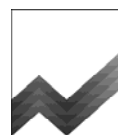




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Media Statement
For use 8 December 2015

Confidence slide accelerates and investors expect more volatility

- Economic uncertainty plaguing investor sentiment but Turnbull appointment a positive impact
- Investors prefer boards with more skin in the game

The **GPS – Melbourne Institute Leading Index of Shareholder Confidence** fell by 4.4 per cent in November, after falling by 2.5 per cent in August. The Index is now 4.0 per cent below its value in November 2014.

Similar to August, this result is predominantly a reflection of declining current confidence which fell by 9.9 per cent (conversely, expected confidence rose by 0.6 per cent during the quarter and is 3.0 per cent above last year's level).

Although the change in prime minister seems to have had a positive impact on shareholder sentiment (with 50.9 per cent of respondents indicating an improvement in investment confidence), there appears to be significant uncertainty about short term domestic economic conditions which has impacted negatively on current confidence levels.

The **GPS-MI Index** is designed to provide information about the likely change in share market behavior and, in general, the **GPS-MI Index** and the **S&P/ASX Index** have co-moved with roughly similar changes.

Looking forward, the Index is suggesting that the recent run of weak returns is likely to continue. The **GPS-MI** measure of volatility pressure – which tracks the **S&P/ASX 200 VIX** and is derived as the difference between expected and current volatility – also indicates relatively heightened volatility over the next three months.

MI Senior Research Fellow Dr Sam Tsiaplias said that the latest findings confirm that there are deeply-seated concerns about the economy in the wider investment community. "We're seeing a significant downward trend in shareholder confidence which we expect will continue over the next three months."

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This is chiefly because people still hold fears about short-term economic conditions, although it's fair to say that the change of Prime Minister has improved shareholder sentiment".

Shareholders were quizzed in this quarter's survey on whether or not they thought directors who owned shares in companies were better performers and whether or not such share ownership should have compulsory minimums.

A majority of investors said that company performance was better where directors had 'skin in the game', but that a compulsory minimum was not necessary.

GPS Managing Director Maria Leftakis said that since the Two Strikes rule was introduced in 2011, retail investors have taken increasingly more interest in board behavior and composition. She said that this was even more noticeable during the current AGM season and follows widespread public debate during the year that centered on the governance and behaviours of high-profile boards and company directors.

"The survey implies that retail shareholders prefer companies whose board members are invested and it could easily become an issue as board scrutiny increases, especially following release of new director skill-sets reporting recommendations from the ASX Corporate Governance Principles and Recommendations. Many of these people are also superfund investors and can exert upward pressure on big fund portfolio and governance managers".

ENDS

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About the GPS – Melbourne Institute Leading Index of Shareholder Confidence

GPS and the Melbourne Institute have partnered to undertake and publish market-leading research to address the question of shareholder confidence among Australians who invest in shares.

The GPS - Melbourne Institute Leading Index of Shareholder Confidence™ is a summary balance measure of shareholders' confidence in the Australian share market. It is based on shareholders' assessment of three factors: Returns, Volatility and Trading Intentions (whether to buy or sell). Information from these factors are summarised and presented as component Indices. The components are then compiled into the Shareholder Confidence Index.

The first survey was conducted during March 2009 and the latest survey was conducted during the third week of August 2015. All surveys are conducted over the telephone and are based on 1000 respondents aged 18 years and over across Australia who directly own shares in companies listed on the Australian Securities Exchange. The survey is published quarterly. The Index is designed for easy interpretation - a value below 100 is suggestive of 'bearish' sentiment while a value above 100 is suggestive of 'bullish' sentiment.

ABOUT GPS

GPS is Australia's leading shareholder engagement firm and assists boards & management with engagement, governance and proxy strategies. Services support company meetings, M&A events and capital raisings. GPS acts for ASX listed and foreign companies, private equity, hedge funds and activist investors. Since 2007 GPS has conducted many hundreds of campaigns for transactions valued at more than \$550 billion.

Further information on GPS can be found at www.gpsproxy.com.au

ABOUT THE MELBOURNE INSTITUTE OF APPLIED ECONOMIC AND SOCIAL RESEARCH

The Melbourne Institute is the first University-based research institute of its kind in Australia, established for the purpose of conducting research into a wide range of macroeconomic, microeconomic and social economic issues. It was established in 1962 as a research Department of the Faculty of Economics and Commerce at the University of Melbourne.

The Melbourne Institute is a major centre for applied economic and social research that is nationally and internationally renowned in academia, government, business and community groups. The Melbourne Institute seeks to promote a deeper understanding and discussion of economic and social issues of national significance as well as to foster effective policy responses to these issues.

As well as contributing strongly to the academic literature in economics, the Melbourne Institute has a long-standing tradition of collaborating with major organisations by providing consultancy services and evidence-based quantitative research.

Further information on the Melbourne Institute can be found at www.melbourneinstitute.com