

Media Statement

For use 25 November 2014

- **Shareholder confidence takes a 13.3% hit as Index predicts continued volatility pressure**
- **Economic uncertainty and China slowdown weighing in on shareholders**

Shareholders also believe that IPO's fail to provide equal access to all investors

A dramatic fall of 9.9 per cent in November has pushed the GPS-Melbourne Institute Leading Index of Shareholder Confidence into deeper negative territory. The Index is currently 11.5% below its value of 12 months ago, signalling a bleak investor outlook for Christmas and the 2015 New Year.

Investor confidence had already taken a hit in August following a spike of confidence in May, as investors lost confidence in the wake of current market volatility and fears over the economy and growing unemployment. The latest findings are a decline of 13.3% in current confidence for the quarter while expected confidence declined 6.3%.

Current investor fears centre on declines in investment returns amid an environment of significant macroeconomic uncertainty. The possibility of a Chinese slowdown and the extent to which unemployment will continue to rise in Australia are major contributors to this uncertainty.

The **GPS-Melbourne Institute Leading Index of Shareholder Confidence** measure of volatility pressure - which tracks the **S&P/ASX200 VIX** and is derived as the difference expected and current volatility - indicates that volatility in the next quarter will be similar to what is being observed currently.

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

Dr Sam Tsiaplias of the **Melbourne Institute** said that investor sentiment is in a firm downward trend as unemployment continues to worry investors and doubts about China's ability to withstand economic pressure grow.

"In the August quarter we had confirmation of the falling trend line in investor confidence. What the data is now suggesting is that there's a combination of negative Australian macroeconomic factors, including the unemployment rate, plus fears of a China slowdown, that is reinforcing that trend."

"The volatility levels we've plotted are suggesting that we'll continue to observe above average volatility in the next quarter" Dr Tsiaplias said.

IPO's don't provide equal access to shareholders

Although 34% of the adult Australian population (ASX 2013 Share Ownership Study) directly participates in the Australian share market our survey shows that only half that number participated in the Medibank Private IPO. This is despite retail shareholders consistently ranking 'Health' as one of the Top 4 asset classes they choose to buy.

Our survey goes on to show that only one in four retail shareholders believes that the IPO process treats all shareholders equally which may partly explain the low participation rate. However, declining shareholder confidence as indicated by the **GPS-Melbourne Institute Leading Index of Shareholder Confidence** could have also contributed to the low level of participation.

Commenting on shareholder perceptions about the lack of equal IPO access, On-Market Bookbuilds CEO, Ben Bucknall said: "After speaking with investors, brokers, lead managers and companies to understand what they like and dislike about the current capital raising process it's unsurprising to hear feedback from retail investors that there is inequality with the current process, we firmly believe market participants want the same features that underpin their confidence in the secondary markets being efficiency, transparency and fairness. The lead manager that makes this happen stands to win a lot of market share".

Importantly, the continued decline in investor confidence could be a signal that IPO's and other capital raisings coming to the market in the next 6 to 12 months may struggle to find support from amongst retail investors.

GPS Director Andrew Thain said "The low level of retail shareholder participation in the Medibank Private IPO combined with the bleak outlook for investor confidence as revealed by our survey means that companies that need to raise capital will have to provide a very compelling story to make it attractive for shareholders to put their hands in their pockets".

On capital raisings more broadly, Mr Thain said "The challenging environment we're seeing amongst a broad range of listed companies that are trying to raise fresh capital through their retail investors via both share purchase plans and right offers will continue for some time to come. We're continuing to see capital raisings either extended or withdrawn due to a lack of support, unless there is a steep discount offered, solid management at the helm and the use of funds is clearly explained, the days of putting the hat out and raising millions via this channel without a more structured communication plan are now well and truly past".

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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 second week of August 2014. 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 provides specialised shareholder research and solicitation services for company meetings, takeover bids, schemes of arrangement and corporate actions. The firm acts for ASX listed and foreign companies, private equity, hedge funds and activist investors. Since 2007 GPS has conducted campaigns for transactions valued at more than \$505 billion and spoken to over 1.8m investors.

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