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Media Statement

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Investor confidence rebounds as performance expectations grow and budget concerns are ignored.

In supplementary polling:

- Snail mail beats email as preferred method of shareholder communication
- But voting online gaining in popularity as the case for abandoning company meetings strengthens

Investor confidence has rebounded according to the latest quarterly findings of the **GPS-Melbourne Institute Leading Index of Shareholder Confidence** taken in the week following the Federal Government's budget announcement on 13 May 2014.

The Index rose by 10.1% to 112.7 in May from 102.4 in February, the first rise following four consecutive falls since May 2013 when it fell by 10.5%. It has also pushed the current Index above its value of 12 months ago by 3.3%.

Much of the Index's rise can be attributed to a huge change in investor perceptions about expected investment returns and volatility, as evidenced by the Current Returns and Volatility Index which both rose.

Both the Current Confidence and Expected Confidence Indices rose above their respective levels of one year ago, by 2.0 and 7.6 respectively.

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.

Looking ahead there are signs of renewed investor trading intentions, especially for stocks in the "Financials" sector (Chart 2 in the report). Financial were also flagged for investor interest in the February survey.

Commenting on the latest findings, Professor Guay Lim of the Melbourne Institute said that investors have had a rapid change of heart and switched to a positive and optimistic outlook.

“Only three months ago investors appeared to be in the grip of negative market sentiment that at the time, we thought may be difficult to shake off in the near term” Professor Lim said, “ so this unexpected change in sentiment has taken us a little by surprise, especially given the negative public sentiment that followed the government's budget announcement”.

Shareholder communication and voting method preferences

ASX-listed companies may be surprised at some of the findings about preferred communication and voting methods revealed in the latest Index findings. Investors seem reluctant to let go of traditional postal delivery of company information such as Notices of Meeting; yet there appears to be a growing preference for online voting.

Almost 60% of Australian investors still prefer a delivery to their mail box, although this preference is lower among those aged below 55 years, who are more comfortable with electronic modes of communication.

Voting preferences are dominated by the paper-based vote using a proxy form (50.7%) while almost 38% say they prefer completing their proxy or direct voting online via a website using a computer or tablet. Under 5% of investors prefer attending a general meeting to vote, which reinforces the need to critically examine the role of AGMs in the 21st century.

GPS Managing Director Maria Leftakis said that despite the generally accepted view that the majority of retail investors are older Australians, the latest findings indicate that they are becoming more accepting of voting online – probably for its convenience – but that a majority of investors still wanted to open an envelope and handle the documentation.

“The debate around the efficacy of holding company meetings may have dropped off the government's radar with the dismantling of CAMAC under the latest federal budget, but the findings in May's survey give some serious weight to the notion that company meetings are in need of a serious overhaul” she said.

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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 February 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