



Media Statement

For use 25 May 2015

Shareholder confidence worsens

Budget & rate cut fail to stimulate investors and pessimism likely to increase

The **GPS – Melbourne Institute Leading Index of Shareholder Confidence** fell by 3.3 per cent in May, after rising by 6.6 per cent in February, reversing a boost in sentiment from February's 25 basis point rate cut.

Investors are no longer buoyed by the prospect of funding shareholdings using cheap money and the Index is suggesting a decline in returns over the next three months. Neither, it seems, has the latest Federal budget provided any comfort to investors. The survey was conducted from 14 May, two days after the budget was announced.

Confidence has dropped in the current quarter and is forecast to fall even further over the next few months. This quarter's result reflects declines in both current and expected market conditions, with current confidence falling by 3.2 per cent during the quarter and expected confidence falling by 3.5 per cent.

The **GPS-MI Index** measure of volatility pressure – which tracks the **S&P/ASX 200 VIX** and is derived as the difference between expected and current volatility – indicates that volatility in the next three months will be greater than that observed over the previous three months.

The **GPS-MI Index** and the **S&P/ASX** Index have co-moved with roughly similar changes since the Index was established six years ago.

Dr Sam Tsiaplias of the **Melbourne Institute** said that the return to negative investor sentiment was resuming the trend established in mid 2014 which was briefly interrupted in the February quarter when the Index unexpectedly rose.

“There's been something of a roller coaster rise in shareholder confidence this year and while February's rate cut buoyed investor sentiment, it's clear that this was only a temporary event and that the negative trend has resumed despite the latest Reserve Bank rate cut this month.”

GPS Director Andrew Thain said that falling investor confidence is likely to have the greatest impact on the mid and small capitalisation companies seeking fresh capital over the next few months. “We've seen a higher number of retail shareholders showing reluctance to participate

in capital raisings unless they can see compelling value. This trend is likely to continue on weaker confidence, which will place cash-flow pressure on companies and will lead to greater agitation towards boards and how aligned their strategic plans are to improving shareholder value”.

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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 May 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 \$515 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