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## Media Statement

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# Confidence evaporating on investor fears of low returns and increased market volatility

## In supplementary polling:

- **Board behaviour now firmly in investors sights**
- **Shareholders call for a Governance Rating System to identify poor practice**

Confidence has been further eroded among Australian retail investors, haunted by a fear of falling returns and stock market volatility. **The GPS – Melbourne Institute Leading Index of Shareholder Confidence™** fell by 4.9 per cent in February from 107.7 in November to 102.4 in February, the fourth consecutive fall since May (when it fell by a massive 10.5 per cent) and the Index is now 16.1 per cent below its value a year ago.

The latest Index findings also spotlight growing retail shareholder awareness of corporate governance and performance issues and how they are affecting investment decision making.

Much of the Index change can be attributed to the perception of low returns (the current returns index fell by 10.5 per cent) and increased volatility (the current volatility index fell by 20.2 per cent).

Both the Current Confidence and the Expected Confidence Indices have fallen below their respective levels a year ago, by 15.4 and 16.8 per cent 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 a pull-back in investor selling intentions, but no clear signs of a pick-up in buying intentions, except possibly among financials.

Commenting on the latest findings, Professor Guay Lim of the Melbourne Institute said that investors appear to be in the grip of negative market sentiment that may be difficult to shake off in the near term.

“We now have a significant shift in shareholder confidence to levels materially lower than 12 months ago while at the same time, there are no signs of near-term change in shareholder sentiment ” Professor Guay said.

### **Corporate Governance & Board behaviour**

Respondents participating in the February Index were also probed about aspects of corporate governance. Over 71% said that a company’s corporate governance practice affected its performance.

Almost 84% said they would avoid investing in companies which were poorly rated, while 70% said that a corporate governance rating system should be introduced to identify companies that are not meeting best practice standards.

“These findings don’t really surprise us because retail investors have been paying attention to activist and dissident behaviour and have caught on to institutional concern over governance and board performance” said GPS Managing Director Maria Leftakis.

She said that it is only a matter of time before calls for some kind of listed company corporate governance rating system will be sought from retail investors. The trend emerging overseas is for governance research to be made available over mobile apps in a condensed format for retail shareholder consumption.

“Focus on corporate and ESG (environmental and social governance) governance performance has ramped up and just as institutions use research to evaluate investments, so retail are looking for a convenient method of measuring corporate governance best practice” 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 Shareholder Confidence Index™ 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](http://www.gpsproxy.com.au)