Media Statement
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FOR IMMEDIATE RELEASE

- Investor confidence short-lived as market volatility and economy fears upset Index
- Negative or weak ASX200 growth in prospect

Shareholders also ignore Annual General Meetings and support a change of format

Investor confidence has taken a hit in August following a spike of confidence in May, as investors lose confidence in the wake of current market volatility and fears over the economy and growing unemployment.

The Index is now below its value of a year ago.

According to the latest quarterly findings of the GPS-Melbourne Institute Leading Index of Shareholder Confidence, shareholder confidence dropped 6.2% in August to sit 2.8% below the level of August 2013. This is predominantly attributed to a fall in the Current Confidence Index of 7.7 per cent (see Table 1), which has been driven by a substantial perception among investors that higher market volatility is occurring.

Sentiment is consistent with both the substantial rise on the ASX200 VIX index beginning in the second half of July (see first figure in Chart 1) and with the increased uncertainty regarding the strength of the Australian economy, and in particular, rising unemployment.

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 and looking forward, the Index is suggesting negative or weak growth for the ASX 200.

The Shareholder Confidence Index fell to 105.8 in August from 112.7 in May and 108.8 in August 2013.

Dr Sam Tsiaplias of the Melbourne Institute said investors are being unnerved by uncertainty regarding future economic growth, and the possibility of higher unemployment in the short to medium term.

“May’s spike in confidence was a rogue result and what we’re now seeing is a continuation of the decline in investor confidence since August last year. Continued uncertainty regarding global economic conditions and the possibility of a slowing labour market appear to have shaken Australian retail investor confidence”.

“Looking forward, domestic labour market conditions in the next few months will play a key role in terms of both retail investor confidence and consumer sentiment. Weak labour market conditions will
likely maintain the negative trend in retail investor sentiment observed over the past year” Dr Tsiaplias said.

Shareholders and Annual Meetings – time for change?

As we head into the peak AGM season at enormous economic and resource costs to corporates, it’s a sobering fact that barely a handful of shareholders attend - 5.3 per cent of Australian retail investors attended last year’s ASX-listed company annual general meetings, 21.4 per cent haven’t attended for over 5 years and just over 47 per cent have never attended an AGM.

While over half of the shareholders said that the AGM is still relevant, just over 30 per cent believe that it has outlived its purpose. Exploring the future of AGMs in Australia has fallen by the wayside, for the foreseeable future anyway, with the scrapping of CAMAC and its enquiry on the subject following last year’s federal election.

However, our survey shows that millions of mum and dad shareholders are ready for a change with around half prepared to support a split between the voting formalities of the AGM and an information only session.

GPS Managing Director Maria Leftakis said that the record of attendees as revealed by the survey indicate that a radical change is needed to help re-engage shareholders with companies and extract the best value out of the time directors and senior management commit to the AGM process.

“Proxy voting by mail supplanted physical attendance in the 1970’s and online voting from home, office or on the move has completely changed the meeting landscape” she said.

“Already, large corporations in the US are conducting online-only voting in web-based meetings that shareholders can click into, have a say via a chat facility, then vote on each resolution as it’s presented. This is where we think the future of voting is heading.”

“But what shareholders are telling us is that they really want quality time with directors to hear more about the future outlook and strategy of the company, as opposed to a retrospective discussion on financials”.

“We don’t have ‘safe harbour’ provisions as they do in the US so companies might understandably shy away but there’s more that can be done to provide a practical and constructive forum that will benefit both sides.”

“At a time where no company is immune from scrutiny and directors are all the more frequently held publicly to account or targeted by activists, a program of good shareholder engagement goes a long way to building shareholder loyalty and support.”

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 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