

MEDIA STATEMENT

For Tuesday 6 June release

- **Australia's leading shareholder confidence index predicts more declines ahead.**
- **Sell in May and go away, but when should investors return?**
- **Australian investors open their arms to activists!**

Sydney, AUSTRALIA – Shareholders continue to be hesitant about the future performance of Australian stocks with the GPS – MI Shareholder Confidence Index (a research partnership between the Melbourne Institute and Global Proxy Solicitation) falling by 2.5 per cent in July. The index is also 3.1 per cent below its value this time last year. The overall decline in the Confidence Index was driven by a 10.2 per cent fall in expected returns.

Dr. Sam Tsiaplias of the Melbourne Institute notes that “in contrast to previous results, both current and expected confidence declined this quarter. The decline in expected returns was particularly sharp suggesting that investors anticipate lower returns in the next few months.” Dr. Tsiaplias also noted that Australian investors are citing personal reasons rather than economic conditions as their main reason for buying or selling, with comparatively little reliance on factors that should be important such as domestic economic conditions and international stock market developments.

GPS Director Andrew Thain remarks “The old saying, sell in May and go away has proved true with markets declining again last month. With the annual strategy of tax-loss selling still to play out in June, it is likely we will see continued declines for personal reasons but we also expect increased volatility from uncertainty in international stock markets”. The numbers speak for themselves with the expected confidence index reading 11.5% below its value of 12 months ago.

Thain adds “Investors are right to be overwhelmingly cautious with a staggering 36 profit downgrades last month, strongly suggesting that the Australian economy is not going that great. Against this backdrop it is essential that companies effectively communicate and engage with their shareholders to manage any potential anxiety about share price volatility”.

Unexpectedly the survey indicates that New York headquartered Hedge Fund, Elliot Advisors, has local retail investor support in its push for change at BHP Billiton (“BHPB”), with nearly half of all investors (47.86%) agreeing that changes are needed to unlock shareholder value at BHPB.

Thain states “We’re seeing a clear turning point in the attitude of retail shareholders who are usually very loyal to an incumbent Board and cynical of the motives of foreign activists. At this early stage of the process the survey result indicates that retail shareholders are prepared to give Elliot a hearing”.

“Considering shareholder appetite to hold Boards and executives accountable, Boards should be critically assessing whether their strategy and messaging resonates with their shareholders and should be developing

or reviewing their activist response plan so they are not caught off-guard. Benchmarking and tracking shareholder sentiment is also an important exercise to ensure that there are no major disconnects and to proactively manage shareholder expectations and communication needs”.

The survey also shows that Australian investors accept the benefits of activism with 38.03% saying that activism leads to better shareholder outcomes and only 8.87% saying that it leads to worse shareholder outcomes.

Thain concludes “The US share market has a long history and record of professional activists successfully unlocking shareholder value. They’re now turning their attention to opportunities in Australia and have the resources and expertise to sell their plan to institutional shareholders. All we need is one successful activist play at a top company to open the doors to a higher level of activism in our market”.

The Index, published quarterly by the University of Melbourne and Global Proxy Solicitation (GPS), is designed to track the likely change in share market behavior and provides information that informs the shareholder engagement and governance advice that GPS provides to boards.

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ABOUT THE GPS – MELBOURNE INSTITUTE LEADING INDEX OF SHAREHOLDER CONFIDENCE

The Index is a summary balance measure of shareholders current and expected confidence in the Australian share market. The measure enables Australian share investors to compare their own expectations, preferences and instincts about shares to that of their fellow investors. The Index is based on shareholders’ assessment of three factors: returns, volatility and trading intentions (whether to buy or sell). The Index is designed for easy interpretation: a value below 100 is suggestive of bearish sentiments while a value above 100 is suggestive of bullish sentiments.

The first survey was conducted during March 2009 and the second survey was conducted during the first week of May 2009. Each survey was conducted over the telephone and is based on between 1000 to 1,600 respondents aged 18 years and over, across Australia, who directly own shares in companies listed on the Australian Securities Exchange.

The Index marks collaboration between GPS and the Melbourne Institute of Applied Economic and Social Research at the University of Melbourne.

ABOUT GPS

GPS is recognised as the Australian leader in shareholder engagement, governance advice, proxy strategies, discrete institutional and retail investor research and solicitation. As the only specialist and the most experienced, boards, management and active investors turn to GPS for professional advice and execution services.

A long-standing partnership with the Melbourne Institute of Applied Economic and Social Research produces the quarterly Leading Index of Shareholder Confidence, placing GPS firmly at the forefront of Australian shareholder research. For more information, visit 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