



FACULTY OF  
BUSINESS &  
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# The GPS – Melbourne Institute Leading Index of Shareholder Confidence™

June 2017



MELBOURNE INSTITUTE®  
of Applied Economic and Social Research



Global Proxy Solicitation

## GPS – Melbourne Institute Leading Index of Shareholder Confidence June 2017

**Table 1: Shareholder Confidence Index**

	June 2016	Mar 2017	June 2017	% change on Mar-17	% change on Jun-16
Shareholder Confidence Index	97.6	97.0	94.6	-2.5	-3.1
Current Confidence Index	91.8	100.4	97.7	-2.6	6.4
Expected Confidence Index	103.4	93.6	91.5	-2.3	-11.5

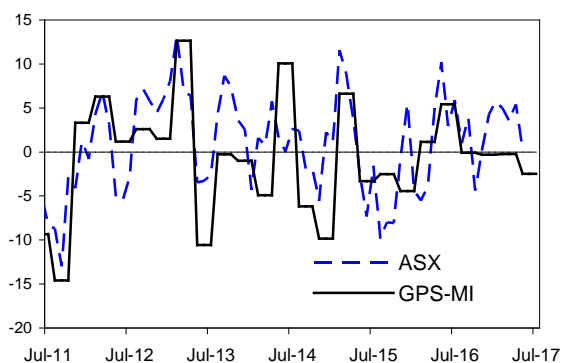
### *Fall in Leading Index of Shareholder Confidence*

The GPS – Melbourne Institute Leading Index of Shareholder Confidence fell by 2.5 per cent in June, after falling by 0.2 per cent in March. The Index is also 3.1 per cent below its value of June 2016. Both current and expected confidence declined over the quarter, with the former falling by 2.6 per cent and the latter by 2.3 per cent. In annual terms current confidence is 6.4 per cent above its value of a year ago. Investors are, however, pessimistic about future conditions with the expected confidence index being 11.5 per cent below its value of a year ago.

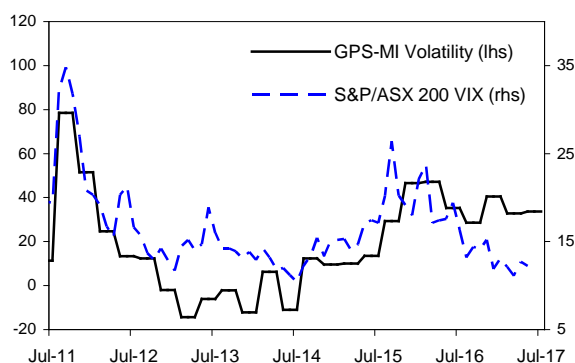
Chart 1 shows the performance of the GPS-MI Leading Index of Shareholder Confidence and the S&P/ASX 200 Share Price Index. The GPS-MI Index is designed to provide information about the likely change in share market behavior and, in general, the GPS-MI Index and the S&P/ASX Index have co-moved with roughly similar changes. The survey results indicate that investors expect weak to negative returns in the next few months. The GPS-MI measure of volatility pressure – which tracks the S&P/ASX 200 VIX and is derived as the difference between expected and current volatility – also indicates that investors expect volatility to trend sideways in the next few months.

Chart 2 provides further information about industry specific trading intentions and indicates that trading intentions are focused on stocks in the energy, financial and health sectors. The chart also indicates that investors are citing personal reasons as the primary reason for both buying and selling.

**Chart 1: GPS-MI Leading Index of Shareholder Confidence and the S&P/ASX 200 Share Price Index**  
**Quarterly change in the Indices (per cent)**



**Volatility levels**



**Table 2: Shareholder Confidence Index – component questions**

	June 2016	Mar 2017	June 2017	% change on Mar-17	% change on Jun-16
Current returns index <sup>1</sup>	107.5	149.6	143.9	-3.8	33.9
Expected returns index <sup>1</sup>	104.3	103.7	93.1	-10.2	-10.7
Current volatility index <sup>2</sup>	55.9	44.7	46.1	3.2	-17.6
Expected volatility index <sup>2</sup>	91.2	77.4	79.8	3.0	-12.5
Current Trading Intentions index <sup>3</sup>	112.1	106.9	103.3	-3.4	-7.9
Expected Trading intentions index <sup>3</sup>	114.7	99.8	101.6	1.8	-11.4

1: A number greater than 100 means that more respondents say that returns will be **higher** compared to respondents who say that returns will be lower

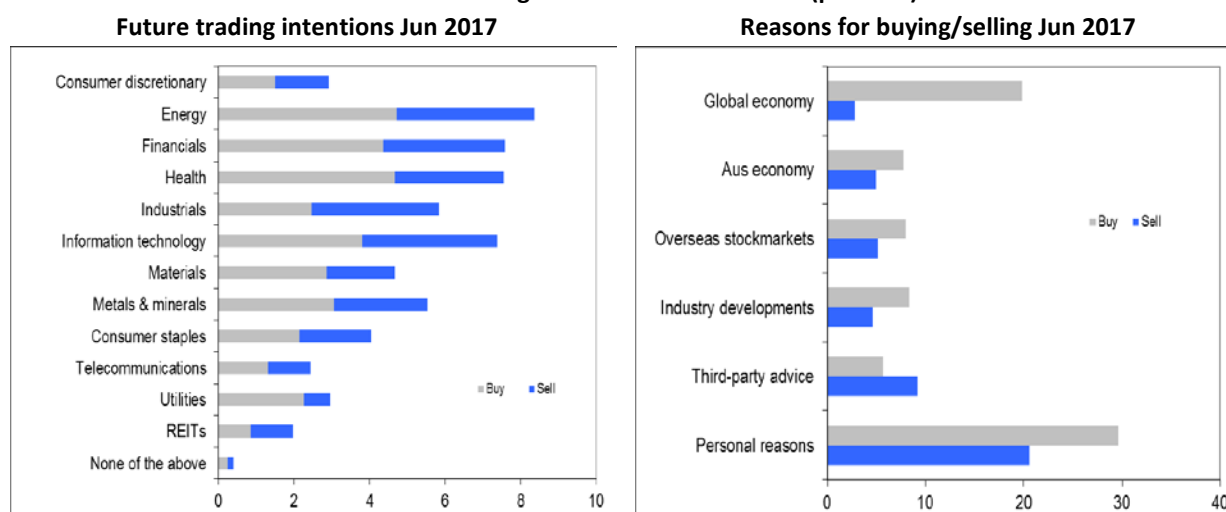
2: A number greater than 100 means that more respondents say that volatility will be **lower** compared to respondents who say that volatility will be higher

3: A number greater than 100 means that more respondents say that they will **buy** compared to respondents who say that they will sell

**Table 3: Shareholder Confidence Index – by Years of Experience**

	June 2016	Mar 2017	June 2017	% change on Mar-17	% change on Jun-16
<b>0-10 Years</b>					
Shareholder Confidence Index	90.4	95.8	93.6	-2.3	3.5
Current Confidence Index	84.1	97.7	95.9	-1.8	14.1
Expected Confidence Index	96.7	93.8	91.2	-2.7	-5.6
<b>11-20 Years</b>					
Shareholder Confidence Index	101.1	96.2	95.3	-0.9	-5.7
Current Confidence Index	89.8	98.2	97.5	-0.6	8.6
Expected Confidence Index	112.3	94.2	93.0	-1.2	-17.1
<b>21 – 30 Years</b>					
Shareholder Confidence Index	97.9	95.6	95.4	-0.1	-2.5
Current Confidence Index	97.5	100.2	99.9	-0.3	2.4
Expected Confidence Index	98.2	90.9	91.0	0.0	-7.4
<b>31 and above</b>					
Shareholder Confidence Index	96.2	98.9	93.5	-5.4	-2.7
Current Confidence Index	83.5	102.4	96.0	-6.2	15.0
Expected Confidence Index	108.8	95.5	91.1	-4.6	-16.3

**Chart 2: Trading Intentions and rationale (per cent)**



## SPECIAL QUESTIONS: Survey Results

**Q1: BHP has recently been targeted by New York Hedge Fund Elliot Advisors which has presented some ideas which it believes will create greater value for shareholders. Do you agree with Elliot's view that major changes to the company's operations and structure are warranted to create greater value??**

	Yes	No	Don't know/Uncertain
<b>Gender</b>			
Male	49.90	16.01	34.09
Female	45.45	14.53	40.02
<b>States</b>			
New South Wales	46.64	16.66	36.70
Victoria	50.35	14.31	35.35
Queensland	47.09	13.91	39.00
South Australia	41.23	17.40	41.37
Western Australia	52.74	9.93	37.33
Tasmania	56.03	13.39	30.58
<b>Age-group (years)</b>			
45-54	52.31	11.30	36.39
55-64	49.96	15.44	34.60
Over 65	47.00	15.81	37.19
<b>ALL</b>	<b>47.86</b>	<b>15.33</b>	<b>36.81</b>

**Q2: Do you believe that BHP's CEO has effectively handled Elliot's activist approach?**

	Yes	No	Don't know/Uncertain
<b>Gender</b>			
Male	40.58	17.06	42.36
Female	31.45	18.95	49.60
<b>States</b>			
New South Wales	34.50	18.02	47.49
Victoria	41.58	18.48	39.94
Queensland	34.24	17.85	47.92
South Australia	37.07	15.49	47.44
Western Australia	32.75	17.64	49.60
Tasmania	35.58	11.88	52.54
<b>Age-group (years)</b>			
45-54	32.04	45.13	22.83
55-64	42.64	23.41	33.95
Over 65	35.97	15.07	48.95
<b>ALL</b>	<b>36.39</b>	<b>17.93</b>	<b>45.68</b>

**Q3: Do you think that shareholder activism will lead to better or worse outcomes for Australian shareholders?**

	Better	Worse	Neither Better or Worse	Don't Know/ Uncertain
<b>Gender</b>				
Male	41.69	10.67	38.36	9.28
Female	33.70	6.76	43.74	15.80
<b>States</b>				
New South Wales	38.49	8.56	41.19	11.75
Victoria	37.55	7.63	40.32	14.50
Queensland	39.83	10.78	40.37	9.01
South Australia	36.90	12.60	36.29	14.21
Western Australia	32.32	9.70	45.42	12.56
Tasmania	37.58	12.31	39.11	11.00
<b>Age-group (years)</b>				
45-54	27.13	16.82	50.84	5.21
55-64	30.69	22.70	35.64	10.97
Over 65	40.25	6.58	40.76	12.41
<b>ALL</b>	<b>38.03</b>	<b>8.87</b>	<b>40.83</b>	<b>12.27</b>

Released: 6 June 2017

Interview period: 24 May – 29 May 2017

Sample size: 1000

Coverage: shareholders, all states and ACT

Stratified by gender, age and location

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