



Media Statement

For use 23 February 2015

- **Shareholder confidence rebounds**
- **Equity markets to benefit from interest rate cut**

A reversal of November's 9.9 per cent drop in confidence has boosted the **GPS-Melbourne Institute Leading Index of Shareholder Confidence** into levels not seen since May 2014. The Index is currently 6.6% above the last quarter, indicating growing investor optimism on the back of February's 25 basis point interest rate-cut.

The findings imply that investment in equities will share in the Reserve Bank's interest rate-cut while retail investors appear to have shrugged off any concerns about the higher unemployment rate, state elections, political polls, the budget debate and Canberra politics.

Investor confidence had been steadily eroding since August 2014 as investors lost confidence in the wake of market volatility, fears over the economy and growing unemployment during the year. The latest findings are therefore a dramatic rebound in retail investor sentiment, with the Index suggesting positive growth for the ASX 200.

An increase in share buying intentions was recorded across most sectors with IT, health and consumer staples stocks likely to be the big winners.

The **GPS-Melbourne Institute Leading Index of Shareholder Confidence** measure of volatility pressure - which tracks the **S&P/ASX200 VIX** and is derived as the difference between expected and current volatility - indicates that volatility in the next quarter will be similar to what is being observed currently.

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 since the Index was established five years ago.

Dr Sam Tsiaplias of the **Melbourne Institute** said that the switch to positive investor sentiment from several quarters of negativity was unexpected given the degree of economic uncertainty, the budget debate and the prospect of rising unemployment.

"It's quite a turnaround in sentiment and very positive for the equities market – particularly because of the inference that interest rate-cut cash is finding its way into shares, not just mortgage payments as is widely believed".

GPS Managing Director Maria Leftakis said that the higher levels of retail shareholder confidence bore out anecdotal evidence that a gradual shift in sentiment had been underway since mid-December 2014.

“In company meetings and shareholder engagement exercises that GPS has been involved in, we've detected a higher level of optimism among retail shareholders and there's no doubt that the Reserve Bank's rate-cut has had more positive implications than first thought.

“On a cautionary note however, this increased retail shareholder confidence is generating more debate over how companies are being run and we expect the boards of ASX-listed companies will see higher levels of vocal shareholders who are dissatisfied with the performance of directors as the year progresses and deep-pocketed activists start flexing their muscles among the ASX 300”.

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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