

Media Statement

21 November 2011

Shareholders planning dramatic switch into industrials, survey finds

- **Uncertainty prompts exit from energy and financials into safer stocks**
- **Executive pay a major issue but “Two Strikes” rule seen as not working**
- **Most respondents would have voted not to ground Qantas**

Caution among retail shareholders about future stockmarket performance is prompting a significant rebalancing of portfolios out of the energy and financial sectors and into long under-performing industrial stocks. The latest Global Proxy-Melbourne Institute Shareholder Confidence Index released today shows a small growth in overall confidence in the November 2011 quarter compared with the previous outcome in August. Respondents, however, expect greater volatility in the months ahead.

The latest survey was conducted during the first two weeks of November when concerns about the Euro-zone’s economic future heightened and there was increased focus on the Chinese economy, the carbon tax and the mining resources rent tax legislation.

The confidence index rose by 3.4 per cent after plummeting by 14.6 per cent in August, but it is still 21.9 per cent below the value of a year ago. The pick-up came from an improved outlook in current conditions, which lifted by 11.5 per cent.

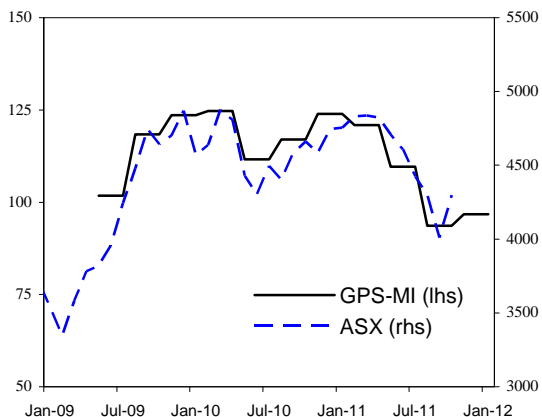
Compared with the last quarter, while the component-indices indicate an expected improvement in returns, perceptions of volatility have changed. This signals that shareholders expect greater uncertainty in the months ahead and are switching out of financial, energy and health shares in favour of industrial stocks.

“What appears to be happening is that shareholders have taken fright from European debt, slower Chinese growth, the new carbon tax and the mining resources rent tax,” said the Melbourne Institute’s Professor Guay Lim. “That means future investment intentions are being directed away from what are perceived as vulnerable sectors and into defensive stocks.”

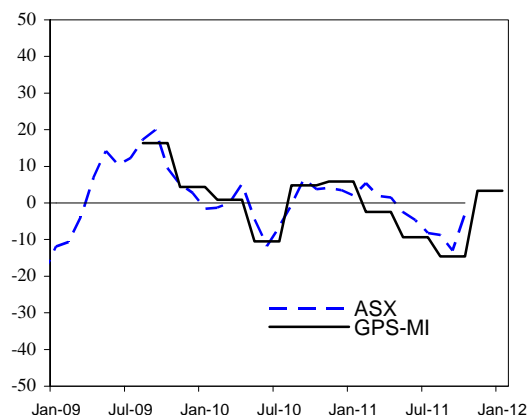
The index began its downward trend early this year, several months before actual share prices began to weaken (see Chart 1) but the last quarterly change was positive.

Chart 1: GPS-MI Shareholder Confidence Index and the S&P/ASX 200 Share Price Index

The level of the Indices



Quarterly change in the Indices (per cent)



The latest survey also asked retail investors the importance of executive pay; whether or not they thought the new “two strikes” rule was working in practice; and whether or not they would have voted to ground Qantas.

Their responses show that the issue of executive pay remains hugely important to them, but just 11.9 per cent believe the “two strikes” rule is working in practice. Those saying it isn’t working account for 26.3 per cent, while 29 per cent said they were either uncertain or it was too early to tell.

On the question about grounding Qantas, the survey found that respondents were split, with a slightly more saying they would not have voted to ground Qantas.

“Boards are going to have to put a lot more work into better explaining the rationale for their remuneration policies – not just to their retail shareholders, but as the record for this year’s annual meetings has shown – to institutions and proxy advisers as well, ” said Global Proxy’s Managing Director Maria Leftakis. “What we have learnt is that 2011 is just the starting gate for next year. Boards can expect even more shareholder attention by then and retail voting will increase as individuals realise that they can make a difference.”

Ms Leftakis said that the Qantas findings confirm the mixed views held in the community.

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For further information, please contact:

Professor Guay Lim, Melbourne Institute - 03 8344 2146, g.lim@unimelb.edu.au

Maria Leftakis, Global Proxy Solicitation - 0411 275 275, m.leftakis@gps-proxy.com

ABOUT THE GLOBAL PROXY - MELBOURNE INSTITUTE SHAREHOLDER CONFIDENCE INDEX

Global Proxy Solicitation and the Melbourne Institute have partnered to undertake and publish market leading research to address the question of shareholder confidence amongst Australians who invest in shares.

The Global Proxy - 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 first week and second weeks of November 2011. 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 GLOBAL PROXY SOLICITATION

Global Proxy Solicitation (GPS) is Australia's leading shareholder engagement firm and provides specialised shareholder solicitation and research 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 and dissident investors. Since 2007 GPS has conducted campaigns for transactions valued at over \$435 billion and spoken to over 1.8 m investors.

Further information on GPS can be found at www.gps-proxy.com

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