

Media Statement

22 August 2011

Plummeting Shareholder Sentiment To Remain Weak For Months Ahead

- Latest sentiment survey confirms ongoing trend of poor shareholder expectations
- Substantial hike in AGM voting this year as new “two strike” rule threatens directors

Retail shareholders remain gloomy about the Australian stockmarket after recent precipitous falls in share prices on global markets sparked by speculation about a recession in the US and shaky European economies, according to the latest Global Proxy-Melbourne Institute Shareholder Confidence Index released today.

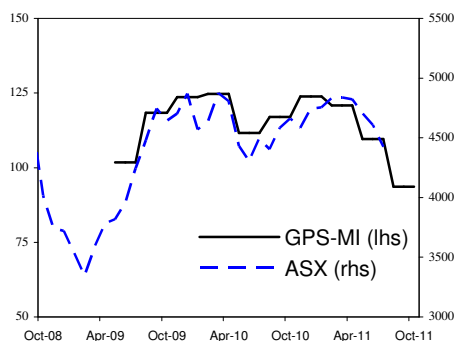
The latest survey was conducted during the first of this month’s share price plunges in early August. The shareholder index fell by 14.6 per cent to 93.6 compared with the previous survey in May 2011 which was at 109.6. It was also 20% below the 117.0 level that the index recorded in August 2010.

“Since we began tracking the confidence of Australian shareholders more than two years ago, the index has emerged to become an important leading indicator of the market’s performance,” said the Melbourne Institute’s Professor Guay Lim. “It is now showing that investors expect shares to remain weak for months ahead.”

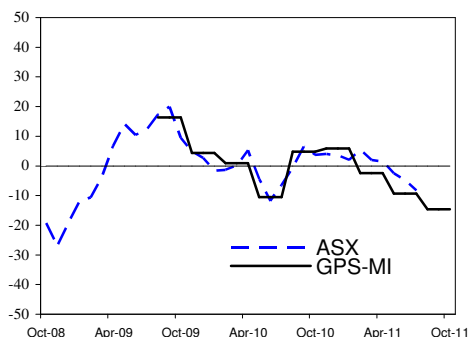
The index started to track down early this year, several months before actual share prices began to weaken (see Chart 1). The quarterly changes since then have been negative.

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)



“We can say with some degree of certainty, that the latest index suggested that shareholders had become even more pessimistic about conditions in share markets,” Professor Lim said. “While shareholders expect volatility to abate and buying intentions still dominate, bearish attitudes have surfaced quite noticeably.”

This could be promoted by the historic downgrading in the US sovereign debt rating and the ongoing spread of debt problems in Europe into large EU members including Italy, Spain and France. There is considerable uncertainty about how increased global uncertainty will impact on the Australian economy. Domestically, the uptick in unemployment and the legislation soon before Federal Parliament for a carbon tax and mineral resources tax could be further causes for concern.

The latest survey also asked retail investors about their attitude to the new “two strikes” rule which gives them the power to vote individual directors off the boards of companies if they are unhappy about issues including remuneration and performance.

The survey shows that the rule could spark a large increase in the number of votes cast at this year’s annual meetings. Some 49.2% of those surveyed said that they would cast a vote compared with just 32.8% who voted last year.

“Clearly, investors want boards to lift their game,” Global Proxy’s Managing Director Maria Leftakis said. “Directors are on notice that they need to ensure that management is following the best strategies and are delivering on their promises. If they don’t, then the entire Board could be thrown out.

“This power that was handed to shareholders by the Federal Government is controversial, and clearly shareholders are saying that they will exercise their votes much more than they have in the past.”

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