

CAPITA

Private Investor Watch



December 2011

Highlights

- Private investors reduce shareholdings for the first time since spring 2010
- All sectors see net selling for first time in over four years
- Private investors see **£24bn** wiped off their holdings since they peaked in May
- The lack of investment alternatives prevents investors selling equities on a large scale
- Market scepticism over eurozone treaty costs investors **£5.5bn** since 9 December
- Shareholdings end 2011 at **£213bn**. (15th Dec close)

Charles Cryer, Chief Executive of Capita Registrars said:

"Investors opted enthusiastically for equities as they searched for an asset class to protect them from high inflation. But in the middle of the year, their optimism became detached from the sharply deteriorating economic situation. The acceleration of the euro crisis since the summer has only made that situation worse. Investors are clearly getting worried – they have taken advantage of the FTSE's recovery from its summer lows to sell shares for the first time since mid 2010."

Profiling the UK's share transactions

Private investor optimism on equities cools as global crisis grows

Private shareholders have turned against equities for the first time since early 2010. Between September and November 2011 they sold £695m of their investments. This follows five consecutive quarters of buying, during which investors added £3.5bn to their shareholdings. The last quarter's selling was the most aggressive since September 2009, when investors took advantage of a strong rally in share prices to take profits following the financial crisis of 2008. As a result, private shareholdings slipped back just below 12% of the total UK index from the two year high in August.

At the close of business on Thursday 15th November, private investors held £213bn of equities, a loss of £24.0bn since their holdings peaked in May at £237bn. The extended economic and financial crisis of the last four years means shareholdings are no greater in cash terms than in May 2006. After inflation they have fallen by almost one fifth in that time. A bad week for shares following growing dismay at insufficient measures to solve the euro crisis cost private investors £5.2bn in the last week alone.

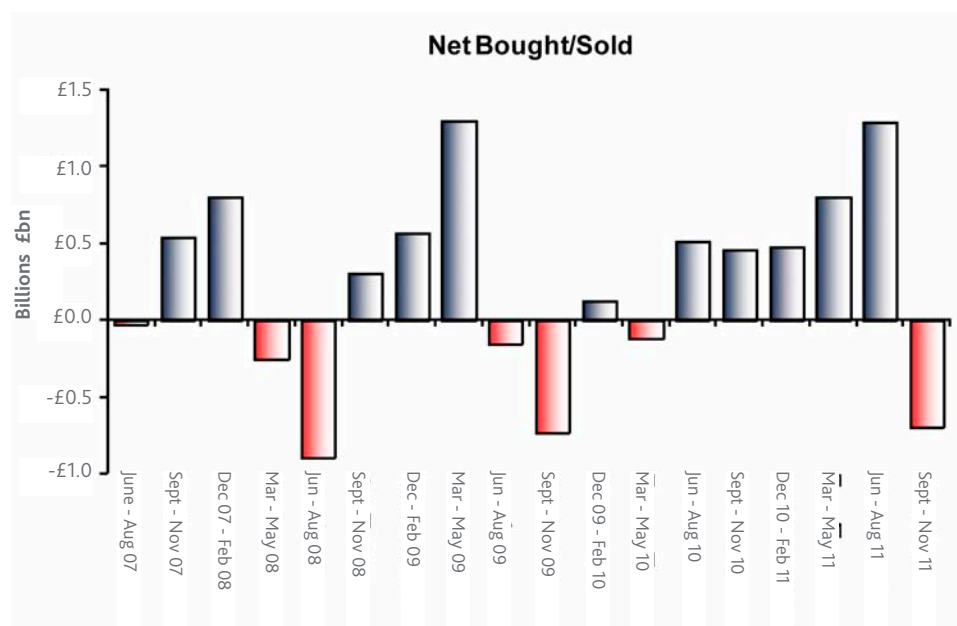


Chart 1: Net buying/Selling by private investors

For the first time since May 2007, investors sold all sectors in net terms. There was also much less two-way trading than usual. As a result, the total amount traded was the lowest since Capita Registrars began its research six years ago, at just £695m, half the average quarterly total.

Resources companies saw the most selling (£249m), reflecting both their status as the largest sector in the

index, but also perhaps fears over the outlook for the global economy. Between then, consumer goods and services saw investors sell £160m. Even defensive sectors such as healthcare and utilities were weak. Financials saw the least selling, despite their greater exposure to the financial crisis. This may reflect relatively low holdings by retail investors of stocks in this sector.

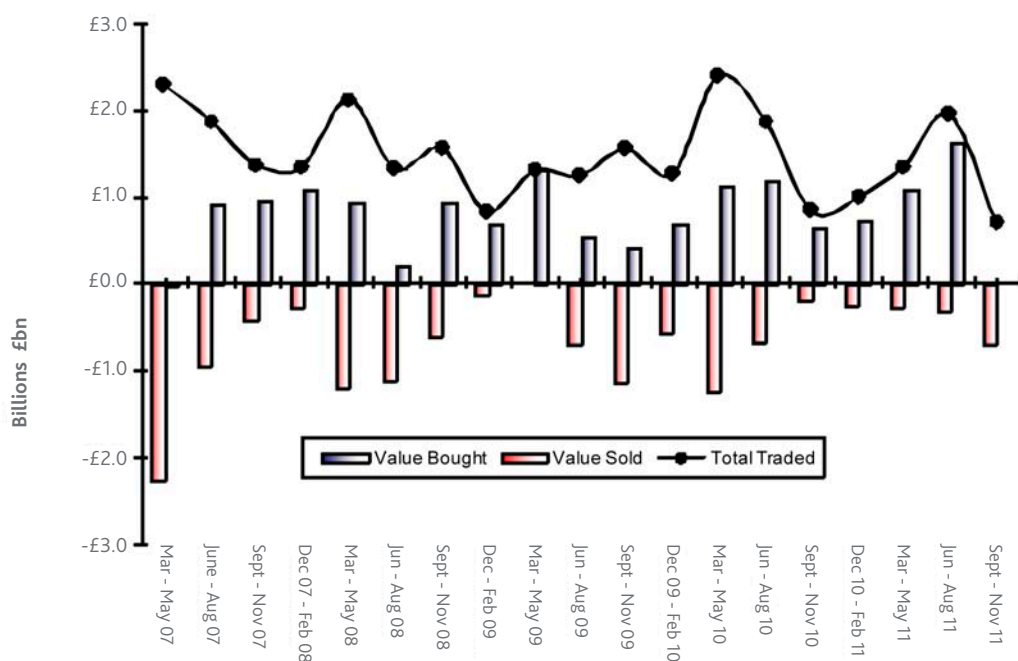


Chart 2 – Total trading

Charles Cryer continued:

“The low trading volume shows this is not a rout. The selling is less than one fifth of the total invested in the last year and a half, although the fact that no sector saw net buying shows that this was nevertheless a decisive retrenchment. Investors have a dilemma on how best to protect their capital. The lack of investment alternatives that will protect the real value of investors’ savings means that investing in equities still makes sense for those thinking longer term, particularly as they are still providing an attractive income. It is clear though that should the markets find any stability, equities will continue to be a popular long term investment for retail holders.”

About us

Capita Registrars is the UK's largest provider of share registration and value-added services to more than 1,500 companies in the UK, Ireland, Channel Islands and Isle of Man. We are responsible for share registration, corporate actions, share plans, and company secretarial support across a base of clients that range from small or recently floated to large multinationals. In 2010 we have been appointed to more FTSE companies and have managed more IPOs than any other registrar. We are the only registrar that is part of a FTSE 100 organisation, a fact that delivers our clients increased assurance.

The Capita Group Plc is the UK's leading provider of BPO and integrated professional support service solutions. With over 36,000 people at more than 300 sites, across the UK, Ireland, the Channel Islands and India, the Group uses its expertise, infrastructure and scale benefits to transform its clients' services, driving down costs and adding value. Capita is quoted on the London Stock Exchange, with turnover of £2,744m and pre-tax profits of £364.2m in 2010.

Further information on Capita Registrars can be found at: www.capitaregistrars.com

Statistical Methodology

Capita Registrars' research is the best established and most comprehensive analysis of private investor trading in the UK.

Capita records all the share transactions taking place in the stocks whose registers it maintains. The sample in the Capita Registrars Private Investor Watch captures the trading activity of over 1.6 million private investors. The figures are based on over 200,000 separate trades.

A sample of Capita Registrars' client stocks is selected representing 10% of the FTSE Allshare's market capitalisation (depending on share price levels at the beginning of each period). By analysing the registers, Capita identified which shareholders are private individuals (holding their stock in certificate form) and which nominee accounts comprise retail investor holdings in dematerialised form (excluding unit trusts and pensions). In order to calculate the average trading volumes of private shareholders and their average portfolio values, the sample was scaled up to the value of the whole market. Regional population data, sourced from National Statistics, was used to determine shareholdings per capita. Nominee account holdings were assumed to be distributed regionally in line with the regional distribution of shareholders who own shares in certificate form.

