

## THE STRUCTURE OF SHARE OWNERSHIP AND CONTROL: THE POTENTIAL FOR INSTITUTIONAL INVESTOR ACTIVISM

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### I. INTRODUCTION

There is currently considerable interest in the involvement (actual and potential) of institutional shareholders in the governance of listed public companies in Australia, the UK, the US, and elsewhere.<sup>1</sup> One aspect of that involvement which

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1 A large literature has grown over the past seven or eight years. See, for example, AF Conard, "Beyond Managerialism: Investor Capitalism?" (1988) 22 *University of Michigan Journal of Law Reform* 117; BS Black, "Shareholder Passivity Re-examined" (1990) 89 *Michigan Law Review* 520; JC Coffee, "Liquidity Versus Control: The Institutional Investor as Corporate Monitor" (1991) 91 *Columbia Law Review* 1277; EB Rock, "The Logic and (Uncertain) Significance of Institutional Shareholder Activism" (1991) 79 *Georgetown Law Journal* 445; MJ Roe, "A Political Theory of American Corporate Finance" (1991) 91 *Columbia Law Review* 10; BS Black, "Agents Watching Agents: The Promise of Institutional Investor Voice" (1992) 39 *UCLA Law Review* 811; PL Davies, "Institutional Investors in the United Kingdom" in DD Prentice, PRJ Holland (eds), *Contemporary Issues in Corporate Governance* (1993) 69; AW Matheson, "The Institutional Investor's Viewpoint" (1993) 1 *Corporate Governance: An International Review* 178; IM Ramsay, M Blair, "Ownership Concentration, Institutional Investment and Corporate Governance: An Empirical Investigation of 100 Australian Companies" (1993) 19 *Melbourne University Law Review* 153; T Baums, RM Buxbaum, K Hopt (eds), *Institutional Investors and Corporate Governance*, Walter de Gruyter (1994); PL Davies, GP Stapledon, "Corporate Governance in the United Kingdom" in M Isaksson, R Skog (eds), *Aspects of Corporate Governance* (1994) 55; JC Coffee, RJ Gilson, L Lowenstein (eds), *Relational*

is of particular interest is the role played by institutions in changing the senior management of under-performing companies. This has occurred more frequently in the UK than in the US and Australia, although it is by no means a common event even in Britain.<sup>2</sup> The issue to which this article relates is the likelihood of there being formed a coalition<sup>3</sup> of institutions powerful enough to force such a change of management. This depends on several factors, one of which is the proportion of the issued ordinary share capital controlled by the largest few institutions in the company concerned.<sup>4</sup> Interviews of UK fund managers by the present author found that the attempted replacement of an under-performing or otherwise unacceptable management team normally requires for its success a group of institutions (a) controlling (between them) 20-30 per cent of the equity, and (b) numbering no more than three or four (due to the practical difficulties with co-ordinating a larger group).<sup>5</sup>

Section IV of this article details a study of listed UK companies, which identified (inter alia) the average proportion of the issued ordinary share capital controlled by the sample companies' largest one, largest two, largest three, largest four, largest five, and largest six institutional shareholders. The statistics reveal that it is only in small and, to a lesser extent, medium-sized listed UK companies that the largest handful of institutions will typically control sufficient amounts of the issued ordinary share capital to render possible a successful institutional intervention. Section V reports the results of a less ambitious study of share ownership and control in a sample of listed Australian companies. Prior to the detailing of those company-specific studies, Section II provides some data on

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*Investing*, Oxford University Press (1995) (forthcoming); GP Stapledon, *Institutional Shareholders and Corporate Governance*, Oxford University Press (1996) (forthcoming). The Parliamentary Joint Committee on Corporations and Securities inquired into this topic during 1994-95: see Parliamentary Joint Committee on Corporations and Securities Issues Paper, *Inquiry into the Role and Activities of Institutional Investors in Australia: Issues Paper*, November 1994.

- 2 See BS Black, JC Coffee, "Hail Britannia? Institutional Investor Behavior Under Limited Regulation" (1994) 92 *Michigan Law Review* 1997 at 2050-2; GP Stapledon, *ibid*, ch 5.
- 3 'Coalition' is a very appropriate term to describe these institutional groups. It is defined in *The Concise Oxford Dictionary of Current English*, Oxford University Press (8th ed, 1990) p 215 as "a temporary alliance for combined action".
- 4 Other important factors include the practical obstacles faced by managers of external funds in conducting monitoring on behalf of clients (see GP Stapledon, "Exercise of Voting Rights by Institutional Shareholders in the UK" (1995) 3 *Corporate Governance: An International Review* 144 at 146-8), certain legal barriers to detailed monitoring and, of most significance, the numerous economic disincentives faced particularly by external fund managers when considering undertaking detailed monitoring of the managements of portfolio companies. The economic disincentives reflect an agency problem at the level of fund manager:client (see JC Coffee, note 1 *supra* at 1283-4). They arise as a result of, amongst other things: (a) the fact that in the usual case the performance of an external fund manager is measured relative to that of its competitors, such that costly monitoring will only rationally be undertaken in limited circumstances; (b) the fact that the fund manager (but not necessarily the client) will often stand to gain more from 'exit' rather than 'voice'; (c) collective-action problems; and (d) conflicts of interest: see EB Rock, note 1 *supra*; BS Black, JC Coffee, note 2 *supra* at 2055-77; GP Stapledon, note 1 *supra*, ch 10; BS Black (1990), note 1 *supra*. Certain factors serve to increase a fund manager's propensity to intervene to change an under-performing management team, including: (i) unattractiveness of alternative strategies; (ii) possession of an 'overweight' holding in the company concerned; (iii) fundamental soundness of the underlying business of the company concerned; and (iv) deliberate misrepresentations by the impugned management: see GP Stapledon, note 1 *supra*, ch 10.
- 5 See GP Stapledon, note 1 *supra*, ch 5.

institutional share ownership and control at the market level in the UK and Australia. Section III sets out the difficulties involved in obtaining information such as that revealed in Sections IV and V.

## II. INSTITUTIONAL SHARE OWNERSHIP AND CONTROL AT MARKET LEVEL

Table 1 shows the distribution of beneficial ownership of the listed ordinary shares of UK companies over 1963-92. Institutional ownership of the listed UK equity market was 29 per cent in 1963, 34.2 per cent in 1969, 47.3 per cent in 1975, 57.6 per cent in 1981, and 60.4 per cent in 1992.<sup>6</sup> Investment trusts and insurance companies were the major categories of institutional shareholder in the 1960s, but pension funds have been the largest category since 1975. Pension funds' share of the market in 1992 was more than five times larger than in 1963. Insurance companies also increased their share of the market appreciably over the period of Table 1 but not to the same extent as the pension schemes.<sup>7</sup> The proportion of the market held by unit trusts increased at about the same rate as that of pension funds but from a significantly smaller starting point. The institutions' increased ownership of UK equities has come mainly at the expense of the direct holdings of individuals. The UK government's policy of 'wider share ownership' failed to reverse the trend during the 1980s.

The two primary causes of the increased proportion of listed UK equities held by institutions are: (a) the growth in long-term saving since World War II and the resultant massive increase in funds available to the institutions for investment,<sup>8</sup> and (b) the disposition of insurance companies and pension funds towards equities, especially since the 1950s and 1960s. There are several factors behind each of (a) and (b). In relation to (a), demographic trends, inadequate state pensions, and income growth have all contributed to this rise.<sup>9</sup> In relation to (b), the concern of institutions to protect their capital bases during periods of inflation and the relative performance of equities as opposed to gilts and cash since the end of World War I appear to be the central factors.<sup>10</sup>

6 These figures are for pension funds, insurance companies, unit trusts, and investment trusts, collectively. Holdings of banks are not included. Many UK banks have fund-management arms which manage UK equities on behalf of pension funds and other beneficial owners. However, most of the shares shown in Table 1 as owned beneficially by banks would have been either corporate holdings or the result of debt-for-equity swaps; they would not have been portfolio investments.

7 In 1992, shares held for insurance companies' managed pension funds were reclassified from insurance sector to pension-fund sector: see Central Statistical Office, HMSO No 480, *Economic Trends*, 1993 at 124. This is understandable from a theoretical point of view, but in law the underlying shareholdings of a managed fund are owned beneficially by the insurance company which operates the fund: Linklaters, Paines, *Unit Trusts: The Law and Practice*, Longman (1989) at [A2.0310], [A2.0380]-[A2.0420].

8 See generally PL Davies, note 1 *supra* at 70-3.

9 See EP Davis, "International Diversification of Institutional Investors" Bank of England Discussion Papers, Technical Series No 44, 1991 pp 5-7.

10 Over any rolling 20 year period from 1918-90, UK equities produced better returns than gilts and Treasury Bills: WM Company, *UK Pension Fund Service Annual Review* (1990) pp 4-6. A lesser factor behind (b) was the statutory recognition given to equities as acceptable trust investments by the *Trustee Investments*

TABLE 1: OWNERSHIP OF UK EQUITIES, 1963-92

<i>Sector of beneficial owner</i>	<i>Beneficial ownership of listed UK equities (per cent)</i>					
	<b>1963</b>	<b>1969</b>	<b>1975</b>	<b>1981</b>	<b>1991</b>	<b>1992</b>
Individuals	54.0	47.4	37.5	28.2	19.8	21.3
Other personal sector (mainly charities)	2.1	2.1	2.3	2.2	2.4	1.8
Public sector	1.5	2.6	3.6	3.0	1.2	1.5
Industrial and commercial companies	5.1	5.4	3.0	5.1	3.3	1.7
Overseas	7.0	6.6	5.6	3.6	12.8	12.8
Banks	1.3	1.7	0.7	0.3	0.2	0.5
Insurance companies	10.0	12.2	15.9	20.5	20.7	16.5
Pension funds	6.4	9.0	16.8	26.7	31.1	34.7
Unit trusts	1.3	2.9	4.1	3.6	5.7	6.2
Other financial institutions (mainly investment trusts)*	11.3	10.1	10.5	6.8	2.8	3.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Central Statistical Office, HMSO No 480, *Economic Trends*, 1993 at 128. (\* Includes SEPON (the London Stock Exchange account into which shares are placed while in transit between seller and buyer): 0.6 per cent (1991); 0.7 per cent (1992).)

In Australia, there is no equivalent of the annual survey of beneficial shareholdings conducted by the UK's Central Statistical Office, and thus no direct evidence exists demonstrating an increase over recent decades in institutional share ownership. There is, however, indirect evidence that there was a sizeable increase over 1955-86 in the proportion of Australian equities held beneficially by institutions.<sup>11</sup>

The survey underlying Table 2 gives a snapshot at 1991. Table 2 shows that the Australian institutions' combined beneficial holding of local equities in 1991 was 36 per cent. This is considerably less than the UK institutions' holding of over 60 per cent of the UK equity market at the same time. Where do the differences lie? First, local industrial and commercial companies held 7 per cent of listed Australian equities, as opposed to only 2-3 per cent in the UK. This is explicable mainly by a greater degree of cross-holdings amongst listed Australian companies

Act 1961 (UK); equity investments were previously possible only if there was an express power in the trust deed.

11 The two pieces of indirect evidence are: (a) statistics of annual net changes in holdings of ordinary and preference shares by sector, which show that institutions were net purchasers from 1955 until at least 1986, whilst individuals were net sellers for much of that time: see P Marshman, P Davies, "The Role of the Stock Exchange and the Financial Characteristics of Australian Companies" in R Bruce, B McKern, I Pollard, M Skully (eds), *Handbook of Australian Corporate Finance* (4th ed, 1991) 78 at 93; and (b) studies of the top 20 registered shareholders of listed Australian companies, which show an increase in the percentage of the issued capital held in the name of institutions and nominee companies (which are used extensively to register the holdings of superannuation funds and unit trusts), and a decrease in the percentage held by individuals: see, for example, GJ Crough, *Financial Institutions and the Ownership of Australian Corporations*, University of Sydney (1981) pp 3-4.

than amongst their UK counterparts. Secondly, individuals held a larger proportion of local equities in Australia than they did in Britain, although their proportional holding had declined in Australia as it had over previous decades in the UK. Thirdly, the most significant difference is in the level of foreign holdings - the proportion of the Australian equity market held by foreigners was the highest level of any OECD country at 1993. This was due mostly to the high number of listed Australian companies that either were partly owned subsidiaries of foreign companies or had a foreign shareholder with a large stake. Two of Australia's five largest listed companies (measured by market capitalisation) at the end of August 1993 fell into this category.<sup>12</sup> Foreign institutions would also appear to have had a relatively large share of the Australian equity market at 1993.

**TABLE 2: OWNERSHIP OF AUSTRALIAN EQUITIES, 1991**

<i>Sector of beneficial owner</i>	<i>Beneficial ownership of listed Australian equities, 1991 (per cent)</i>
Individuals	28
Life offices	10
Superannuation funds	22
Unit trusts and investment companies	2
Other financial institutions	2
Other companies	7
Overseas	29

*Source:* Industry Commission Report 18, *Availability of Capital*, 1991 at 140. Note that equities held by life insurers for insured pension schemes and managed funds are attributed to superannuation funds. If those equities were treated as assets of the life offices, the proportion of equities held by life offices and superannuation funds would be approximately 16 per cent apiece: see Australian Bureau of Statistics Catalogue No 5655, *Managed Funds: Australia, September Quarter, 1993*, Tables 3, 4 (assets of superannuation funds wholly administered by life offices are included in the category "statutory funds of life insurance offices" (Australian equities: A\$27 054 million at 30 June 1993) rather than "superannuation funds and approved deposit funds" (Australian equities: A\$27 151 million at 30 June 1993)).

As in the UK, the growth in institutional share ownership in Australia can be attributed to both (a) a growth in long-term saving, with an accompanying increase in institutional funds available for investment; and (b) an asset-allocation shift towards equities and away from fixed-interest securities (although to a lesser degree than in Britain). In relation to (a), the assets of Australian life offices and superannuation funds rose from 17.3 per cent to 20.1 per cent of financial-sector assets between 1981 and 1990.<sup>13</sup> Furthermore, between 1984 and 1988 there was rapid growth in real terms in the level of Australian household savings accounted for by superannuation and life-insurance contributions.<sup>14</sup> The introduction of the

12 BTR Nylex Ltd was 60 per cent- owned by BTR plc (a listed UK company); CRA Ltd was 49 per cent- owned by RTZ Corporation plc (another listed UK company).

13 Industry Commission Report 18, *Availability of Capital*, 1991 at 52.

14 *Ibid* at 52-3; Reserve Bank of Australia, *Bulletin*, March 1994, Table D4.

'superannuation guarantee charge'<sup>15</sup> will almost certainly accelerate this trend. Regarding (b), Australian insurers and superannuation funds re-weighted their portfolios away from government bonds and towards equities and real property between 1950 and 1980.<sup>16</sup> Nevertheless, at mid-1993, Australian-based fund managers allocated a significantly smaller proportion of total assets under management to domestic equities (average 28 per cent)<sup>17</sup> than did their UK-based counterparts (average around 50-60 per cent).

An important thing to note about Tables 1 and 2 is that equities *owned* by institutional shareholders (insurance companies, pension/superannuation funds, unit trusts, and other financial institutions) are *managed* by fund-management firms.<sup>18</sup> These fund-management firms not only manage the funds of insurance companies, pension/superannuation funds, unit trusts, and other financial institutions; they also manage funds on behalf of individuals, charities, overseas institutions, and other bodies. The proportion of the UK and Australian equity markets *managed* by locally based fund-management firms would, therefore, have been higher than the proportion of total equities *owned* by institutions at the respective dates of Tables 1 and 2. This is a very important point because it is common in both the UK and Australia for fund managers to have control of the voting rights attached to their clients' equity investments.<sup>19</sup> Possession of the power to control the exercise of the right to vote attached to a share effectively places one in the position of 'controller' of that share. Thus, the proportion of the equity market *managed* by institutions is a close approximation of the proportion of the equity market *controlled* by institutions.

Table 3 provides a snapshot of those fund managers which had significant stakes in the UK equity market as a whole at the end of 1991. Table 4 provides an equivalent picture for the Australian equity market as at the end of 1993. The investment-management arms of financial conglomerates and insurance companies

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- 15 A superannuation guarantee charge ('SGC') came into operation in Australia in 1992. The effect of the SGC legislation was to force employers to make superannuation contributions on behalf of employees, initially at a rate of at least 3 per cent of 'base earnings', but rising to 9 per cent by 2002: see D Paatsch, G Smith, "The Regulation of Australian Superannuation: An Industrial Relations Law Perspective" (1992) 5 *Corporate and Business Law Journal* 131 at 148.
- 16 Life offices' holdings of Australian public-sector securities fell from 52 per cent of assets in 1953 to 35 per cent in 1960 to 30 per cent in 1980: Committee of Inquiry into the Australian Financial System, *Final Report*, 1981 at 174. Note that until 1984, there was in Australia a '30/20 rule' which provided tax concessions to life offices and superannuation funds which held at least 30 per cent of their assets in Australian public-sector securities.
- 17 See Australian Investment Managers' Group, *December 1993 Half-Year Member Survey*, 1994.
- 18 Some fund-management firms are 'in-house' at the institutions - such as AMP Investments Australia Ltd, which is a subsidiary of an Australian insurance company, and PosTel Investment Management Ltd, which is owned by the sponsoring employers of the UK pension schemes whose assets it manages. Other fund-management firms are 'external' investment managers. For instance, the assets managed by the enormous UK fund-management firm, Mercury Asset Management plc, and the large Australian fund-management firm, Bankers Trust Australia Ltd, are predominantly those of unrelated bodies such as pension/superannuation schemes.
- 19 In regard to the UK, see GP Stapledon, note 4 *supra* at 147. In regard to Australia, see Australian Institute of Superannuation Trustees, *Corporate Governance in Australia: The Attitudes and Practices of Fund Managers*, 1994. The usual situation is that the fund manager has discretion to vote as it sees fit, subject to any express instructions from the client.

were predominant in both the UK and Australia.<sup>20</sup> Interestingly, a handful of overseas-based institutions had fairly large stakes in the Australian equity market at the end of 1993. From its offices in San Francisco and other overseas locations, the Capital Group Inc managed listed Australian equities worth about 1 per cent of the Australian market capitalisation.<sup>21</sup> At least two other large US mutual-fund managers, Franklin Resources Inc (through its affiliate, Templeton Worldwide Inc) and Fidelity Investments, also had fairly large sums of Australian equities under management from the US, Hong Kong, and elsewhere at the end of 1993. Overseas-based managers of Australian equities face an additional difficulty to those faced by Australia-based fund managers when considering whether to form or join an institutional coalition to intervene in a 'problem' company. The inability to meet regularly in person with coalition partners (actual or potential) would present a barrier to the playing of an effective role in the intervention.<sup>22</sup>

A comparison of Tables 3 and 4 shows that, whereas 18 UK-based firms managed local equities worth 1 per cent or more of total domestic market capitalisation, only eight Australia-based managers were in an equivalent position. This is largely explained by the following factors (which were detailed earlier): (a) there is a much higher level of inter-corporate holdings (in particular, those of overseas-based companies) in the Australian quoted corporate sector compared to the UK quoted corporate sector; (b) UK-based fund managers generally allocate a far greater proportion of funds under management to domestic equities than do Australia-based managers; and (c) largely because of (a) and (b), UK institutions manage a much higher proportion of total quoted domestic equities than do Australian institutions. Further reference is made to Tables 3 and 4 in Section III.

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20 The prominence of the fund-management arms of financial conglomerates is significant: they manage mostly external funds and thus suffer the most from the economic disincentives to intervention- see note 4 *supra* and the sources cited therein.

21 Capital Group's holdings of UK equities at the end of 1991 were worth about £1 000 million (information provided to the author by A Watson, Marketing Statistician, Capital International Ltd, London) which represented only 0.18 per cent of the UK market capitalisation. Even this figure did not really represent a holding managed wholly from overseas because Capital has fund managers in London who managed part of this amount.

22 The barrier is, however, by no means insurmountable: see J Plender, "Saatchi Doesn't Work" *Financial Times* (London), 14 January 1995, p 6 (a group of US-based fund managers, led by one Chicago-based mutual-fund manager, played a key role in bringing about the resignation of Maurice Saatchi as executive chairman of the listed UK advertising company, Saatchi & Saatchi).

**TABLE 3: TWENTY-FIVE LARGEST MANAGERS OF UK EQUITIES, 1991**

<i>Manager</i>	<i>Market value of UK equities under management at 31 Dec 1991 (£million)</i>	<i>As proportion of market value of total quoted UK equities at 31 Dec 1991<sup>23</sup> (per cent)</i>
Mercury Asset Management plc (FC)	20 403	3.81
Prudential Portfolio Managers Ltd (Ins)	19 063	3.56
PosTel Investment Management Ltd (Pens)	11 400 *	2.13
The Standard Life Assurance Company (Ins)	11 326	2.11
Barclays de Zoete Wedd Investment Mgt Ltd (FC)	10 501	1.96
Phillips and Drew Fund Management Ltd (FC)	9 561	1.78
Robert Fleming Asset Management Ltd (FC)	9 015	1.68
Schroder Investment Management Ltd (FC)	8 870	1.66
Scottish Widows Investment Management Ltd (Ins)	7 395	1.38
Legal and General Investment Management Ltd (Ins)	7 267	1.36
CIN Management Ltd (Pens)	7 102 **	1.33
Norwich Union Investment Management Ltd (Ins)	7 066	1.32
Commercial Union Asset Management Ltd (Ins)	6 890	1.29
AMP Asset Management plc (Ins)	6 100	1.14
M&G Investment Management Ltd (Indep)	5 700	1.06
County NatWest Investment Management Ltd (FC)	5 577	1.04
Baring Asset Management Ltd (FC)	5 387	1.01
Hill Samuel Investment Management Group Ltd (FC)	5 377	1.00
ESN Pension Management Group Ltd (Pens)	5 143 *	0.96
Gartmore Investment Management Ltd (FC)	5 099	0.95
Allied Dunbar Asset Management plc (Ins)	4 700	0.88
INVESCO MIM Management Ltd (Indep)	4 155	0.78
Scottish Amicable Investment Managers Ltd (Ins)	4 123	0.77
Provident Mutual Life Assurance Association (Ins)	4 117	0.77
Henderson Administration Group plc (Indep)	4 058	0.76

*Sources:* Author's calculations from information in Hymans Robertson, *Pension Fund Investment Manager Survey: Manager Analysis*, 1992 and in London Stock Exchange, "Quality of Markets Review" [1991] (Winter) *Stock Exchange Quarterly* 36 at 39; other sources listed in Appendix B (Abbreviations: see Appendix A; \* at 31 March 1992; \*\* CIN: a hybrid figure combining value of UK equities managed for British Coal Staff Superannuation Scheme at 5 April 1992 and for Mineworkers' Pension Scheme at 30 September 1992.)

<sup>23</sup> Value of total quoted UK equities (ie listed and Unlisted Securities Market) at the end of 1991 was £535 867 million. Author's calculation from figures in London Stock Exchange, "Quality of Markets Review" [Winter, 1991] *Stock Exchange Quarterly* 36 at 39 (figure for Unlisted Securities Market companies adjusted to exclude overseas companies and Irish companies).



**TABLE 4: TWENTY-FIVE LARGEST MANAGERS OF AUSTRALIAN EQUITIES, 1993**

<i>Manager</i>	<i>Market value of Australian equities under management at 31 Dec 1993 (A\$million)</i>	<i>As proportion of market value of total listed Australian equities at 31 Dec 1993<sup>24</sup> (per cent)</i>
AMP Investments Australia Ltd (Ins)	13 161	4.37
Bankers Trust Australia Ltd (FC)	6 686	2.22
State Superannuation Investment and Mgt Corp (Pub)	6 243	2.07
National Mutual Funds Management (Ins)	5 334	1.77
County NatWest Australia Investment Mgt Ltd (FC)	4 275	1.42
Queensland Investment Corporation (Pub)	4 088	1.36
Lend Lease Corporate Services Ltd (FC)	3 819	1.27
Westpac Investment Management Pty Ltd (FC)	3 722	1.24
The Capital Group Inc (O/S)	3 000 *	1.00
CBA Financial Services (FC)	2 734	0.91
Colonial Mutual Investment Management (Ins)	2 506	0.83
Rothschild Australia Asset Management Ltd (FC)	2 339	0.78
NRMA Investment Pty Ltd (Ins)	2 300	0.76
Mercantile Mutual Investment Management Ltd (Ins)	2 058	0.68
Prudential Portfolio Mangers Australia Ltd (Ins)	1 799	0.60
Commonwealth Funds Management Ltd (Pub)	1 704 **	0.57
GIO Investment Services Ltd (Ins)	1 606	0.53
Potter Warburg Asset Management Ltd (FC)	1 354	0.45
Fidelity Investments (O/S)	1 350 ***	0.45
Maple-Brown Abbott Ltd (Indep)	1 259	0.42
Suncorp Insurance Investments (Ins)	1 140	0.38
Zurich Australia Insurance Group (Ins)	1 096	0.36
JP Morgan Investment Management Australia Ltd (FC)	1 095	0.36
National Australia Financial Management (FC)	1 070	0.36
Perpetual Funds Management (FC)	1 030	0.34

*Sources:* Information supplied to the author by I Matheson, Executive Director, Australian Investment Managers' Association; and by PM Pinnock, Corporate Relations Officer (Sydney), Australian Stock Exchange; other sources listed in Appendix C; author's calculations of market shares. (Abbreviations: see Appendix A; \* at 31 October 1993; \*\* at 30 June 1993; \*\*\* at 31 August 1994.)

24 Value of total listed Australian equities at end-1993 was \$301 235 million: information provided to the author by PM Pinnock, Corporate Relations Officer (Sydney), Australian Stock Exchange.

### III. BACKGROUND TO THE UK AND AUSTRALIAN STUDIES

Tables 1-4 reproduce information already in the public domain. They show the proportion of the UK and Australian equity markets which is held by (a) institutions collectively; and (b) the largest individual institutions. There is, however, a lack of publicly available information as to the proportion of the issued ordinary share capital of individual listed companies which is controlled by the largest few fund managers with stakes in those companies. 'Control' of a share was defined in the previous section as resting with the party which has the power to control the exercise of the right to vote attached to the share. It was also noted in Section II that fund managers in the UK and Australia tend to have the power to control the voting right attached to their clients' equity investments. One way of determining the identity of the persons/bodies having control over the largest few chunks of the equity of a particular company is (a) in the case of a UK company, to ascertain the identity of the persons/bodies having the largest few 'interests' in its issued ordinary share capital; and (b) in the case of an Australian company, to ascertain the identity of the persons/bodies having the largest few 'entitlements' to its issued ordinary share capital. The *Companies Act* 1985 (UK), s 208(4) deems a person to have an interest in shares if, "not being the registered holder, [the person] is entitled to exercise any right conferred by the holding of the shares or is entitled to control the exercise of any such right".<sup>25</sup> Fund managers to whom the voting right has been delegated clearly have an interest in the relevant shares. The *Corporations Law*, s 609 states that the shares to which a person is "entitled" include shares in which the person, certain of the person's associates, and certain others, have a "relevant interest". "Relevant interest" is defined in the *Corporations Law*, Part 1.2, Div 5. Section 31 states that a person who has power to vote or dispose of a share has a relevant interest in the share.<sup>26</sup>

It was the aim of the UK and Australian Studies detailed in Sections IV and V to discover the size of the interest of the largest few 'interest-holders' in a sample of listed UK companies, and the size of the entitlement of the largest few 'entitlement-holders' in a sample of listed Australian companies.<sup>27</sup> Obtaining data on the largest few interest-holders/entitlement-holders in individual companies is important because, as mentioned earlier, the success of a major institutional intervention at the individual-firm level usually depends upon: (a) the institution(s) concerned controlling 20-30 per cent of the equity; and (b) the number of participating institutions being four or less.<sup>28</sup> The participating institutions are not

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25 See also s 208(2) which states that "[a] reference to an interest in shares is to be read as including an interest of any kind whatsoever in the shares".

26 Section 30(2) states that "[p]ower to vote in respect of a share is power to exercise, or to control the exercise of, the right to vote attached to the share".

27 Unfortunately, this objective was not achieved in the case of the Australian Study - see Section V.

28 A separate study by the author involved an investigation of a series of institutional interventions to remove unacceptable UK company managements which occurred during 1990-93. The institutional coalitions involved in these incidents had memberships ranging in number from two to six institutions. Six was exceptional - most coalitions comprised either two, three, or four members. The coalitions represented between roughly 20 per cent to roughly 40 per cent of the issued ordinary share capital of the companies concerned. Interestingly, in one company one of the impugned directors had a 23 per cent stake, and in

always the institutions with the largest three or four stakes in the company because each institution has a range of options only one of which is to join an institutional group pushing for management changes.<sup>29</sup> Given that, for example, the second- and fourth-largest institutions may decide to sell their shares, it is desirable to have a picture of at least the six largest institutional interest-holders/entitlement-holders.

The information in Tables 3 and 4 might be thought useful not only for the market-wide information which they contain, but also as a means of ascertaining firm-level information. If an institution *indexes* all or nearly all of its domestic equity portfolios, knowledge of the fact that its total domestic equities under management are worth  $x$  per cent of the value of the local equity market means that it can be assumed to control roughly  $x$  per cent of the issued ordinary share capital in ABC company. There is an immediate problem, however: active stock selection rather than passive index-matching is the primary management method used by the vast majority of UK-based and Australia-based fund managers.<sup>30</sup> It is thus impossible to derive estimates of the interests/entitlements of most institutions in any one company simply from total 'market' data. The researcher requires company-specific information.

Obtaining a list of each (sample) company's largest 10 or 20 *registered* shareholders might at first glance be considered worthwhile. It is reasonably easy (though not necessarily inexpensive) to obtain a list of the 20 largest registered shareholders of listed UK companies.<sup>31</sup> In the case of listed Australian companies, a list of the top 20 registered shareholders is required to be disclosed annually.<sup>32</sup> Unfortunately, however, such information is not very helpful for current purposes. This is because a large proportion of domestic equities under the management of UK and Australian fund managers is registered in the names of nominee companies.<sup>33</sup> It is true that a list of the 20 largest registered shareholdings would normally give some indication of the insurance companies with large interests/entitlements in the issued share capital - because the equities purchased by insurance companies with their policyholders' funds are normally registered in the insurers' own names. Even so, there would be an understatement of the actual

another case an impugned director controlled 16 per cent of the equity. The institutional coalition was nevertheless successful in each case. See GP Stapledon, note 1 *supra*, ch 5.

29 See GP Stapledon, *ibid*, chs 5, 10.

30 A survey in 1992 of 679 UK pension schemes, the majority of which were directly invested, found that only 15 per cent of schemes had at least some of their assets managed passively - ie indexed, formally or informally: National Association of Pension Funds, *Annual Survey of Occupational Pension Schemes*, 1992, Table 119. Note, however, that many supposed 'active' fund managers are actually little different from indexers: N Cohen, "Tracking the Behaviour of Stock Pickers" *Financial Times* (London), 6 December 1993, p 16.

31 Firms such as ICC Information Group Ltd (located in Cardiff, near Companies House) can provide almost instantly a fairly recent list of, for example, each registered holder of 0.25 per cent or more of the issued ordinary share capital.

32 It must be disclosed in the annual report or in a statement lodged with the Australian Stock Exchange ('ASX') at the time of lodgement of the annual report: ASX, Official Listing Rules ('ASX Listing Rules'), LR 3C(3)(e)(v). There have been a number of studies of the 20 largest registered shareholders of listed Australian companies: see IM Ramsay, M Blair, note 1 *supra* at 165-6 (and the studies cited therein).

33 Around one-third of all listed UK ordinary shares were held through nominees at 1992: Central Statistical Office, HMSO No 466, *Economic Trends*, 1992 at 91.

interest/entitlement of any insurer that also managed significant amounts of external funds,<sup>34</sup> because shares purchased for external segregated clients would not be registered in the particular insurer's name (they would be registered either in the names of nominee companies or in the clients' names). But it is when consideration is given to fund managers who manage predominantly external funds that lists of the largest registered shareholders really lose much of their usefulness. This is because, typically, both UK and Australian fund-management firms register the equity holdings of each external segregated client in the name of a nominee company. Australian fund-management firms tend to use a small number of *independent* custodian companies - owned by major banks and trustee companies - to hold the equity investments of their external clients. These independent custodians tend to register the equity investments of their many clients in just one name and then use *internal* registers to record the number of shares held for each different client (known as a 'pooled nominee system'). This clearly nullifies the use of registered shareholdings for the present purpose. The UK situation is a little different. The major UK fund-management firms mostly use in-house nominee companies for custodian purposes. Further, most UK custodians (whether operated by a fund-management firm or independent) use a 'designated nominee system' under which each client's holding is registered in a unique name<sup>35</sup> (some even have a separate nominee company for each client).<sup>36</sup> However, even this system renders lists of registered shareholdings of little use for the present purpose. The reason is that all or most of the registered holdings in ABC plc which are managed by fund manager X might be outside of the top 20 registered shareholdings in ABC plc, but the aggregate holding may give fund manager X a significant stake in the company. The major shortcoming of a list of largest registered shareholdings is thus clear: it cannot normally provide a reliable picture

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34 For instance, assets of external UK pension funds managed as segregated portfolios accounted for 20 per cent of the total funds under management of Prudential Portfolio Managers Ltd ('PPM'), at the end of 1991: Hymans Robertson, *Pension Fund Investment Manager Survey: Manager Analysis*, 1992. PPM is the fund-management arm of the UK's largest insurance company, Prudential Corporation plc.

35 For example, at September 1993, Phillips & Drew Fund Management Ltd (a large London-based fund-management firm) had a stake in a UK company which was actually 12 separate registered holdings. Three of those 12 holdings were registered in the names Phildrew Nominees Limited a/c CC, Phildrew Nominees Limited a/c RRP, and Phildrew Nominees Limited a/c GAL - for its clients, the trustees of Central Regional Council Superannuation Fund, Rolls Royce Pension Fund, and Gallaher Pension Fund, respectively. Information gleaned by the author from a company's 'section 212 register' (see *Companies Act* 1985 (UK), ss 212-19).

36 Admittedly, some fund managers, including the giant Mercury Asset Management plc in the UK and Bankers Trust Australia Ltd in Australia, register the vast bulk of the equity holdings of their external segregated clients in the name of just one *internal* nominee company (as opposed to a nominee company operated by an independent custodian) without the use of numeric, alphabetic, or alphanumeric designations for separate accounts. (Such fund managers are, however, required by regulations to maintain internal records showing how much of each holding is held for each client.) The registered holding of that nominee company (which can be identified as owned by the custodian division of the fund-management firm) thus gives a reasonable guide as to the size of that fund manager's interest/entitlement in the company's shares. There may, however, still be substantial extra holdings which clients have required to be registered in another name.

of the bodies which *control* the largest few chunks of a company's issued ordinary share capital.<sup>37</sup>

Research conducted by the sociologist, John Scott, assisted the present author in determining how to uncover the largest institutional interest-holders in each of a number of UK companies.<sup>38</sup> Scott had a team of researchers analyse the share registers of 140 companies at Companies House in Cardiff. All registered shareholdings above a certain cut-off level were recorded so as to obtain a list of the 60-100 largest registered shareholders in each company. In some cases all holdings in specified family names were also recorded. From this large and time-consuming exercise, Scott was able to compile lists (for 1976) of what he described as the 20 largest 'vote-holders' in each company - which is similar to, but not exactly the same as, the 20 largest interest-holders.

The present author did not have sufficient resources to conduct a task similar to that of Scott. Fortunately, though, there was actually no need to do so. This is because, some years after Scott's research was carried out, a practice (which by 1993 had become very widespread) began whereby companies themselves regularly obtain information about the holdings of their largest interest-holders. This research is usually carried out by the company's stockbroker.<sup>39</sup> The broker gleans from the share register every registered holding above a threshold level (which in some cases is as low as 10 000 shares, but is usually either 20 000, 25 000 or 30 000 shares).<sup>40</sup> Both commercially published registers, showing the beneficial shareholders and controlling fund managers behind nominee companies, and other databases are then employed to sort the collected registered holdings into 'interest' groupings.<sup>41</sup> What was required of the author was, therefore, to construct a suitable sample of UK companies and then to obtain from the sample companies this (highly confidential) information about their largest interest-holders.

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37 The difficulties for the researcher associated with the fact that, in many companies, several of the largest registered shareholders are nominee companies, were recognised by IM Ramsay, M Blair, note 1 *supra* at 169, 185. The Australian studies of registered shareholders have nevertheless provided useful information as to the increasing level of institutional shareholding at the level of the market.

38 J Scott, *Capitalist Property and Financial Power*, Wheatsheaf Books (1986) pp 39-45, 94-107.

39 There are also at least two independent firms providing this service.

40 It is common for registered holdings of 10 000 shares and above (in the case of medium-sized and small listed companies) and of 30 000 shares and above (in the case of large listed companies) to account for over 90 per cent of the issued ordinary capital.

41 In some instances, the companies themselves supplement and/or confirm this information by regularly serving notices under *Companies Act* 1985 (UK), s 212 upon their largest nominee shareholders. Section 212 empowers a UK public company to require a person whom the company knows or reasonably believes to have, or to have had, an interest in its shares to provide details about that interest.

## IV. THE UK STUDY

### A. Prior Studies

The UK Study was by no means the first piece of research into the shareholding structure of listed UK companies. As mentioned earlier, Scott carried out some fairly similar research for the year 1976.<sup>42</sup> Sargant Florence conducted large-scale studies as at 1936 and 1951,<sup>43</sup> and Leech and Leahy carried out a study involving 470 companies for 1983-85.<sup>44</sup> Smaller studies were conducted by Cosh and Hughes for 1981<sup>45</sup> and by Farrar for 1984.<sup>46</sup> None of those studies is, unfortunately, directly comparable with this UK Study.

Florence looked merely at the largest registered shareholdings and did not seek to identify the beneficial holders behind, or the bodies controlling the votes attached to, nominee holdings. As Scott states:

His assumption was that nominees tended to hold for large numbers of individuals and, therefore, did not constitute cohesive voting blocks ... This assumption may well have been correct for 1936 [but later research showed] that many nominees in the post-war period have been custodians for substantial shareholders, and it must be recognised that Florence's analysis of the 1951 data may be considerably flawed by his focus on registered holdings.<sup>47</sup>

Florence's studies were also confined to industrial companies; financial companies were excluded from his samples. Scott confined his detailed analysis of the 20 largest 'vote-holders' to those 140 companies out of the 250 in his study, which were unable to be classified on annual-report data as under some form of majority or minority control.<sup>48</sup> Further, Scott published lists of top 20 'vote-holders' for only 100 companies,<sup>49</sup> leaving 150 companies for which there is no such data.<sup>50</sup> This means that there are, in Scott's published lists, no companies like J Sainsbury, Whitbread, and Pilkington Brothers - essentially, no companies which had a family or other shareholder with a 10 per cent or greater stake.<sup>51</sup> The

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42 Note 38 *supra* and accompanying text.

43 P Sargant Florence, *Ownership, Control and Success of Large Companies*, Sweet and Maxwell (1961).

44 D Leech, J Leahy, "Ownership Structure, Control Type Classifications and the Performance of Large British Companies" (1991) 101 *Economic Journal* 1418.

45 AD Cosh, A Hughes, "The Anatomy of Corporate Control: Directors, Shareholders and Executive Remuneration in Giant US and UK Corporations" (1987) 11 *Cambridge Journal of Economics* 285.

46 JH Farrar, "Ownership and Control of Listed Public Companies: Revising or Rejecting the Concept of Control" in BG Pettet (ed), *Company Law in Change* (1987) 39 at 48-51.

47 Note 38 *supra*, p 37.

48 *Ibid*, pp 39-40.

49 These are in J Scott, *The Controlling Constellations: A Directory of 100 Large Companies*, University of Leicester (1984).

50 Admittedly, 59 of those 150 companies were either government-owned corporations, mutuals, or wholly owned companies. However, that still leaves 91 companies, the vast majority of which were listed companies, for which there is no relevant published data.

51 This is not a criticism of Scott's work; it is merely an explanation of why a detailed comparison is not possible. As Scott's central aim was the identification of different modes of control rather than a detailed study of institutional shareholding, there was no need for him to engage in a study of the top 20 'vote-holders' of those companies which could by other means be classified as under majority or minority control.

other studies mentioned do not provide sufficient relevant data for any sort of comparison.<sup>52</sup>

## B. Sample and Methodology

The sampling frame for the UK Study comprised the 695 companies which made up the FT-A All Share index (excluding investment trusts) at September 1993. A sample of 69 companies (roughly 10 per cent of the mentioned index) was selected in such a way that small, medium-sized, and large companies were represented in proportion to the number of such companies in the index.<sup>53</sup> That is, a stratified-sampling procedure was used so as to produce a sample with 10 large companies, 25 medium-sized companies, and 34 small companies.<sup>54</sup> Letters were sent to the sample companies asking them to provide a list of the bodies/persons having the 10 largest 'interests'<sup>55</sup> in their issued ordinary share capital<sup>56</sup> and the size (expressed as a percentage figure) of those interests.<sup>57</sup> The sample companies

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- 52 But *cf* note 45 *supra* at 300-1 (and Table 12): in a sample of 27 large listed industrial companies (all top 100) in 1981, the median company had seven shareholdings of 1 per cent or more held by institutions, amounting to 10.9 per cent of the issued ordinary share capital.
- 53 The selection process was as follows: The 695 index companies were ranked in descending order by their market capitalisation as at the end of trading on 10 September 1993. A random number between one and ten was chosen, and the first company selected was the one which had the corresponding rank in the list. The next 68 companies were chosen by marking every tenth company on the list. The sampling procedure was, therefore, systematic rather than random. The sample drawn was nevertheless equivalent to a random sample because there was no periodicity in the list. An undertaking of confidentiality given to all companies approached precludes the identification of those that made up the sample. It is for this reason that the exact numbering sequence used for the sample cannot be disclosed (as the sample companies could be identified from that information).
- 54 These companies were representative of the largest 100, the middle 250, and the smallest 345 companies in the FT-A All Share index (excluding investment trusts) as at 10 September 1993. They were not exactly representative of the three component indices of the FT-A All Share index (ie the FT-SE 100, the FT-SE Mid 250, and the FT-SE SmallCap indices) at that date, because the membership of those indices was set at the end of June 1993 and over the ensuing two and one-half months some FT-SE Mid 250 companies had become larger than some FT-SE 100 companies, whilst some FT-SE SmallCap companies had become larger than some FT-SE Mid 250 companies. The indices are revised quarterly to take account of such changes.
- 55 Refer note 25 *supra* and accompanying text.
- 56 All but one of the sample companies had just one class of ordinary shares, with each ordinary share carrying the right to one vote on a poll. One sample company had two classes of ordinary shares with differential voting rights. This company provided details of the 10 largest 'vote-holders', when holdings of both 'A' and 'B' shares were taken into consideration. This information was used in the study because, even though it did not give an accurate picture of the 10 largest interest-holders in either class of the issued ordinary capital, it actually represented precisely the information with which the UK Study was concerned.
- 57 Forty-seven responses were received as a result of the initial 69 letters sent out. Of those, 18 either stated that the company would not participate in the study or provided irrelevant or insufficient information. This left 29 usable responses. Those companies that had supplied irrelevant information (which was invariably a list of the 10 largest registered shareholders with the beneficial owners identified) or insufficient information (which was a list of something less than 10 of the largest interest-holders) were followed up, which resulted in six extra usable replies. Additional letters were then sent out to the two companies below and the two companies above the 34 remaining non-respondents/non-participants, as they appeared on the list of 695 companies in the sampling frame. From here on, where more than one usable reply was received in respect of a particular 'region' on the list, the first response received was used and the other response(s) was disregarded. The required information for a handful of the very small sample companies (namely, those which had at least 10 interest-holders with notifiable interests of 3 per cent or more) was obtained from Extel

ranged from the very small (the smallest was capitalised at mid-September 1993 at under £20 million) through to enormously large (the largest was capitalised at an amount above £12 000 million and below £15 000 million at the date of the study).<sup>58</sup>

### C. Results

Table 5 provides information about the entire sample of companies together with comparable information for the 10 large companies, the 25 medium-sized companies, and the 34 small companies within the sample. It gives an impression of the prominence, amongst the bodies and persons having the 10 largest interests in companies' issued ordinary share capital, of institutional investors vis-à-vis non-institutional investors.

One-tailed t-tests were performed on the various pairs of sample means in Table 5. The t-statistics reveal that:

- (a) in regard to the collective holding of the top 10 interest-holders, at a 1 per cent level: (i) the small-companies sample mean is significantly greater than the medium-sized companies sample mean; (ii) the small-companies sample mean is significantly greater than the large-companies sample mean; and (iii) the medium-sized companies sample mean is significantly greater than the large-companies sample mean;
- (b) in regard to the number of institutions amongst the top 10 interest-holders, at a 1 per cent level: (i) the small-companies sample mean is significantly less than the medium-sized companies sample mean; and (ii) the small-companies sample mean is significantly less than the large-companies sample mean; but (iii) the difference between the medium-sized companies sample mean and the large-companies sample mean is not significant; and
- (c) in regard to the collective holding of the 'top' institutions, at a 1 per cent level: (i) the difference between the small-companies sample mean and the medium-sized companies sample mean is not significant; (ii) the small-companies sample mean is significantly greater than the large-companies

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cards and the *Hambro Company Guide* (November Quarter, 1993). With some further follow-up work, the full sample of 69 companies was then achieved.

The reasons given by companies which declined to participate were, in order of frequency: (i) that the information was confidential to the company; (ii) that the company did not wish to disclose such information without the shareholders' consent; and (iii) that the company does not respond to any such research surveys. There would not appear to have been any scope for non-response bias related to the subject of the study. Recall, however, that there were also some companies which responded with irrelevant or insufficient information. Some of those that provided simply a list of their 10 largest registered shareholders indicated that, due to the presence on the share register of a substantial controlling shareholder, they did not bother to engage their broker or a research firm to conduct an analysis of the interests held by institutions and other 'external' shareholders. This initially gave rise to a fear of bias in the sense that companies with a large family shareholding (or some other sort of controlling shareholder) might be under-represented because they did not have the information at their disposal to be able to provide a satisfactory response. Thankfully, this anxiety was deemed groundless after an examination was made of all of the usable responses and the 'irrelevant/insufficient information' unusable responses which revealed that there was in each group a similar proportion of 'controlled companies' to 'widely held companies'.

58 The exact capitalisations are not given for the parameter companies in the UK Study for the reason set out in note 53 *supra*.



sample mean; and (iii) the medium-sized companies sample mean is significantly greater than the large-companies sample mean.

**TABLE 5: THE RELATIVE POSITION OF INSTITUTIONS AMONGST COMPANIES' 10 LARGEST INTEREST-HOLDERS**

<i>Category of company</i>	<i>Average (mean) collective holding of top 10 interest-holders (per cent of issued ordinary shares)</i>	<i>Average (mean) number of institutions amongst top 10 interest-holders</i>	<i>Average (mean) collective holding of 'top' institutions<sup>59</sup> (per cent of issued ordinary shares)</i>
Large	27.47 ( <i>sd</i> 4.36)	9.70 ( <i>sd</i> 0.60)	26.22 ( <i>sd</i> 4.90)
Medium-sized	44.92 ( <i>sd</i> 14.23)	9.20 ( <i>sd</i> 2.02)	38.49 ( <i>sd</i> 7.47)
Small	59.10 ( <i>sd</i> 12.26)	7.90 ( <i>sd</i> 2.01)	40.63 ( <i>sd</i> 14.17)
All	49.38 ( <i>sd</i> 16.54)	8.64 ( <i>sd</i> 2.01)	37.76 ( <i>sd</i> 12.15)

*Source:* Author's calculations from information provided by the sample companies. ('*sd*': standard deviation.)

Further to Table 5, only one of the 69 companies surveyed did not have at least one institution amongst its 10 largest interest-holders. An institution was the largest interest-holder in nine (90 per cent) of the large companies, in 21 (84 per cent) of the medium-sized companies, in 22 (65 per cent) of the small companies, and in 52 (75 per cent) of all the sample companies.

Table 6 gives a more detailed view of the potential voting strength of the largest few institutional interest-holders in large, medium-sized, and small listed UK companies. It provides what may be termed the 'institutional-shareholder profile' of large, medium-sized, and small listed UK companies. This is, as mentioned earlier, of importance in relation to assessing the likelihood that a small group of institutions in any given company could, if necessary, seriously challenge the management of that company.

One-tailed t-tests were performed on the various pairs of sample means in Table 6. The t-statistics reveal that:

- (a) for the top one, top two, top three, top four, top five, and top six institutions amongst the 10 largest interest-holders, at a 1 per cent level: (i) the small-companies sample mean is significantly greater than the large-companies sample mean; and (ii) the medium-sized companies sample mean is significantly greater than the large-companies sample mean;

<sup>59</sup> For the purpose of the last column, the 'top' institutions for a sample company means the institutions which were amongst the 10 largest interest-holders of that company.

- (b) for the top one, top two, top three, and top four institutions amongst the 10 largest interest-holders, at a 1 per cent level:<sup>60</sup> the difference between the small-companies sample mean and the medium-sized companies sample mean is not significant;
- (c) for the top five and top six institutions amongst the 10 largest interest-holders, at a 1 per cent level: the small-companies sample mean is significantly greater than the medium-sized companies sample mean.

**TABLE 6: PROFILE OF COMPANIES' LARGEST INSTITUTIONAL INTEREST-HOLDERS**

Category of Company	Average (mean) collective holding of the largest <i>n</i> institutions amongst the 10 largest interest-holders (per cent of issued ordinary share capital)					
	ONE	TWO	THREE	FOUR	FIVE	SIX
Large	5.55 ( <i>sd</i> 2.13)	9.19 ( <i>sd</i> 2.51)	12.07 ( <i>sd</i> 2.79)	14.73 ( <i>sd</i> 3.00)	17.06 ( <i>sd</i> 3.29)	19.25 ( <i>sd</i> 3.67)
Medium-sized	9.67 ( <i>sd</i> 4.31)	15.45 ( <i>sd</i> 5.19)	20.09 ( <i>sd</i> 5.99)	23.82 ( <i>sd</i> 6.07)	27.16 ( <i>sd</i> 6.20)	29.99 ( <i>sd</i> 6.41)
Small	10.73 ( <i>sd</i> 3.85)	17.54 ( <i>sd</i> 5.82)	22.95 ( <i>sd</i> 7.22)	27.84 ( <i>sd</i> 8.17)	32.30 ( <i>sd</i> 8.97)	36.44 ( <i>sd</i> 9.18)
All	9.59 ( <i>sd</i> 4.21)	15.58 ( <i>sd</i> 5.94)	20.34 ( <i>sd</i> 7.30)	24.08 ( <i>sd</i> 8.23)	28.19 ( <i>sd</i> 9.04)	31.33 ( <i>sd</i> 9.63)

Source: Author's calculations from information provided by the sample companies. ('*sd*': standard deviation.)

If reference is made to Table 6, it can be seen that, even if the top three or four institutions are assumed to compose the institutional coalition,<sup>61</sup> as at 1993, it was only in small and (to a lesser extent) medium-sized UK companies that an ideal coalition could have been formed. This may partly explain why, out of a couple of dozen institutional interventions which were reported in the UK financial press during 1990-93, only one involved a Top 100 company.<sup>62</sup> Tables 5 and 6 nevertheless present a very different picture of the shareholding structure of publicly listed companies to that which prevailed only a few decades ago. The well-known thesis of Berle and Means<sup>63</sup> was formulated in the US in the late 1920s when a mass of diffuse small holdings characterised the shareholding

60 At a 2½ per cent level, however, the small companies sample mean is significantly greater than the medium-sized companies sample mean for the top four institutions amongst the 10 largest interest-holders.

61 The qualification to this assumption is that sometimes one (or more) of the top three-four institutions refuses to join the coalition.

62 An institutional intervention at BET plc in 1991 is cited in P Weever, T Amooore, "Corporate Assassins" *The Sunday Telegraph* (London), 17 October 1993, City & Business section, p 5. BET plc was an FT-SE 100 constituent at that time. It should also be borne in mind that the Top 100 companies represented less than 5 per cent by number of all quoted UK companies as at the end of 1993.

63 AA Berle, GC Means, *The Modern Corporation and Private Property*, Harcourt Brace & World (4th ed, 1968) p 82: "Where ownership is sufficiently sub-divided, the management can ... become a self-perpetuating body even though its share in the ownership is negligible."

structure of those numerous quoted public companies (a) which lacked a significant 'founding family' or corporate shareholding; and (b) in which senior management and their associates had a negligible stake. Tables 5 and 6 show that that shareholding structure clearly did not prevail in most such listed UK companies in 1993.<sup>64</sup>

## V. THE AUSTRALIAN STUDY

The author attempted to conduct a study in Australia equivalent to the UK Study. Letters were sent to a sample of All Ordinaries Index companies asking them to provide a list of the bodies/persons having the 10 largest 'entitlements'<sup>65</sup> to their issued ordinary share capital and the percentage size of those entitlements. The responses from the sample companies revealed, however, that such information could not be obtained in this manner; in contrast to the UK, almost no listed Australian companies engage their stockbrokers to analyse their share registers and extract this kind of information. In fact, it would appear that only a minority of listed Australian companies uses the statutory power to obtain information about the holders of relevant interests in their shares.<sup>66</sup> Most of the sample companies simply supplied a list of their disclosed "substantial shareholders"<sup>67</sup> and a list of their 20 largest registered shareholders. In order to identify the bodies/persons having the 10 largest 'entitlements', it would be necessary to (a) conduct a study like that conducted by Scott in the UK,<sup>68</sup> and (b) supplement the information derived thereby with information obtained by companies under the statutory power to obtain information about the holders of relevant interests in their shares.<sup>69</sup>

64 However, even though the structural background to the Berle and Means thesis did not exist in Britain in 1993, it does not necessarily follow that the thesis itself (self-perpetuating management, lack of control by shareholders, etc) was thereby null as well. This is because a highly dispersed shareholder body is not a precondition to the thesis. If a substantial part of the shareholder body of a listed UK company were a small group of institutions, it would still be perfectly possible for the management to be self-perpetuating, and for there to be negligible shareholder influence, if those institutional shareholders were very passive and aloof. Nevertheless, BS Black, JC Coffee, note 2 *supra*, and GP Stapledon, note 1 *supra*, demonstrate that the Berle and Means thesis itself would not have described accurately the state of governance in most quoted British companies in the early 1990s.

65 Refer note 26 *supra* and accompanying text.

66 See *Corporations Law*, Part 6.8; *Corporations Regulations*, Sch 2, forms 607-10.

67 Under *Corporations Law*, s 708, a substantial shareholder is one who is "entitled" to not less than 5 per cent of any class of a company's voting shares. On the meaning of "entitlement", see note 26 *supra* and accompanying text. A substantial shareholder is required to notify the company and the ASX of its interests and certain changes therein: ss 709-13; the company is required to list its substantial shareholders in its annual report: ASX Listing Rules, LR 3C(3)(e)(i).

68 See note 38 *supra* and accompanying text.

69 See *Corporations Law*, Part 6.8; *Corporations Regulations*, Sch 2, forms 607-10. This second step would be necessary because of two practices. First, Australian fund-management firms and their external clients tend to use a small number of *independent* custodian companies - owned by major banks and trustee companies - to hold their equity investments. (In contrast, the major UK fund-management firms and their external clients mostly use in-house nominee companies for custodian purposes.) Secondly, these independent custodians tend to register the equity investments of their many clients in just one name and then use internal registers to record the number of shares held for each different client (known as a 'pooled

Tables 7 and 8 present the results of a study ('the Australian Study') which involved an examination by the author of "substantial shareholder" information<sup>70</sup> for 234 of the 276 companies which composed the All Ordinaries Index at 31 August 1993.<sup>71</sup> All "substantial shareholders" which were bank-nominee or custodian or trustee companies were ignored.<sup>72</sup>

Of the 234 companies surveyed, 224 had at least one "substantial shareholder" other than a nominee/custodian/trustee company. An institution was the largest or only "substantial shareholder" in 57 cases (25.4 per cent of the 224). Table 7 gives a break down of those cases.

Table 8 shows that institutional stakes in the range of 5-14 per cent were not uncommon at the time of the Australian Study.<sup>73</sup> There were, in fact, 60 institutional substantial shareholdings of 10 per cent or greater in the companies included in the Australian Study. In 32 of those cases, however, there was a non-institutional "substantial shareholder" with a stake larger than the double-digit institutional holding. Furthermore, in 23 of those cases, the non-institutional substantial shareholding was 30 per cent or more of the issued ordinary share capital. Where there is one non-institutional shareholder with a stake of 30 per cent or greater, the chances of a successful institutional intervention to change

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nominee system'). (In contrast, most UK custodians use a 'designated nominee system' under which each client's holding is registered in a unique name.) Where, as in Australia, a 'pooled nominee system' rather than a 'designated nominee system' is in widespread use, recourse to a register of nominee companies and the fund managers and beneficial owners 'behind' them clearly would not assist in the identification of the fund managers which control the largest few stakes in particular companies. The second step - use of information obtained by companies under Part 6.8 of the *Corporations Law* - would, however, assist in this respect. Companies are required to keep a register of the information received under Part 6.8, and members of the public are entitled to inspect and obtain a copy of these registers: *Corporations Law*, s 724. The practical problem for the researcher is, of course, that companies are under no obligation to obtain this information about persons having relevant interests in their shares.

70 See note 67 *supra*.

71 Forty-two of the 276 All Ordinaries Index constituents were excluded from the Australian Study; these were 10 overseas-based companies and 32 entities which were property trusts or companies involved merely in equity investment. The All Ordinaries Index generally consists of the largest companies (measured by market capitalisation) listed on the ASX, the monthly trading in whose shares meets a minimum turnover threshold. The 234 companies which were included in the Australian Study were thus approximately the 234 largest Australia-based *operational* companies listed on the ASX at 31 August 1993.

72 Custodian nominee companies may (under their contractual agreements with clients or otherwise under equitable principles) exercise voting rights or dispose of shares only on the explicit instructions of their clients, and they are therefore irrelevant for present purposes. However, under *Corporations Law*, s 12(1), a nominee company's clients who have power to vote or sell, or to direct the nominee company how to vote or sell, the shares which the nominee company holds for them are "associates" of the nominee company. And, unless a nominee company has obtained a certificate from the Australian Securities Commission ('ASC') under *Corporations Law*, s 609(3), declaring it to be an "approved nominee body corporate", it is deemed by s 609(1)(b) to be entitled to all of the shares in which its associates have relevant interests. Although several of Australia's large nominee companies have obtained a certificate under s 609(3), some have not applied for one due to the harshness of the conditions imposed by the ASC (see J Steven, B Oude-Vrielink, *Australian Corporations Law: Principles and Practice*, Butterworths (1995) at [6.2.0030]), and the latter therefore appear commonly as "substantial shareholders".

73 The institutions listed in Table 8 are those which had substantial shareholdings in at least three of the sample companies. Note that several of the holdings of above 14 per cent were 'corporate' holdings as opposed to portfolio investments (and most of these were holdings of insurance companies in other financial companies).

management are very slight indeed.<sup>74</sup> In the light of this, consideration was given also to all 167 companies in the Australian Study in which a non-institution was the largest or only “substantial shareholder”. It was found that in 98 companies the largest non-institutional holder had a stake of at least 30 per cent, and in a further 26 companies the largest non-institutional holder had a stake of between 20-30 per cent. Therefore, in 98 (41.9 per cent) of the 234 sample companies, the largest stakeholder was a non-institution with a stake of 30 per cent or more; and in a further 26 (11.1 per cent) of the sample companies, the largest stakeholder was a non-institution with a stake of between 20-30 per cent. These large non-institutional ‘controlling’ shareholdings were mainly shareholdings of founding families, entrepreneurs, overseas companies, and other listed Australian companies. A large proportion (between 40-50 per cent) of the Australian quoted company sector was thus either effectively immune from, or in most circumstances actually immune from serious institutional intervention, and indeed from hostile takeover, at the time of the Australian Study.<sup>75</sup>

How does this compare with the UK? An institution was the largest interest-holder in 52 (75.4 per cent) of the 69 UK companies in the UK Study; as shown above, the equivalent figure in Australia was only about 25 per cent. In just six (8.7 per cent) of the 69 sample companies, the largest stakeholder was a non-institution with a stake of 30 per cent or more; and in a further five (7.2 per cent) of the UK sample companies, the largest stakeholder was a non-institution with a stake of between 20-30 per cent. Thus, whilst roughly 40-50 per cent of the Australian quoted corporate sector was unsusceptible (or in most circumstances unsusceptible) to institutional intervention or hostile takeover, only about 8-16 per cent of the UK quoted company sector was thus immune. This represents an important difference between the systems of corporate governance in the quoted corporate sectors of Australia and the UK. For all but a small proportion of quoted

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74 Consider the case of Darrell James Ltd. Four institutions and one large private investor, which collectively accounted for 30 per cent of the equity, requisitioned an extraordinary general meeting (‘EGM’) at which it was proposed to make changes to the board. At the time of the requisition, the chairman and his family controlled 33 per cent of the equity. However, prior to the EGM, the chairman’s family company bought a further 3 per cent of the shares in the market (taking their stake to 36 per cent), and a private investor loyal to the chairman purchased 1 per cent to take its holding to 6.75 per cent. Prior to the EGM, the chairman also (a) organised a slate of five new non-executive directors to stand against the requisitionists’ nominees; and, significantly, (b) secured the support of an institutional shareholder holding 4 per cent of the equity. At the EGM, over 90 per cent of the equity was voted, with 54 per cent supporting the existing board and 38 per cent supporting the dissident institutions. The chairman’s five nominees were elected to the board, and the institutions’ resolutions were not passed. See I McIlwraith, “Shareholder Revolt Rocks Darrell James” *Australian Financial Review*, 9 August 1991, p 16; I McIlwraith, “Photo Finish for Darrell James” *Australian Financial Review*, 9 September 1991, p 64; R Owen, “Darrell James Coup Blocked” *Australian*, 14 September 1991, p 43; I McIlwraith, “Darrell James Board on Notice” *Australian Financial Review*, 16 September 1991, p 21.

75 It should also be borne in mind that several of the largest institutional stakes in All Ordinaries Index companies at the time of the Australian study were actually ‘corporate’ holdings rather than portfolio investments: see note 75 *supra*. Some of these holdings were 20-45 per cent of the issued capital. If these companies were included, the proportion of companies immune from institutional intervention and hostile takeover would be even greater.

UK companies, an 'outsider' system of corporate governance operates.<sup>76</sup> In contrast, only about half of the Australian quoted company sector is subject to an outsider system of corporate governance; the other half operates under a system which is a mixture of an insider and an outsider system of corporate governance.<sup>77</sup>

**TABLE 7: ALL ORDINARIES INDEX<sup>78</sup> COMPANIES IN WHICH AN INSTITUTION WAS THE LARGEST OR ONLY "SUBSTANTIAL SHAREHOLDER", 1993**

<i>Size band of largest institution's entitlement (per cent of issued ordinary share capital)</i>	<i>Number of companies</i>
5 ≤ x < 6	3
6 ≤ x < 7	5
7 ≤ x < 8	6
8 ≤ x < 9	5
9 ≤ x < 10	13
10 ≤ x < 12	6
12 ≤ x < 14	7
14 ≤ x < 16	6
16 ≤ x < 18	2
18 ≤ x < 20	1
29 ≤ x < 32	2
44 ≤ x < 45	1

Source: Author's analysis of information in ASX, *All Ordinaries Index Companies Handbook*, ASX (4th ed, 1993).

- 76 See JR Franks, CP Mayer, "Corporate Control: A Synthesis of the International Evidence" in JC Coffee, RJ Gilson, L Lowenstein, note 1 *supra*. Franks and Mayer note that the UK and US corporate sectors are characterised by a relatively large number of quoted companies, a liquid capital market where ownership and control rights are traded frequently, and few inter-corporate equity holdings. They term this an 'outsider' system of corporate ownership and governance. Franks and Mayer contrast the corporate sectors of Germany and Japan which are characterised by a relatively small number of quoted companies, an illiquid capital market where ownership and control rights are traded infrequently, and many inter-corporate shareholdings (termed an 'insider' system of corporate ownership and governance).
- 77 Farrar made a somewhat similar finding regarding the quoted corporate sector of New Zealand: JH Farrar, note 46 *supra* at 49-51, 59. Note that Farrar found that there was a dividing line in the New Zealand sector - between large listed companies (most of whose share registers were dominated by institutions) and small listed companies (which had little institutional presence on the share register but a fairly high level of directors' shareholdings). The present author's Australian Study found no such division between larger and smaller companies - both types were equally likely to have a non-institutional shareholder with a 20 per cent+ stake, or an institution as the largest or only "substantial shareholder". For recent New Zealand figures, see MA Fox, GR Walker, "Institutional Investment in New Zealand Publicly Listed Companies" (1994) 12 *Company and Securities Law Journal* 470; MA Fox, MR Roy, GR Walker, "Corporate Control of New Zealand Publicly Listed Companies, 1962 to 1993" (1995) 13 *Company and Securities Law Journal* 73.
- 78 Modified as described in note 71 *supra*.

**TABLE 8: INSTITUTIONS' STAKES IN ALL ORDINARIES INDEX<sup>79</sup> COMPANIES, 1993**

Institution	Number of All Ordinaries Index companies in which a "substantial shareholding" held, 1993 (with breakdown by size of entitlement)									
	5% ≤ x < 8%	8% ≤ x < 11%	11% ≤ x < 14%	14% ≤ x < 17%	17% ≤ x < 20%	20% ≤ x < 45%	Total			
AMP (Ins)	26	15	3	3	2	-	49			
NRMA (Ins)	9	6	7	1	2	-	25			
BT (FC)	8	7	1	2	-	-	18			
County (FC)	10	2	5	1	-	-	18			
NMFM (Ins)	8	6	1	-	-	2	17			
PPMA (Ins)	7	2	2	-	-	-	11			
SSIMC (Pub)	4	7	-	-	-	-	11			
Pott War (FC)	3	3	-	-	1	-	7			
Suncorp (Ins)	-	2	-	1	-	2	5			
CBA (FC)	2	-	-	1	1	1	5			
Lend Lse (Ins)	2	1	2	-	-	-	5			
JP Morg (FC)	3	2	-	-	-	-	5			
FAI (Ins)	1	1	1	1	-	-	4			
Indosuez (O/S)	-	1	2	-	-	-	3			
Rothschd (FC)	2	1	-	-	-	-	3			
Capital (O/S)	3	-	-	-	-	-	3			
Lyndall (Ins)	3	-	-	-	-	-	3			
QIC (Pub)	3	-	-	-	-	-	3			
Others	14	9	2	2	-	-	27			
<b>Total</b>	<b>108</b>	<b>65</b>	<b>26</b>	<b>12</b>	<b>6</b>	<b>5</b>	<b>222</b>			

Source: Author's analysis of information in ASX, *All Ordinaries Index Companies Handbook*, ASX (4th ed, 1993).  
(Abbreviations: see Appendix A.)

## VI. CONCLUSION

Whilst the proportion of the issued ordinary share capital controlled by the largest few institutions in an under-performing company is just one factor which determines the probability of a successful institutional intervention taking place at that company, it is an important factor. This article provides information on the proportion of the equity, in a sample of listed UK companies, which was controlled by the fund-management firms having the largest few stakes in the voting equity capital of those companies. The UK Study found that, as at 1993, it was only in small and (to a lesser extent) medium-sized listed UK companies that an effective coalition of institutions could have been formed if necessary. Whilst the Australian Study did not provide an 'institutional shareholder profile' like that provided by the UK Study, it actually revealed an equally interesting and important piece of information about the structure of share ownership in listed Australian companies: almost half of Australia's listed companies have a non-institutional shareholder which is in a position of effective or absolute control.



**APPENDIX A:  
ABBREVIATIONS USED IN TABLES 3, 4, AND 8**

‘FC’:	fund-management arm of financial conglomerate
‘Indep’:	independent fund manager
‘Ins’:	fund-management arm of insurance company
‘O/S’:	overseas-based institution
‘Pens’:	in-house investment manager of pension funds(s)
‘Pub’:	government-owned investment manager of public-sector superannuation funds and other public-sector funds
‘AMP’:	AMP Investments Australia Ltd
‘BT’:	Bankers Trust Australia Ltd
‘Capital’:	Capital Group Inc (USA)
‘CBA’:	CBA Financial Services
‘County’:	County NatWest Australia Investment Management Ltd
‘FAI’:	FAI Insurances Ltd
‘Indosuez’:	Banque Indosuez (France)
‘Lend Lse’:	Lend Lease Corporate Services Ltd
‘JP Morg’:	J P Morgan Investment Management Australia Ltd
‘NMFM’:	National Mutual Funds Management
‘NRMA’:	NRMA Investment Pty Ltd
‘Pott War’:	Potter Warburg Asset Management Ltd
‘PPMA’:	Prudential Portfolio Managers Australia Ltd
‘QIC’:	Queensland Investment Corporation
‘Rothschd’:	Rothschild Australia Asset Management Ltd
‘SSIMC’:	State Superannuation Investment & Management Corporation (NSW)
‘Suncorp’:	Suncorp Insurance Investments
‘Tyndall’:	Tyndall Australia Ltd

**APPENDIX B: SOURCES FOR TABLE 3**

In addition to the sources cited at the foot of Table 3, the following persons provided information which assisted in the compilation of Table 3. The author thanks them for their assistance.

AK Lyle, Allied Dunbar Asset Management plc, London  
 N Burgoyne, Fund Manager, AMP Asset Management plc, London  
 JW Martin, Head of Investments, BP Pension Fund, London  
 AMK Jourdir, Investment Manager, Britannic Assurance plc, Birmingham  
 MA Catell, Administration Manager, British Aerospace Pension Funds Investment Management Ltd, London

- J Rosser, Secretary and Pension Manager, British Airways Pensions, Hounslow, Middlesex
- FE Curtiss, Assistant Company Secretary, British Rail Pension Trustee Company Ltd, London
- R Johnson, Systems Co-ordinator, The Canada Life Assurance Company, Potters Bar, Hertfordshire
- ST Meldrum, Investment Director, Cannon Lincoln plc, London
- AP Watson, Marketing Statistician, Capital International Ltd, London
- P Foster, Commercial Union Asset Management Ltd, London
- J Franks, Investment Department, Co-operative Insurance Society Ltd, Manchester
- TJR Mitson, Secretary, Courtaulds Pensions Investment Trustees Ltd, London
- P Clarke, Deputy General Manager, The Daiwa Bank Ltd, London
- S Kelly, Unit Manager (Technical Enquiries), The Equitable Life Assurance Society, Aylesbury, Buckinghamshire
- P Smith, Managing Director, Equity & Law Investment Managers Ltd, London
- WB Matthews, Finance Director, ESN Pension Management Group Ltd, London
- I Seymour, Investment Accounts Controller, Friends' Provident Life Office, London
- IH Graubert, Senior Portfolio Manager, GRE Asset Management Ltd, London
- GK Allen, Investment Director, ICI Investment Management Ltd, London
- J Bean, Secretary to Managing Director, Kemper Investment Management Company Ltd, London
- A Begg, Chief Investment Officer, Kleinwort Benson Investment Management Ltd, London
- A Flook, Investment Marketing, Laurentian Fund Management Ltd, Barnwood, Gloucester
- RW Ammon, Senior Fund Manager, London and Manchester (Portfolio Management) Ltd, Exeter
- Lucas Pension Fund, Solihull, West Midlands
- GR Logan, Head of Investments, MGM Assurance, London
- J Scott, Marketing Analyst, Morgan Stanley International, London
- JR Bishop, Investment Manager, National Mutual Life Assurance Society, Hitchin, Hertfordshire
- A Ross Goobey, Chief Executive, PosTel Investment Management Ltd, London
- P Roantree, Prolific Asset Management Ltd, London
- JM Longstaff, Investment Liaison Manager, Royal Insurance Asset Management Ltd, London
- J Jenkins, Marketing Department, The Scottish Life Assurance Company, Edinburgh

RO Bogle, Director, Albert E Sharp & Co, Birmingham

C Price, Investment Services Manager, Shell International Petroleum Company Ltd, London

MD Clements, Research Manager, Sun Alliance Investment Management Ltd, London

H White, Senior Asset Manager (UK Equities), Ulster Bank Investment Managers Ltd, Dublin, Ireland

PG Moon, Chief Investment Officer, Universities Superannuation Scheme Ltd, London

Annual reports of the following pension schemes were a further source of information for Table 3.

British Coal Staff Superannuation Scheme

Mineworkers' Pension Scheme

British Gas Staff Pension Scheme

British Gas Corporation Pension Scheme

British Steel Pension Scheme

#### **APPENDIX C: SOURCES FOR TABLE 4**

In addition to the sources cited at the foot of Table 4, the following persons provided information which assisted in the compilation of Table 4. The author thanks them for their assistance.

C Morris, Advance Asset Management Ltd, Sydney

RJ Patterson, Managing Director, Argo Investments Ltd, Adelaide

BJ Tiernan, Company Secretary, Australian Foundation Investment Company Ltd, Melbourne

P Redshaw, International Investment Manager (Superannuation), BHP Superannuation Funds, Melbourne

AP Watson, Marketing Associate, Capital International Ltd, London, UK

SJ Paynter, Manager (Financial Planning), CBA Financial Services, Sydney

NB Page, Chief Investment Manager, Commonwealth Funds Management Ltd, Canberra

Equitilink Ltd, Sydney

BRJ Bateman, Managing Director, Fidelity Investment Services Ltd, Tonbridge, UK

WR Ebsworth, Managing Director, Fidelity Investments Management (HK) Ltd, Hong Kong

RH Giles, Investment Manager, ICIANZ Pension Fund Securities Pty Ltd, Melbourne

BJ Riordan, Managing Director, Legal and General Investment Management Ltd, Sydney

- WAH Webster, Investment Director, Lend Lease Corporate Services Ltd,  
Sydney
- P Bedbrook, Director and General Manager, Mercantile Mutual Investment  
Management Ltd, Sydney
- S Chan, Senior Manager (Administration), NRMA Investments Pty Ltd, Sydney
- J Diasinos, Company Secretary, Permanent Trustee Company Ltd, Sydney
- A Arkell, Manager (Compliance), Queensland Investment Corporation,  
Brisbane
- J Fazio, Investment Manager, State Superannuation Board of Victoria,  
Melbourne
- M Anderson, General Manager Investments, Transport Accident Commission,  
Melbourne