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Press Release

FTSE-calculated UK Employee Ownership Index down in Q2 2014

The UK Employee Ownership Index, which is now being calculated by index specialist FTSE International, a subsidiary of the London Stock Exchange Group, under-performed the FTSE All Share in the second quarter of 2014, bringing to an end a strong run of out-performance.

The UK Employee Ownership Index tracks the performance of UK-quoted companies that are substantially owned by or on behalf of employees (excluding main board directors).

In the quarter ending 30 June 2014, the UK Employee Ownership Index was down 2.9% while the FTSE All-Share was up 2.2%. In the six months ending 30 June, the index was up 8.4% while the FTSE All-Share was up 1.6%. Until this second quarter, the index had out-performed the FTSE All Share in each of the last seven quarters, the longest continuous run of out-performance since the index started in 2003.

This means that £100 invested in the index on 1 January 2003 would now be worth £768 - a compound annual return of 19.4% - compared to £279 if invested in the FTSE All-Share.

Nigel Mason of Capital Strategies, which developed the original index in 1995 and now works with FTSE to maintain the new indices, said: "Most investors would accept that strong employee engagement is good for performance. By focusing on ownership, we are using a proxy for something which can be very hard to quantify – a company's culture."

Malcolm Hurlston CBE, Chairman of the Employee Share Ownership Centre, which is holding an event today to publicise the index, commented: "Given this conclusive evidence that significant employee ownership is linked to good investment returns, it is surprising that the use of employee share schemes is waning, according to the latest HMRC statistics. Companies, investors, employees and unions should embrace employee share ownership as the essential nutrient for lasting growth."

Responding to demand for an investment fund to track the index, Capital Strategies is developing an open ended investment company which should be launched later this year.

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Notes to Editors

1. The UK Employee Ownership Index, which has been published since 1995, tracks the share prices of 70 companies listed on the main market of the London Stock Exchange and on AIM which have more than 3% of their issued share capital held by employees (excluding main board directors). There is also a version of the index with a 10% employee ownership threshold.

CAPITAL STRATEGIES

2. Companies for inclusion in the index are identified using public disclosures. No unpublished information is used. This means the index does not necessarily include all companies who are eligible for inclusion.
3. The index is calculated using standard FTSE methodologies:
 - The index tracks total shareholder returns, including the effect of dividends.
 - The index is equal weighted to ensure that the performance of big companies does not swamp the performance of small companies as they do in most other published indices.
 - The index is re-weighted every quarter to maintain parity.
 - Changes to the constituents of the index are made quarterly only on official FTSE review dates.
 - The benchmark index is the total return version of the FTSE All-Share excluding investment trusts (FTSE index code ASXX).
4. Further information about the UK Employee Ownership Index can be found at www.employeeownershipindex.co.uk
5. FTSE is a registered trademark of London Stock Exchange Group plc. All-Share is a registered trademark of FTSE International Limited. UK Employee Ownership Index is a trademark of Capital Strategies Limited.

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