



## MEDIA RELEASE

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### **2003-04 End of financial year highlights**

The 2003-04 financial year has been one of steady growth for the Australian sharemarket, both in terms of investor participation, and the range and level of sophistication of listed products.

The S&P/ASX 200 opened at 3026.9 and recorded steady gains with 21 June 2004 recording a record close of 3547.4.

The 2003-04 financial year also produced a number of new trading milestones:

- March 2004 was the highest ever turnover of \$62 billion for the month. The previous record was set in October 2003 with \$56 billion of trading
- October 2003 produced a record daily average trade count for a single month, with an average of more than 75,000 trades per day
- 29 August was the second busiest trading day ever on the equities market with more than 102,000 transactions. The second half of 2003 saw strong interest from personal investors. ASX views levels of individual investor participation as a good measure of overall confidence in the market. The last time ASX experienced this level of trading was during the height of the technology boom in 2000, with the notable difference that investment activity this time has been spread across several sectors. Investors seem to have increased their level of sophistication and are now more likely to deal with leveraged products such as options to diversify and protect their portfolios.

Participation from personal investors is also up on the previous year, with average retail participation around 55% by trade count, a 6% increase over 2002/03.

ASX maintained its eighth position in the global benchmark index, the Morgan Stanley Capital International index (MSCI). At the close of 2003/04, News Corporation, Australia's largest listed company by market capitalisation, announced its intention to move its domicile to Delaware USA, while retaining a full listing status with ASX. This will affect its index status locally, but it is unknown to what extent, or when, trading of NCP and NCPDP shares on ASX will be affected.

## Options

A number of new records were also established in the options market:

- 24 June 2004 - Heavy options trading in News Corp, Brambles and BHP resulted in a new record with 178,704 option contracts traded over the day. With 1,000 shares per contract, this represents the equivalent of 178 million shares.
- Trading volume is up 15.9% over 2002-03, at more than 71,500 contracts per day. Each of the past 7 months in a row have exceeded the previous year's volume. The 82,139 average daily contracts for March 2004 was a record. This compares with 74,992 in March 2003 and 61,253 in March 2002.

### Top 10 option stocks

BHP	BHP Billiton	1	10.7%
NCP	News Corporaion	2	9.2%
TLS	Telstra	3	8.5%
RIO	Rio Tinto	4	6.0%
NAB	National Australia Bank	5	5.9%
CBA	Commonwealth Bank of Australia	6	5.2%
AMP	AMP	7	4.9%
LHG	Lihir Gold	8	4.3%
ANZ	Australia & New Zealand Banking Group	9	3.9%
XJO	S&P/ASX 200 Index Options	10	3.6%

## ASX launches Buy-Write Index

ASX announced the launch of a new index from 1 July 2004, the S&P/ASX Buy-Write Index (XBW). This is a S&P/ASX Buy-Write Index is a benchmark index designed to track the performance of a passive 'buy-write' strategy on the S&P/ASX 200 Index. The buy-write strategy is an investment strategy in which an investor buys a stock, or an index, and then writes (sells) call options that correspond to the stock, or index.

## Listed Managed Investments (LMIs)

A wide range of new LMI product offerings has increased the variety of professionally managed investment products available to include exposures to Australian shares, international shares, property, infrastructure assets, private equity, fixed interest and absolute return strategies.

Significant growth in the LMI sector in 2003/04 included:

- A wider range of investment options with over 115 LMIs and \$84 billion in assets under management (an increase of more than \$10 billion from the 2002/03 year-end). Those listed products now represent 10 percent of the funds management industry.
- A record year for new floats with 25 new LMIs listing on ASX, including 13 new Listed Investment Companies (LICs), raising over \$1.5 billion in capital

- Turnover in the sector has increased by 15 percent to more than 90,000 trades per month on a 12-month rolling average basis

### **New Listings**

The total number of new listings for the 2003/04 financial year was 175, raising \$12.7 billion.

The largest IPOs were:

- Pacific Brands Limited (\$1.3 billion)
- Zinifex Limited (\$1,3 billion)
- Multiplex Group (\$900.9 million)
- Australian Leisure and Hospitality Group (\$775.5 million)
- Virgin Blue Australia (\$448 million); and
- Just Group (\$428 million)

### **New Code for listed Biotech Companies**

ASX and AusBiotech have developed a Code of Best Practice for Reporting by Biotechnology, Medical Device and other Life Sciences Companies. The Code is designed to promote communication and understanding between biotechnology companies, which now number 90, and their investors.

The Code provides a disclosure framework that enables investors to more easily assess the value and prospects of companies. It sets out the market's expectation for disclosure of critical events, emphasising the importance of providing information in a form that is easily understood. The Code also encourages better communication between companies and their investors, and aims to serve as an education tool for the investment community.

### **Investing Overseas**

During 2003/04 global markets continued their recovery and general investor interest in international markets increased.

Among the major developments offshore has been the growth of Exchange Traded Funds (ETFs). During the last financial year, ASX World Link has witnessed this increased popularity, with around 15% of trades into ETFs. ETFs are a listed managed fund providing investors with a diversified and professionally managed portfolio of assets such as shares and property.

A report by Morgan Stanley notes that at the end of the first quarter of 2004, there were 302 ETFs, with assets of US\$229 billion compared with just 21 ETFs, with assets of US\$5 billion, in 1996. ETFs are managed by 35 companies and traded on 28 global exchanges. The first European ETF was introduced only four years ago; there are now 109 such funds, with a total of US\$25 billion in assets. Australia is in the early stages of growth, with nine ETFs with AUS\$600 million in assets. Japan has 17 ETFs with US\$29 billion in assets. The United States remains the most active ETF market, with 132 funds and US\$160 billion in assets through February.

Morgan Stanley reports that 15 new ETFs have already been introduced this CY, with another 40 to come. They will focus on such sectors as gold stocks, China-based stocks, Treasury bonds, semiconductors and telecom services. Vanguard (with a product called VIPERs), Fidelity (with Powershares) and ProFunds (with ETFs that short stocks) are all gaining significance.

## **Warrants**

There has been substantial growth in warrants activity over the past 12 months due to a variety of factors including:

- New warrant products being introduced to the market. Deutsche Bank launched 'Knock-out' warrants late last year, followed by Citiwarrants, UBS and Macquarie Bank. 'Knock-out' warrants are a new style of trading warrant suited to the active trader and now account for 20% of warrant market turnover.
- At the other end of the product spectrum, Macquarie Bank launched Self-Funding Instalments mid-FY, followed soon after by Westpac. This type of warrant is ideally suited to the long-term investor given its 'set-and-forget' features.
- A significant increase in the number of 'corporate actions' (major acquisitions, disposals, restructurings etc) that provide opportunities to implement appropriate warrant strategies. For example – the AMP restructuring at the end of CY2003, or the proposal by News Corporation to relocate its principal listing to Delaware, USA.
- Overall, there was a 75% increase in new listings, and a 67% increase in number of warrants on issue at year-end.

## **Interest Rate Securities**

2003-04 has been a year of positive developments on the ASX listed Interest Rate Securities market.

Issuers were successful in obtaining \$4.5 billion of funding from the investment community. New issues of bonds, hybrids and credit-linked notes (CLN) were released to the market.

Notable retail issues included:

- CBA arranging a second PERLS offering via the PERLS II Trust raising \$375 million
- Affinity Health issuing secured redeemable notes of \$150 million.
- A hybrid issue by Promina Group Limited of \$300 million Reset Preference Shares

Other developments included the issue of collateralised debt obligations or credit linked notes:

- ABN AMRO arranged the issue of two tranches of HYFI securities raising \$136 million
- A second Nexus issue raising \$60 million
- Macquarie Bank arranged a \$103 million Credit Linked Unsecured Note issue through Generator Australia #1 Trust

Investors also saw the successful redemption of AMP Reset Preferred Securities after AMP's de-merger. Alongside this has been the buyback of AMP Income Securities as part of a program to reduce AMP's debt ratio and improve its credit quality.

There was also increased activities in the wholesale market with over \$15 billion wholesale corporate debt and residential mortgage backed securities listed on ASX.

### **Futures**

From May 2003 ASX listed grain futures for Australian Milling Wheat, Feed Wheat, Feed Barley, Canola and Sorghum. Since listing, traded volume has increased steadily with improving crop conditions across eastern Australia. June 2004 was a new high for volume in ASX Grain Futures.

ASX also launched three wool futures contracts during September 2003. ASX Wool Futures contracts are deliverable contracts and are based on China type wool specifications. China is an important destination market for the Australian wool clip. ASX Wool Futures provide this growing market with an effective tool for risk management and price discovery.

### **ASX Sharemarket Game**

Almost 18,000 people registered for Game One of the ASX Sharemarket Game sponsored by CommSec, which set a new record (the previous record was around 12,500). The Game is a 10-week internet-based trading game where participants test their skills with a hypothetical share portfolio of \$50,000. Free to play, the total prize pool is over \$20,000 including a \$5,000 CommSec share portfolio. Winners to be announced late-August, registrations for Game 2 open 30 August.

### **ASX Regional Roadshow**

Following the successful launch of the ASX Regional Program 2003 and 2004, ASX with sponsors Telstra Country Wide & CommSec will visit another 32 regional towns across Australia in 2004-05. Bringing face-to-face education to areas outside the capital cities provides a solid introduction to the world of share investing.

### **ASX Exchange Square**

ASX took over management of Exchange Square and the Auditorium in November 2003. ASX's Exchange Square is a unique contemporary event space offering the added excitement of live action on the stockmarket display screens. The ASX Auditorium adjacent to Exchange Square seats 252 people and is ideal for Corporate Presentations such as Annual General Meetings, Conferences and lectures.

ASX has also launched a tour program to compliment the existing comprehensive education program. Running fortnightly, the program will seek to educate people on the role & function of ASX, how trading takes place via SEATS, what the electronic boards mean and more.

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