



ASX  
AUSTRALIAN STOCK EXCHANGE

# Taking Stock

EDITION 15 - FEBRUARY 2004



## A nation of shareholders

Australians have again lived up to their reputation as a "nation of shareholders" following the release of the 2003 ASX Share Ownership Survey (SOS). The SOS, the latest in an ASX series stretching back to 1986, showed that Australians not only follow the market more closely than ever, they are more committed and increasingly active participants.

Carried out in November 2003 among a large sample of 2,400 adult Australians randomly selected from across the country, the SOS provided a detailed snapshot of a more interested, busier, more informed shareholding population – although one that has still some way to go before reaching its full potential.

The headline figures are impressive. An estimated 51% of the adult population own shares – the equivalent of 7.4 million people. This includes both those who hold them in their own name and those who hold them indirectly through, say, a self-managed super fund or managed investment fund. It does not include those who only hold mandatory super investments.

Those holding the shares directly amount to 39% of the population, or 5.7 million people. In both cases though, the figures are slightly higher than the late-2002 SOS, conducted when the market was still reasonably bearish.

Who are these people? Well, for the most part they are spread evenly across the states, and more likely to be in the cities, though only slightly, and are still more likely to be male. They tend to be in the 35-54 age bracket, although older Australians clearly have a large amount of their savings in the market too.

Fewer shareholders acquired their shares in a recent float or prospectus, with the majority first entering the market in the mid to late nineties. They are increasingly using the Internet to research their investments, buy shares and track their holdings. The ASX website [asx.com.au](http://asx.com.au) remains a key source of information, as does the financial press (and the AFR in particular).

So much for the raw figures. Particularly heartening is the detail, which reveals a subtly changing market of investors that is getting better at investing and, in

particular, smarter. The diversification message is getting through. As many as 28% of shareowners hold stocks in eight or more companies – triple the number reported in 1998. On average there are seven stocks in a typical portfolio (still not enough), although far better than the average of three recorded only five years ago.

### Investor Activity Snapshot

More trading, larger portfolios

Average Number of Companies	7	Slight increase from 2002 in average number of companies from 6 to 7
Number of Trades in Last Year	6	Average number of trades per year has increased from 5 to 6...
Average Value of Trades	\$10,650	with average dollar values of trades increasing from \$8,830 (+20%)...
Average Value Invested	\$40,800	and average dollar value invested increasing from \$35,800 (+14%).

Equally, their trading activity is improving steadily. On average those with a direct investment bought or sold six times in 2003, up by one from the previous year. The average value of those share parcels was \$10,650 – up an impressive 20% from the previous year.

It is well known that Australian retail investors still tend to "pick and stick", as opposed to buying and selling according to opportunity. The best general advice remains to invest with the medium-to-long term firmly in mind, and that appears to be the case still.

For a copy of the research, please email [margaret.triggs@asx.com.au](mailto:margaret.triggs@asx.com.au)

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## FSRA & ASX markets – your authority to deal in and advise on managed investment warrants

### FSR almost there...

Like many other organisations, ASX has been moving towards concluding its transition under FSR. Minor changes in terminology used in the new legislation have generated some additional complexities, relating to the ability of Participating Organisations to deal in, and advise on, some financial products.

### Some fine-tuning may still need to be undertaken to comply...

One such change is the new definition of "security". The previous definition included financial products such as shares, debentures, and interests in managed investment schemes (e.g. property trusts). However under the new law, managed investment schemes (including property trusts) are no longer classified as "securities".

As a result, Australian Financial Services License (AFSL) applicants need to recognise that an AFSL enabling them to deal or advise in only securities is not sufficient to enable them to deal or advise in property trusts (nor ETFs and most stapled structures).

A further example relates to cash settled stock option contracts. These were not allowed under the previous definition of "security", therefore they could not be traded on ASX. However, the new law definition of "derivative" will enable quotation of cash settled stock options (or warrants) on ASX. As a result, Participating Organisations will need to have an AFSL license that permits them to

advise or deal in these new law "derivatives".

An unexpected shift in legal characterisation, that Participating Organisations should examine carefully, is outlined in an ASIC FSR Update, of 21 January 2004 – "Miscellaneous Authorisation – managed investment warrants". This identifies difficulties in completing an AFSL application form that would license the holder to advise or deal in "managed investment warrants" (these include instalment warrants over property trusts).


To help rectify this problem, ASX has worked in conjunction with ASIC, seeking ASIC assistance to fast track license variations. For more information please refer to ASX Participant Circular No 029/04 (27 January 2004) or to the FSR Update on ASIC's website ([click here](#)).

### Attention to detail now will benefit all in the future...

Although FSR presents a number of short-term challenges, it is worthwhile recognising that this framework will enable a wider range of financial products to be traded on ASX. However, in order for investors to participate in the further innovation of Australian financial markets, Participating Organisations must ensure that their AFSL enables them to advise or deal in the broadest range of financial products.

### Need more information?

If you want more information you can contact your ASX Client Relations Account Manager or email [complianceunit@asx.com.au](mailto:complianceunit@asx.com.au).



## Edna Carew to write the story of Australia's securities markets 1976 to 1998

In January ASX commissioned Edna Carew, a well known financial journalist and author to write a history of Australia's securities markets 1976 to 1998.

The history will span an extraordinary period of change and innovation in the Australian securities industry, focusing on the issues – and the people behind them – which led to the formation of a national stock exchange in Australia (ASX), and to ASX's demutualisation and listing. This story will be told against a backdrop of sweeping financial markets reform, the boom and bust of the 1980s, the recession of the early 1990s and further examination and re-regulation of securities markets.

In producing the book, Edna will have access to ASX's extensive archives and photographic collection, and will interview current and former figures involved in the markets over the last 30 years. These interviews will provide unique insight into the turbulent early days of the exchange when the exchange model was still being conceived.

If you have any comments, ideas or information that you would like to contribute, please contact Stephen Mills, Executive General Manager, Corporate Relations (02) 9227-0254 or Pam Spies, Archives and Records Manager (02) 9227-0986. Postal address: Australian Stock Exchange P.O. Box H224, Australia Square, Sydney, NSW 1215.



## Challenging current domestic vs international investment strategies

### Investor dilemma – Home Country Bias and the Impact of Globalisation

Whatever country they live in, most investors have a significant home country bias in their portfolios. The familiarity of local stocks and other factors such as costs, regulatory regime and domicile of investor's liabilities are amongst the reasons leading to the home country bias.

Over recent years however, many investors have also become aware of the merits of increasing their exposure to international assets, for example to gain exposure to industries not available in the domestic equity market. This can be a dilemma as investors are torn between a home country bias, and the benefits of international exposures.

Over recent years, research shows that equity returns are being increasingly influenced by industry factors; indeed these are now of similar importance as country factors in the pricing of stocks. The increased allocation to international equities has occurred in a period when globalisation in many industries is possibly reducing the diversification benefits of international equities.

This apparent contradiction presents a challenge for investors who implement the current domestic-international paradigm where the domestic stocks are benchmarked against, for example, the ASX/S&P 300 and international stocks against the MSCI ex Australia.

### A new paradigm: HomeGlobal™ strategy

Australian fund manager Constellation Capital Management has developed an alternative approach to the current domestic/international investment strategies.

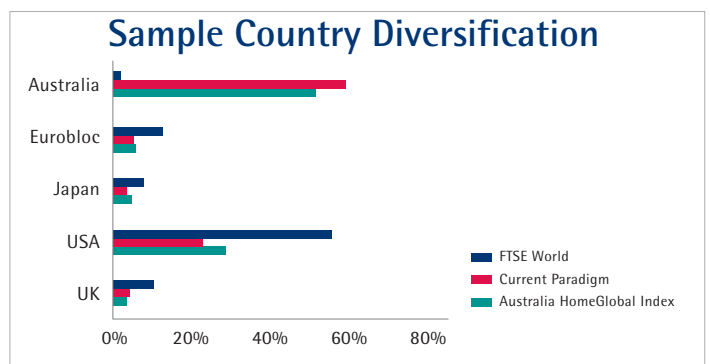
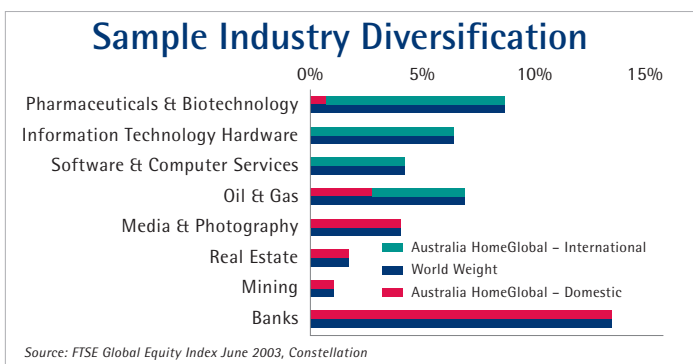
Constellation's HomeGlobal approach looks at the whole world as one opportunity set, and only invests internationally when there is inadequate exposure to an industry from investing in the shares listed on the ASX. For example, the Australian share market offers more than adequate opportunity to invest in banks and mining shares, so there is no net portfolio diversification benefit from investing internationally in banks and mining shares, as this would concentrate risk exposures.

Conversely since the Australian share market does not yet offer globally comparable exposure to IT or pharmaceutical shares, the HomeGlobal approach will invest internationally to secure that exposure. In this way Australian investors can achieve a more balanced exposure to investments in industries and companies not available in Australia whilst maintaining the benefits of country diversification.

### ASX and the HomeGlobal strategy

The emergence of investor interest in Listed Investment Companies ("LICs") presents an opportunity for the launch of ASX listed investment vehicles that adopt the HomeGlobal strategy. Such ASX listed LICs could provide a convenient vehicle for large and small Australian investors to obtain a balanced exposure to shares from the major industries and countries via ASX listed vehicles whilst retaining a relevant home country bias to Australian shares. At present the Australian HomeGlobal strategy would invest approximately half the portfolio in Australian securities and the balance in international securities. The country and industry exposures are shown in the tables below.

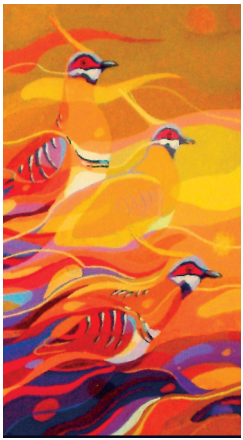
For more information, contact Doug Little or Dr Peter Vann at Constellation Capital Management, on (02) 9231 2833 or visit [www.constellation.com.au](http://www.constellation.com.au)





## A nude sitting for charity

One of the more unusual items up for grabs at the 2004 ASX-Reuters Charity Golf Day Auction is a nude sitting for an art class. The Friends of the National Art School (FONAS) have donated a sitting with a live model for a painting or sculpture class at the national art school in Darlinghurst.



Auction item: Spinifex Pigeons by Lars Knudsen.

The ASX-Reuters Charity Golf Day and Gala Dinner takes place on 20th February 2004 at Pennant Hills Golf Club and afterwards at the Four Seasons Hotel in George Street. Over the years the event has raised and distributed more than 14 million dollars to charity. This year the organisers are targeting to raise \$630,000 that will be distributed to 17 charities.

The auction includes some fabulous items for the golf enthusiast, intrepid traveller, art collector, wine lover or gourmand.

How about a 15 night cruise up the Amazon River or perhaps a Ski Adventure Trip for the whole family in Canada. A unique collection of 14 Imperials of the finest red wines produced in Australia or flights and tickets to Wimbledon and the British Open Golf Championship. The auction includes over 30 artworks from distinguished Australian painters and sculptors, as well as a 'back of house' dinner for 16 in the kitchens of the Four Seasons Hotel.

David Koch, co presenter of The Breakfast Programme on

TV's channel 7 will MC the evening and some 600 guests will be entertained by one of Australia's most stunning stars of Music and Opera – Marina Prior.

The theme of the ASX-Reuters Charity Foundation is Corporate Australia Helping Those in Need and over 300 companies have provided support through donations of cash, goods and services. The 18 "hole sponsors" for the golf day are a who's who of the financial markets:

- ABN-AMRO
- Commonwealth Bank Global Markets
- JP Morgan
- MarketSource
- Prebon Yamane
- Sydney Futures Exchange
- Allco
- Goldman Sachs JB Were
- KPMG
- Microsoft
- Pricewaterhouse Coopers
- Telstra
- ASX Perpetual Registrars
- HPA
- Macquarie Bank
- National Australia Bank
- Reuters
- Westpac Institutional Bank.

If you wish to enquire about the events and the auction or help through sponsorship or a donation to the foundation please contact Fiona McDonald, David Brocklehurst or David Jensen on (02) 8298 8093.



## Submissions flowing in as investors respond to proposed structural reforms...

Since the release of the consultation paper, "ASX Market Reforms – Enhancing the Liquidity of the Australian Equity Market", in November last year, ASX has received a steady flow of submissions from investors responding to the proposed equity market reforms. The issue that has generated most attention is that of broker identifiers – ASX is proposing to implement changes such that investors and brokers will

have the same level of access to broker identification details. To ensure that your views are taken into account, don't miss the opportunity to respond to the proposed changes. The consultation paper and a separate "Request for Comment" document can be downloaded from [www.asx.com.au/equityreforms](http://www.asx.com.au/equityreforms). Responses are requested by 27 February 2004.



**Education Link** Click here for your updated CPD education list for brokers ([www.asx.com.au/brokers](http://www.asx.com.au/brokers)) 4



## New listings

The six months to December 2003 was a strong period for listings on ASX. During this period, ASX saw 96 new admissions, including 31 in the month of December alone. The new listings spanned sectors and sizes with some well-known companies including Multiplex Group (\$900m), Virgin Blue Holdings (\$673m), and Standards Australia's SAI Global.

The large number of listings for the six months to December 2003 also contributed to the 10% growth in the

capitalisation of domestic equities from \$706 billion to \$777 billion. This growth, along with the appreciation of the \$A, underpinned ASX's increased weighting in the global Morgan Stanley Capital Index (MSCI) from 2.02 in July 2003 to 2.15 in December 2003. The MSCI is the weighting of the ASX equity market in the global capital marketplace.

The traditionally quiet month of January 2004 has seen a further 7 new listings, and indications suggest that February will also see a healthy flow.

ASX CODE	ORGANISATION NAME	QUOTATION DATE	ISSUE PRICE (\$)	FIRST TRADED PRICE (\$)	AMT CAPITAL RAISED (\$000'S)
PIO	PIONEER NICKEL LTD	4-Dec-03	0.20	0.19	5.53
MXG	MULTIPLEX GROUP (2 STAPLED ENTITIES)	2-Dec-03	4.05	3.21	900.90
HNR	HANNANS REWARD NL	5-Dec-03	0.20	0.20	4.31
LMW	LANDMARK WHITE LTD	5-Dec-03	0.50	0.60	13.20
AAM	A1 MINERALS LTD	5-Dec-03	0.20	0.25	4.29
VLL	VILLAGE LIFE LTD	8-Dec-03	1.05	1.23	125.80
IVC	INVOCARE LTD	4-Dec-03	2.00	1.89	187.51
ALD	ALLIED GOLD LTD	8-Dec-03	0.20	0.14	4.58
IFL	IOOF HOLDINGS LTD	5-Dec-03	3.25	3.80	190.31
MMA	MMC CONTRARIAN LTD	11-Dec-03	1.00	0.91	200.00
VBA	VIRGIN BLUE HOLDINGS LTD	8-Dec-03	2.25	2.40	448.20
UCM	USCOM LTD	10-Dec-03	2.00	2.50	24.55
TOD	TIMBERCORP ORCHARD TRUST	23-Dec-03	100.00	101.00	37.55
MOK	MOKUTI MINING LTD	10-Dec-03	0.20	0.21	2.35
MVP	MEDICAL DEVELOPMENTS INT'L LTD	15-Dec-03	0.25	0.50	14.25
BKI	BRICKWORKS INVESTMENT CO LTD	12-Dec-03	1.00	1.00	171.23
CGM	COUGAR METALS NL	16-Dec-03	0.25	0.25	7.10
NKL	NICKEL AUSTRALIA LTD	16-Dec-03	0.25	0.28	15.05
NST	NORTHERN STAR RESOURCES LTD	17-Dec-03	0.20	0.23	6.17
DNL	DISCOVERY NICKEL LTD	17-Dec-03	0.20	0.20	4.82
IPS	INCOMEPLUS LTD	18-Dec-03	1.00	1.05	46.63
SAI	SAI GLOBAL LTD	17-Dec-03	1.25	1.56	125.00
RTL	RITRACT LTD	19-Dec-03	0.20	0.25	227.30
ACL	ALCHEMIA LTD	23-Dec-03	0.70	0.75	63.80
MML	MEDUSA MINING LTD	23-Dec-03	0.20	0.25	3.50
RBV	ROCKEY BIOMED LTD	23-Dec-03	0.20	0.21	19.47
TZN	TERRAMIN AUSTRALIA LTD	23-Dec-03	0.20	0.22	6.38
HHG	HHG plc	23-Dec-03	0.00	0.88	0.00
NIQ	NIQUEST LTD	31-Dec-03	0.20	0.27	4.03
CGF	CHALLENGER FINANCIAL SERVICES GROUP LTD	23-Dec-03	0.00	0.49	0.00
PCB	PERLS II TRUST	7-Jan-04	200.00	200.00	750.00
PQB	PIQUANT BLUE LTD	7-Jan-04	0.20	0.34	2.34
TRO	TRI ORIGIN MINERALS LTD	9-Jan-04	0.20	0.22	6.46
RAU	REPUBLIC GOLD LTD	16-Jan-04	0.20	0.22	6.48
SBL	SIGNATURE BRANDS LTD	19-Jan-04	0.20	0.30	3.21
BDM	BIODIEM LTD	28-Jan-04	1.25	1.10	33.14
VTP	VAN EYK THREE PILLARS LTD	28-Jan-04	1.00	1.05	49.60



## IN BRIEF

### New ASX Group Operation Rules – Workshops

As reported in the last edition of Taking Stock, ASX is introducing a new business framework for trading, clearing and settlement on ASX markets, which includes changes required under the Financial Services Reform Act. The new framework is supported by new Rules which take effect from 11 March 2004. Workshops have been organised in Sydney, Melbourne, Adelaide, Perth and Brisbane to outline these new obligations – although you are advised to seek your own legal or other advice on implementing the new framework within the context of your business.

The main areas of discussion will be:

- Participation and access
- Sponsorship Agreements and Derivatives Client Agreements
- Trade Cancellation
- Transition to new rule books
- Stationery and new participation
- Capital Requirements
- Performance Bonds.

To register, or for details on further workshops, please contact Compliance Services on (02) 9227 0394, or email [anthea.piddington@asx.com.au](mailto:anthea.piddington@asx.com.au)

### 'Award Winning Entrepreneurs... What makes their entrepreneurial clock tick?'

The Ernst & Young Entrepreneur Of The Year program is now in its fourth year in Australia and is part of the global Entrepreneur of the Year program that has been running successfully for 17 years. The awards celebrate the best of Australia's entrepreneurial business leaders who have made their mark on the nation's business landscape.

This year's program is kicking off with an interactive winners discussion panel where former winners will share some of their success stories. One of the inspirational speakers will be David Bussau, AM (Australian Entrepreneur Of The Year 2003) who was recognised for his role in the formulation of the methodology of Micro-Enterprise Development (MED), founding

Opportunity International and for the enormous impact the organisation has had in empowering more than one million budding entrepreneurs in the developing world to break out of the poverty cycle forever.

ASX have been proud sponsors of this event for the past three years, and believe that by promoting entrepreneurship, we can provide greater understanding of and access to capital raising for companies at all stages of their business development.

For more information about this inspiring event being held on Wednesday, 3 March 2004 – ASX Auditorium, 20 Bridge Street Sydney, please contact Amanda Walpole on (02) 9227 0525.

### Options Expert Speaker Tour – March 2004

Alex Jacobson will be touring the nation again in March 2004, and this year will be presenting two seminars tailored for Retail Advisers.

The Options Adviser Seminars will be held in the evening and can earn you three Structured CPD hours (upon successful completion of exam). Highlights include:

- Case studies from the US – a look into the current trends and future direction in the US
- Harvesting income – the impact of volatility on options positions
- Position management – strategic alternatives to inaction
- Cost \$95.00

The Equity Adviser Seminars can earn you 1.5 Structured CPD hours (upon successful completion of exam).

Highlights include:

- Learn new techniques to increase your client's equity orders and trading confidence
- Learn how to manage client positions once open
- Educating clients on the benefits of using options strategies
- Gain Structured CPD hours with SDIA
- Cost \$55.00

#### DATES AND VENUES

##### Brisbane

Options Advisers	9 March	4.30pm-7.00pm
Equity Advisers	10 March	11.30am-1.00pm
Venue	ASX Lecture Theatre, Riverside Centre, 123 Eagle Street	

##### Melbourne

Options Advisers	15 March	5.30pm-8.30pm
Venue	Melbourne Exhibition Centre, Level 5, 2 Clarendon Street	

##### Melbourne

Equity Advisers	16 March	12.30pm-2.00pm
Venue	ASX Lecture Theatre, 530 Collins Street	

##### Perth

Options Advisers	18 March	2.00pm-5.00pm
Venue	Parmelia Hilton, Mill Street	

##### Perth

Equity Advisers	19 March	2.00pm-3.30pm
Venue	ASX Lecture Theatre, Level 8, 2 The Esplanade	

##### Sydney

Options Advisers	11 March	5.30pm-8.30pm
Equity Advisers	22 March	5.30pm-7.00pm
Venue	ASX Auditorium, Exchange Square, 20 Bridge Street.	

Your clients will also have the opportunity to learn from one of the world's leading authorities on options, plus hear how they can profit by using options analysis software from Steve Lentz, of OptionVue Systems (six-time winner of Stocks & Commodities Magazine's Reader Service Award for "Best Options Analysis Software" in the US).

A special discounted price of \$100 will be offered to clients who book for this event through their broker (\$50 discount off the normal price). Advisers who accompany clients to this seminar can earn four SDIA Structured CPD hours.

In addition, the broker that best supports this tour in each state will be offered a one hour in-house presentation with Alex Jacobson.

To book or for more information on the tour, please contact Graham O'Brien, Manager, Equity Derivatives Development, on (02) 9227 0672 or email [graham.o'brien@asx.com.au](mailto:graham.o'brien@asx.com.au)

### Inaugural Market Outlook Congress

ASX invites you to attend the Australian Financial Review 2004 inaugural market outlook congress to be held in Sydney on

25 February. Keynote address is the Hon Peter Costello MP. ASX Brokers receive 15% discount. For further details visit <http://asxonline.com>