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Big guns cash in and move out of ASX

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THE big end of town has quietly been selling shares into the huge rise in ASX Ltd's share price since Singapore Exchange made its $8.4 billion takeover offer, threatening to leave small investors holding the can should the deal flounder as political opposition to the deal grows.

With the deal in its current form coming under increasing fire from independent MPs, BusinessDay has confirmed that Perpetual Investments is one institutional shareholder that has taken advantage of the 20 per cent share price jump and sold shares.

Perpetual sold shares early this week when the shares were trading in the mid-$40 range and considered the sale "opportunistic". Perpetual declined to comment.

Announcing the takeover on Monday, ASX Ltd and Singapore Exchange valued ASX shares at $48.

But the share sale by a key investor can be taken as a sign that institutional investors want limited exposure to the combined entity, which will not be offering franked dividends, has a lower dividend payout ratio and is loaded with debt.

ASX shareholders have seen their investment sag this year as the government threatened to end the company's monopoly and allow competition for securities trading.

Investors piled into ASX shares on Monday after the tie-up with Singapore was announced, sending them up 20 per cent to their highest since early 2008. ASX shares were trading at about $26 in July and hit a $41.75 high on Monday.

At the same time investors were buying on news of a deal, existing shareholders were heading for the exit.

Trading volume was up to five times the daily average of normal trade in ASX shares at 10 million shares.

ASX has no shareholders above the 5 per cent disclosable threshhold. At the start of October, Perpetual disclosed it had sold shares to take its stake below 5 per cent. As Perpetual now holds less than 5 per cent, this week's trades will not have to be disclosed.

From the moment the deal was announced, questions were asked about whether Treasurer Wayne Swan would agree to waive restrictions on any one shareholder owning more than 15 per cent of the exchange and whether the Foreign Investment Review Board would deem the bid in the national interest.

If the major parties cannot agree, the government's wafer-thin majority in Parliament could force its hand on the issue.

Three crossbench MPs yesterday voiced their opposition. Australian Greens MP Adam Bandt, West Australian Nationals MP Tony Crook, and Tasmanian independent Andrew Wilkie do not support the sale.

Independent Bob Katter has already said he will oppose the deal.

Should the deal fail, ASX's share price is likely to collapse, leaving shareholders, including those who bought in at this week's premium, with the prospect of a revised inferior offer or remaining a domestic exchange as global exchanges continue to consolidate.

Advisers on the deal said yesterday they were comfortable with the state of the deal despite the concerns in Canberra.

Market experts have questioned the national interest of the Singapore deal, including prominent equities analyst Roger Montgomery, who flagged the possibility of Singapore onselling ASX.

"The SGX may not be the final owner of it," Mr Montgomery said.

"The first question that needs to be examined by policymakers, including the Prime Minister, is whether Singaporean ownership is permanent.

"This is important because the national interest in this case is the access to capital Australian companies depend on as well as protection for investors from permanent destruction of capital.

"If the ASX is sold to a foreign owner, will they control the rules or costs that Australian companies must meet in order to raise capital?

"When a company makes an overpriced acquisition, as the SGX appears to be doing, they run the risk of having to sell themselves or the very assets they paid to much for.

"In other words the SGX may not be the final owner of the ASX and we cannot know who will be. Once it's in play, that's it. Potentially anyone can own it."

Goldman Sachs analysts said yesterday the impact of the deal could also result in the merged ASX-SGX company being neither large enough nor liquid enough to trade in the ASX's premier index, the S&P/ASX 200.

Analysts said the market capitalisation of the combined company trading in Australia weighted by its Australian ownership would be 35 per cent smaller than the existing ASX, meaning it would fall from being the 30th largest stock to the 49th largest stock.