PREMIER'S EXPORT AWARDS Two sides to dollar's rise Inside

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BusinessDay

TAKEOVERS

Perpetual sells soaring ASX shares

Michael Evans

THE big end of town has quietly been selling shares during the huge ASX share price spike that has followed the Singapore Exchange's $8.4 billion takeover offer, threatening to leave small investors holding the can should the deal flounder.

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

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

Announcing the takeover on Monday, the ASX 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 that 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 following the announcement of the tie-up with Singapore, sending shares up 20 per cent to their highest price since early 2008.

ASX shares were trading at about $26 in July and reached $41.75 on Monday. While investors were buying on news of a deal, existing shareholders were selling. Share-trading volume was up to five times the daily average in ASX shares at 10 million shares.

The ASX at present has no shareholders above the 5 per cent disclosable threshold. At the start of October, Perpetual disclosed it had sold shares to take its stake below 5 per cent, meaning this week's trades will not have to be disclosed.

When the deal was announced questions were asked about whether the Treasurer, Wayne Swan, would agree to waive restrictions on 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 main parties are unable to

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agree, the government's narrow majority in Parliament could force its hand on the issue.

Three crossbench MPs yesterday opposed the deal: Greens MP Adam Bandt, the West Australian Nationals MP Tony Crook, and the Tasmanian independent Andrew Wilkie. The independent Bob Katter has already said he will not back the deal.

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

Advisers on the deal said yesterday they were comfortable with it 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 the ASX being onsold by Singapore.

"The SGX may not be the final owner of it," he said. "The first question that needs to be examined by policy-makers, 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.

> 'Once it's in play, that's it, potentially anyone can own it.'
> **Roger Montgomery, analyst**

"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 ... Once it's in play, that's it, potentially anyone can own it."

Goldman Sachs analysts yesterday said the impact of the deal could also result in the merged company being neither large enough to trade in the premier index, the 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, and would fall from being the 30th largest stock to the 49th.