

Chapter 1: Introduction: Research Hypotheses and the Context of the Study

1.1. Introduction

This thesis emerged from an examination of mergers and acquisitions (M&A) literature in two areas: shareholder returns and hubris. The examination suggested there was a gap in the literature linking behavioural characteristics of experience (tenure), motivation (agency issues), and self-belief (hubris, narcissism or animal spirits) of the Chairman and Chief Executive Officer (CEO) with firm performance in M&A. This coincided with a period in Australia when corporate governance practice was being closely scrutinized (Productivity Commission 2009), in particular agency problems and CEO remuneration. Mergers and Acquisitions are a significant factor in the Australian economy. During the period 2006 to 2010 the value of completed M&A transactions in Australia averaged \$60 billion per annum, in an economy with a GDP of circa \$1.3 trillion.

The thesis has been designed to examine some new factors which may determine the success or failure of M&A: the influence of the Chairman and the CEO on shareholder outcomes from M&A activity in Australia. They are a firm's most senior non-executive director (Chairman) and most senior executive director (CEO). The Chairman's role with the CEO is the link between board and management. An effective Chairman fosters a relationship based on trust and confidentiality; a good working relationship between the Chairman and CEO is important for the success of the board, which in turn affects company performance and returns to shareholders (AICD 2006, p.33,34).

M&A, on average, reduces acquirer shareholder value (Agrawal, A., Jaffe, J. F. & Mandelker, G. 1992; Tuch & O'Sullivan 2007). The findings of this study will have relevance for a range of

parties including investment fund managers, shareholders, employees and advocates of improved corporate governance practice. The findings indicate that lengthy tenure together for the Chairman and CEO, especially beyond six years, will have a positive influence on M&A acquirer outcomes, but that agency problems and animal spirits may adversely drive M&A activity. The analysis of the joint influence of a Chairman and CEO has not been tested in the literature on M&A.

Tenure is a managerial characteristic which influences strategic choice and performance (Hambrick & Mason 1984). Bergh (2001) observed that organizational tenure is perhaps the strongest characteristic for distinguishing executives, as it reflects factors such as unique knowledge, perspective and insights into the organization that would be especially critical to successful implementation of an acquisition (Haspeslagh & Jemison 1991).

Bergh's research focussed on senior acquired firm executives over a five-year period after an acquisition. He found that retaining long-tenured senior executives in the acquired firm enhanced the performance of the acquisition. He found that value created by company-specific experience and knowledge appears greater than value generated by creativity, flexibility and innovativeness. No similar M&A study has been found which examines the effect of tenure by the Chairman and CEO together, in the acquirer, on shareholder value.

Determining the effect of joint tenure and agency problems on firm performance is important for corporate governance purposes, with regulators seeking to separate the roles of Chairman and CEO on boards, such as in the UK (Cadbury 1992; Dedman 2002) and Australia (Productivity Commission 2009, p.92), although not yet as widely prevalent in the USA (Productivity Commission 2009, p.144).

The roles of Chairman and CEO are complementary. The Australian Securities Exchange (ASX) Corporate Governance Council recommend that the Chairman should be an independent director and the roles of Chairman and CEO should not be performed by the same person (Productivity Commission 2009, p.92). The Chairman is responsible for the leadership of the board and facilitating the effective contribution of all directors and promoting constructive and respectful relations between the directors and between the board and management; the division of responsibilities between the Chairman and the CEO should be agreed by the board (ASX 2010, p.17). The board's responsibility, led by the Chairman, is to identify an organization's goals and strategy (including the approval and monitoring of acquisitions and divestitures) and to appoint the CEO; it is management's responsibility (led by the CEO) to decide how to implement these strategies and achieve the business goals (Productivity Commission 2009, p.140).

CEO experience, or tenure, has previously been explored as an influence on firm performance (Henderson, Miller & Hambrick 2006) with optimal periods in situ identified for a range of industries. This thesis examines the effect of CEO tenure on shareholder value and also expands the topic of tenure to include the joint influence of the Chairman and CEO on M&A performance.

The thesis explores the evidence for agency problems in M&A and the extent to which there is a positive or negative correlation with tenure and shareholder returns.

Hubris (Roll 1986) is often cited in the M&A literature (Gregory 1997; Sharma & Ho 2002) as an influence on managerial actions. Recent literature suggests that narcissism (Higgs 2009) or animal spirits (Akerlof & Shiller 2009) may be more dominant as an influence on managerial behaviour than hubris. This thesis synthesizes the literature on these three

influences and offers a contribution to the debate.

1.2. The Hypotheses

This thesis examines the relationship between a Chairman and CEO and a firm's shareholders in the context of M&A activity in Australia. The central proposition is that the behavioural influences related to the interaction of a firm's Chairman and CEO contribute significantly to the outcome of M&A. Three behavioural influences were examined: agency factors, animal spirits and experience resulting from the combined tenure of the Chairman and CEO.

Forty-seven acquisitions in Australia between 1990 and 2006 were examined in this study.

Three hypotheses were tested:

1. **Hypothesis 1.** *The length of time that the Chairman and CEO of the acquiring firm have been together in their respective positions at the time of the acquisition will determine the success or otherwise of the outcome of the acquisition, indicating the value of experience.*
2. **Hypothesis 2.** *There is a negative correlation between the change in the remuneration of the CEO and the change in shareholder value in the period following an acquisition, indicating the conflicting nature of shareholder and management goals and the likelihood of agency problems.*
3. **Hypothesis 3:** *'Animal spirits' drive M&A behaviour and activity and contribute adversely to shareholder outcomes.*

There is a substantial literature which indicates that, on average, M&A are value destroying

for acquiring firm shareholders (Agrawal, A., Jaffe, J. F. & Mandelker, G. N. 1992; Gregory 1997; Martynova & Renneboog 2011; Tuch & O'Sullivan 2007). The consequences of this value destruction can be far reaching in an economy, affecting pension funds, employees, government tax revenue and banks. Understanding the causes of M&A successes and failures is critical for incumbent and prospective investors, customers, suppliers and employees.

This study incorporated a range of variables (Chapter 5), some of which have been cited in previous studies (Tichy 2001; Tuch & O'Sullivan 2007) as possible influences on M&A outcomes. Australia was selected as the focus of the study since the most recent extensive review of Australian M&A results was conducted nearly ten years ago by Sharma and Ho (2002) using accounting data.

Research on top management teams (TMTs) has found that a harmonious work relationship between senior managers (such as a Chairman and a CEO) enhances team cohesiveness, communication and firm performance (Carson, C. M., Mosley & Boyar 2004; Chan, Cheng & Leung 2011; Iaquinto & Fredrickson 1997). Further, the longer that team members work together, the greater their understanding of the pattern of decision making and this in turn reduces uncertainty in understanding the behaviour of their colleagues. This enhances the ability to predict outcomes in discussions and improves decision making (Iaquinto & Fredrickson 1997).

Hambrick and D'Aveni (1992), in a study of large corporate bankruptcies, found that compositionally flawed TMTs (such as short-tenured, or with few outside directors) experience deficiencies in their information processing which cause strategic errors, for example failing to identify or gauge the seriousness of problems, or failing to monitor the

implementation of plans. The consequence is deteriorating firm performance. It is possible that as TMTs diverge this becomes visible to external stakeholders, causing them to restrict their support for the organization (Hambrick & D'Aveni 1992).

The premise of the hypotheses is that the behavioural influences of the Chairman and CEO (experience, self-belief and motivation) affect shareholder returns in M&A activity through the following:

1. Experience, through leadership tenure.
2. Motivation, through agency factors and enhanced remuneration.
3. Self-belief, through hubris, narcissism or animal spirits.

The basis of Hypothesis 1 is that experience and successful management of the core business should be a prerequisite for a board agreeing to divert management focus and financial resources to an acquisition and subsequent integration process. This is important in light of the high rate of senior management turnover which occurs in acquired firms (Krug & Shill 2008) and the high failure rate of acquisitions (Tuch & O'Sullivan 2007). Krug and Shill place importance on the acquirer establishing leadership continuity in the acquired firm in order to improve acquired firm performance; this observation about the importance of leadership stability on performance in M&A may also be relevant within the acquiring firm for the acquiring firm's performance, and was examined in this study. The theoretical basis of this hypothesis is the Resource Based View (RBV) of the firm (Barney 1991) – that sustained competitive advantage arises when firms have resources which are valuable, rare, inimitable and not easily substitutable – and Upper Echelon Theory (Hambrick & Mason 1984), which proposes that observable characteristics of senior managers, such as age, tenure and experience, determine strategic choices and hence firm performance.

The basis of Hypothesis 2 is that agency problems pervade M&A activity. Stakeholder interests (notably shareholders and managers) may differ and as a consequence the motivation for the acquisition may differ between stakeholders. Shareholders, such as pension funds, may be interested in stable longer-term returns, whereas CEOs may be more interested in the opportunity for a quick, high-profile action (such as an acquisition) which has the potential to increase their salary in the short term and their personal profile. The consequence of these differences is that management may pursue activities which are value enhancing for them but not for their shareholders. The theoretical basis of this hypothesis is Agency Theory (Eisenhardt 1989; Jensen & Meckling 1976).

The basis of Hypothesis 3 is that management action is not purely rational, but that animal spirits – noneconomic factors as identified by Keynes (1936, p.161) – dominate the decision-making process.

Many academic analyses of M&A activity cite hubris (Roll 1986) as a factor influencing managerial behaviour; this proposition was examined along with more contemporary behavioural analysis of narcissism (Higgs 2009) and ‘hubris syndrome’¹ (Owen 2009; Owen & Davidson 2009). This thesis suggests that either narcissism or hubris syndrome more accurately reflect some managerial behaviour than hubris as defined by Gregory (1997) and Sharma and Ho (2002).

1.3. Methodology

This study employed a long-event window research methodology (Bruner 2004, p.33). It examined the cumulative abnormal returns (the firm’s return to shareholders, through changes in its share price and dividends paid, adjusted by the average returns in the share

¹ Hubris syndrome is discussed in Chapter 5.

market as a whole which are accounted for through the use of the ASX 200 Accumulation Index) to the acquirer's shareholders for a period of three years following the completion date. The acquirer's annual report details the dates of appointment of the Chairman and CEO to their respective roles, the completion date of the acquisition and the CEO's remuneration during the year prior to the acquisition and during the year of the acquisition.

This study also examined the difference in cumulative abnormal returns between those firms which improve shareholder value from an acquisition during the three years following completion (40% of the sample achieved an average cumulative abnormal return of 31.05%) and those that reduce shareholder value (60% of the sample achieved an average cumulative abnormal return of -37.8%) to determine the impact of joint tenure, CEO remuneration and animal spirits on shareholder value.

As outlined in the previous section, the primary theoretical bases for this study are Upper Echelon Theory (Hambrick & Mason 1984), Resource Based View (Barney 1991) and Agency Theory (Jensen & Meckling 1976).

The average size of the acquisitions in this study was A\$1,048m, with the consideration paid to the acquired firm's shareholders being 64% of the acquirers' net assets.

1.4. Behavioural Context

Management over-optimism is a common feature in M&A studies (Hayward & Hambrick 1997; Malmendier & Tate 2005). The contribution of this study is to examine three behavioural influences (experience, motivation and self-belief) of the Chairman and CEO to quantify their effect on M&A outcomes.

Animal spirits, which Akerlof and Shiller (2009, p.4) explained as 'referring to a restless and inconsistent element in the economy', feature significantly in failed acquisitions through the recent performance of the acquirer prior to an acquisition, the recent appointment of a new CEO and the size of the consideration paid for the firm.

TMT joint experience, measured as the period of time that the Chairman and CEO have been in their respective roles together, emerges as an important factor in successful M&A activity. Agency problems also emerge as important, but as a significant negative factor in M&A activity.

1.5. Corporate Governance

Two key players in organizations are the Chairman (hereafter referred to as the Chairman) and the CEO. The Chairman tends to be an independent non-executive director leading a board which comprises a majority of non-executive directors (Productivity Commission 2009). The CEO is the most senior executive member of a firm, responsible for the implementation of the firm's strategy, and is often the sole or one of only two executive members of the board of directors. In Australia the average board size is between 6.6 and 8.8 (in the firms in this study it was 8.5), with three-quarters of directors being non-executive (Productivity Commission 2009).

The Chairman and CEO, in partnership, have ultimate responsibility and accountability for a firm's performance. Occasionally the two roles are combined into one. This study examined acquisitions where the two roles in the acquiring firm are performed by different people, which is typical in Australia (Productivity Commission 2009). The ASX Corporate Governance Council recommends that the Chairman and the CEO should not be the same person

(Productivity Commission 2009, p.92).

The study further considered the potential implications of the three behavioural influences (experience, motivation and self-belief) on the Chairman and CEO for corporate governance practice. This study suggested that there are possible adverse consequences for the acquiring firm shareholders arising from the inexperience of the Chairman and/or CEO in the acquirer in M&A activity. The results from this research indicate that a short period of joint tenure by the Chairman and CEO is likely to result in a significant reduction in shareholder value, but a lengthy period (especially over six years) of joint tenure is likely to be very positive for acquiring firm shareholder value in both the three years before an acquisition and the three years following an acquisition.

Nominations committees are advocated in Australia as best corporate governance practice to provide the mechanism for monitoring director performance and the drivers of that performance (Productivity Commission 2009, p.147). In Australia the adoption of nomination committees has been limited to few companies (Carson, E. 2002), particularly in comparison with the incidence of audit committees; in 2008, 59% of Australia's top 250 companies had a nomination committee (Productivity Commission 2009, p.148).

This study lends support to nominations committees in Australia becoming more widely adopted in the evaluation of directors and their performance. Three of the remuneration policy and reporting recommendations presented in the Productivity Commission (2009, p.xlii) report, which were designed to improve transparency in the functioning of the nominations and remunerations committees, are highlighted as a means of addressing the issues identified in this study.

1.6. Thesis Tenet

The central tenet of this thesis is that the behavioural factors (experience, motivation and self-belief) related to the Chairman and CEO are significant in determining the success of M&A activity for acquiring shareholders. M&A activity is, on average, deleterious to acquiring firm shareholder wealth (Tuch & O'Sullivan 2007). The policy implications are that there are measurable factors related to the Chairman and CEO, these being tenure, agency and animal spirits, which can be incorporated into improved corporate governance processes.

1.7. Thesis Outline

The thesis comprises eight chapters. Chapter 2 reviews Australian and international M&A literature within the context of identifying factors which contribute to successful or unsuccessful value creation (Bruner 2004; Dodd 1976; Gregory 1997; Sharma & Ho 2002; Tichy 2001; Tuch & O'Sullivan 2007). Chapter 3 examines the theoretical underpinnings of the hypotheses that form the basis of the empirical study. Chapter 4 explores the literature pertaining to hubris syndrome and narcissism; it considers that literature alongside research examining hubris and seeks to contribute to the debate about whether narcissism is more prevalent in management practice than hubris.

Chapter 5 describes the sample and methodology for this study. Chapter 6 presents the results from the cumulative abnormal return analysis and Chapter 7 presents the interpretation of the results and the implications for the three hypotheses. Chapter 8 presents the conclusions from the study and their implications for corporate governance practice, and identifies further areas for research.

Chapter 2: Literature Review

2.1. Introduction

This chapter provides a review of the literature covering three main aspects of M&A:

1. Acquiring firm performance prior to and following an acquisition.
2. Bid characteristics.
3. Senior executive tenure.

Most M&A studies are based on mergers and acquisitions conducted in the USA or the UK, although in recent years more extensive analysis of European acquisitions has been undertaken (Gregoriou & Renneboog 2007; Martynova & Renneboog 2011).

The chapter is divided into three sections:

1. Review of international literature, in particular market-based performance analyses and their findings on M&A outcomes.
2. Review of Australian studies, including a summary of the three findings which are consistent in these studies.
3. Review of tenure of the Chairman and CEO in the acquiring firm, particularly in the context of the relatively high turnover of senior executives in the acquired firm.

The review of Australian studies is divided into two sections:

1. Acquirer and acquired firm performance.
2. Corporate governance.

2.2. Review of International M&A Literature

M&A activity has been analyzed using an array of techniques (Gregory 1997) across different periods of time (Martynova & Renneboog 2008) and in different countries (Gregory 1997; Martynova & Renneboog 2011; Sharma & Ho 2002; Tichy 2001). On balance the literature suggests that, whilst the acquired firm shareholders usually enjoy substantial gains from acquisitions, acquiring firm shareholders often lose value (Agrawal, A., Jaffe, J. F. & Mandelker, G. N. 1992; Dodd 1976; Gregory 1997; Hitt et al. 2009; Tichy 2001; Tuch & O'Sullivan 2007).

2.2.1. Accounting or Market-Based Data

A large number of studies have used market-based performance measures involving changes in share prices and remittance of dividends for the acquirer and target in relation to changes in the overall stock market as the basis of analysis (Agrawal, A., Jaffe, J. F. & Mandelker, G. 1992; Gregory 1997; Tuch & O'Sullivan 2007). Some studies, such as Dickerson *et al.* (1997), have used accounting data.

The use of accounting data has a number of weaknesses as a reliable basis for acquisition analysis, including the latitude which management can exercise in the preparation of accounting schedules. Dalton *et al.* (1998) argued that financial accounting measures:

1. Are subject to manipulation.
2. May systematically undervalue assets.
3. Create distortions due to the nature of depreciation policies elected, inventory valuation and treatment of certain revenue and expenditure items.

4. Differ in the methods adopted for consolidation of accounts.
5. Lack standardization in the handling of international accounting conventions.

Market-based performance measures, which use share prices, reflect risk-adjusted performance (Dalton et al. 1998) and are argued to be a more reliable measure of firm performance (Bruner 2004, p.35) with their emphasis on the estimated present value of future cash flows.

2.2.2. Agency, Stewardship, or Hubris

Underperformance in acquisitions is attributed by some authors to hubris or agency problems (Berkovitch & Narayanan 1993; Gregory 1997; Roll 1986; Sharma & Ho 2002).

Jensen and Meckling (1976) defined an agency relationship as a contract under which one or more persons (the principal) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent. However, one of the problems in agency relationships is that the principal and the agent may prefer different actions because of the different risk preferences (Eisenhardt 1989).

Agency Theory argues that shareholder and management interests are not always aligned and that mechanisms need to be put in place, such as outcome-based contracts and improved information systems for stakeholders, to provide some protection for shareholders (Eisenhardt 1989). Alternatively, Stewardship Theory holds that there is no inherent general problem of executive motivation, that the interests of shareholders and managers are aligned (Donaldson & Davis 1991). Agency theorists therefore argue for a separation of the roles of Chairman and CEO, whereas stewardship theorists argue for

combining the two roles into one person (Donaldson & Davis 1991).

Roll (1986) cited hubris as an explanation for why M&A activity often fails to create shareholder value. Hubris is overconfidence, potentially manifest as pride or arrogance. The hubris hypothesis is that decision makers in acquiring firms pay too much for their targets; if there are no gains in takeovers, hubris is necessary to explain why managers do not abandon these bids since reflection would suggest that such bids are likely to represent positive errors in valuation (Roll 1986). Roll explained that management intentions may be fully consistent with honourable stewardship of corporate assets but that mistakes can and will be made, an acknowledgement of the possibility that Stewardship Theory is more appropriate as an explanation of managerial behaviour than Agency Theory. Gregory (1997) concluded that hubris or 'managerialist theories of behaviour' are possible explanations for M&A outcomes since the outcomes are not consistent with shareholder maximization behaviour by the acquiring firm's management; Sharma and Ho (2002) found that hubris cannot be disregarded as an explanation for M&A outcomes in their Australian study.

Berkovitch and Narayanan (1993) and Seth *et al.* (2000) argued that agency problems, not hubris, seem to be the major reason for the existence of value-reducing acquisitions. They based this on the view that management are motivated by self-interest in acquisitions, that they are rent seeking, and that there is a negative correlation between acquirer returns and acquired firm returns².

Tichy (2001) argued that hubris is fuelled by business or stock market cycles and the optimism that they generate. Even when managers are aware of the probability of failure, their advisors, who typically earn fees based upon success in consummating an acquisition, will persuade managers to pursue and complete an acquisition. He observed that managers

² Appendix I provides a brief summary of some of the theories referred to in this study.

tend to overestimate savings which can be earned from an acquisition and to underestimate revenue losses, a process which is made worse by the failure of 'outside control'.

These findings reflect the generally high level of optimism associated with M&A activity and which is reflected in much of the literature that analyzes it (Hayward & Hambrick 1997; Malmendier & Tate 2008b; Roll 1986).

2.2.3. Market-based Performance Analyses

Many factors which may affect M&A outcomes have been examined in other studies (Agrawal, A., Jaffe, J. F. & Mandelker, G. 1992; Cartwright & Schoenberg 2006; Sharma & Ho 2002; Tichy 2001; Tuch & O'Sullivan 2007) and several of these, such as method of payment for an acquisition, were also examined in this study as part of the analysis of its three hypotheses. Tuch and O'Sullivan (2007) reviewed empirical research on the impact of acquisitions on firm performance and they identified several factors which have been cited as possible explanations for M&A outcomes, such as:

1. Whether the offer is friendly and accepted or hostile (the available evidence suggests that returns to acquirers involved in hostile bids may be more positive than for those companies completing unopposed takeovers).
2. Method of payment (cash acquisitions perform better than equity based acquisitions).
3. Relative size (positive gains in the long run from acquiring large targets).
4. Relatedness (non-conglomerate acquisitions exhibit a 6.2% higher combined market value increase for shareholders compared with conglomerate takeovers).

5. Pre-bid performance (low market to book (MTB) acquirers earn statistically significant gains of +16% in tender offers and +8% in mergers, over the three years after the acquisition (Rau & Vermealen 1998), with high Price/Earnings ratio P/E acquirers earning significantly negative returns following an acquisition).
6. Acquisition timing in the stock market cycle.

One of the main conclusions from their review was that long-run performance analysis reveals overwhelmingly negative returns for acquirers.

Tuch and O'Sullivan found that a negative correlation between pre-bid performance and post-bid performance may reflect overconfidence by the incumbent acquiring firm managers, a finding potentially consistent with hubris or animal spirits.

Cumulative abnormal returns (CAR) are often used in M&A studies to evaluate the effect of an acquisition on both acquiring and acquired firm shareholders (Tuch & O'Sullivan 2007). The CAR measures the change in a firm's share price (be it daily, weekly or monthly) over time plus the benefit of any dividend which is paid to the firm's shareholders during the period of analysis, and then offsets that result by the change in the share market index in the country in which that firm is domiciled and hence its share price traded in; this process derives the 'abnormal' return, which is what the shareholders earned over and above or below what they could have earned in the wider share market. In Australia the Australian Share Market Accumulation Index for the ASX 200 is the market index used to estimate 'abnormal' returns on Australian shares.

Gregory (1997) reviewed a number of M&A studies which examine the returns to shareholders of UK takeovers and conducted a study of 452 domestic takeovers by UK

publically listed companies between 1984 and 1992 with a bid value greater than £10 million. The average successful bid in his study had a value of £140.3 million and the median size was £33.6 million. Gregory concluded that takeovers are, on average, wealth-reducing events for acquiring companies. Using a number of techniques for measuring abnormal returns, he found CARs for the period up to 12 months following the announcement of the acquisition varying from -6.10% to -10.63% for the acquiring firm; for the period from announcement to 24 months later the CAR for the acquiring firm ranged from -11.82% to -18.01%.

Gregory found that his evidence was not compatible with shareholder value maximization behaviour, but rather was consistent with Roll's (1986) hubris hypothesis of takeovers and/or with 'managerialist' theories of behaviour. This conclusion emerged as a deduction rather than as the outcome of empirical analysis which assessed hubris behaviour.

In a US study of 937 mergers and 227 tender offers covering the period 1955 to 1987, Agrawal *et al.* (1992) estimated the cumulative average abnormal return (CAAR) to acquirer shareholders during each 12-month period following the acquisition; the results are presented in Table 2-1. Table 2-1. Abnormal Returns to Acquirer Shareholders

Months from Completion	CAAR
0-12	-1.53%
13-24	-4.94%
25-36	-7.38%
37-48	-8.67%
49-60	-10.26%

These results support the hypothesis that acquisitions fail to create value for acquiring firms.

The period within which the acquisition is being conducted is an important influence on the outcome, a view shared by Higson and Elliott (1998). In the 1950s, 1960s and 1980s the

CAARs were significantly negative, whereas in the 1970s the CAARs were insignificant, thereby explaining the outcome by Franks *et al.* (1991), who found no statistically significant abnormal performance for the overall sample of bidders in their analysis of 399 US acquisitions during the period 1975 to 1984.

In a review of 80 merger studies in North America, Europe and Japan, Tichy (2001) found a trend of declining acquirer returns from +20% five years before an acquisition announcement to –5% two years after and an average –10% five years after.

2.2.4. Other Studies

In a review of a number of studies, Jensen and Ruback (1983) found that cumulative abnormal returns decline during the year following an acquisition. They hypothesized that this could be a function of new information becoming available that was not available at the time of the announcement of the acquisition.

The form of the consideration paid (cash and/or equity) in M&A is often cited as an important factor in shareholder outcomes (Tuch & O'Sullivan 2007). It was one of the factors examined in this study. Four large-sample long-run studies all came to a similar view on the effect of cash versus equity bids on long run returns:

1. Linn and Switzer (2001) in a sample of 413 US acquisitions between 1967 and 1987 found that cash offers were associated with significantly greater increases in industry-adjusted pre-tax operating performance when compared with combination cash/stock offers, which dominated offers that involved only stock.
2. Sudarsanam and Mahate (2006), in a study of 519 UK acquisitions, found that equity

generated 20–22% fewer returns over a three-year period than cash acquisitions.

3. Loughran and Vijh (1997), in a sample of 947 US acquisitions between 1970 and 1989 with returns across a five-year period, found that complete stock mergers earned significantly negative excess returns of –25.0% whereas firms that completed cash tender offers earned significantly positive excess returns of 61.7%.
4. Conn *et al.* (2005) examined over 4,000 acquisitions by UK public companies between January 1984 and December 1998 and found, over a 36-month period, that domestic public targets financed by noncash methods resulted in significantly negative long-run returns, whereas those financed by cash did not.

By contrast, using a smaller sample size of 50 large US acquisitions, Healy *et al.* (1992) found that operating performance differences were not related to the method of payment. Likewise, in a small-scale Australian study of 36 acquisitions, Sharma and Ho (2002) also found that the form of acquisition financing did not influence post-acquisition performance.

Another factor cited as contributing to underperforming acquisitions is that the premium paid to target shareholders is too high relative to the synergies and other benefits intended to arise from the transaction.

Antoniou *et al.* (2008), in a study of 396 acquisitions involving public firms, found that the average premium paid to target firms was 45% ('the share price equals the difference between the initial bid price and the target market price four weeks prior to the initial merger announcement divided by the same target price four weeks prior to the announcement') and the CAR for the target firm was 17.6% in the five days surrounding the merger announcement. The acquisitions were relatively large with the deal value on average

54% of the size of the acquirer. They concluded that, although mergers do not benefit shareholders in the long run, there was no evidence that high premiums paid to target firm shareholders were responsible for this long-run performance.

Bugeja and Walter (1995), in a study of 78 Australian acquisitions, found that the premium paid was positively related to the performance of the bidder in the period prior to the bid, which in turn they suggested should be an indicator of the ability of the new management to add value to the acquired firm.

2.3. Australian Studies

Three findings are consistent in Australian studies:

1. Acquirers earn positive abnormal returns, better than non-acquirers, during the period prior to the acquisition (Bishop, Dodd & Officer 1987; Dodd 1976; McDougall et al. 1986; Sharma & Ho 2002; Walter 1984), with some evidence of further performance improvement during the three months immediately prior to the acquisition (Walter 1984).
2. Acquirers tend to earn negative abnormal returns during the two years following an acquisition (Bishop, Dodd & Officer 1987; Dodd 1976; Sharma & Ho 2002; Walter 1984).
3. The acquired firm earns a positive abnormal return during the three to six months prior to the acquisition (Bishop, Dodd & Officer 1987; Bugeja & Walter 1995; Dodd 1976; McDougall et al. 1986) and these returns are likely to be higher than for the acquirer during this period (McDougall et al. 1986).

Details on Australian studies are provided in the remainder of this section.

2.3.1. Acquirer and Acquiree Performance

Dodd (1976)

Dodd (1976) examined the effect of takeover offers on acquirer and target returns using a sample of offers for public companies listed on the ASX comprising 170 offeror companies during the period 1960 to 1970, of whom 136 made successful offers and 34 made unsuccessful offers, and 72 offeree companies. A takeover is defined as acquiring not less than 50% of the issued ordinary shares of a company. The purpose of the study was to examine the stock market price changes of the acquiring and acquired firms around the date of the takeover offer. His findings are as follows:

1. Shareholders of companies making takeover offers earned abnormal returns prior to the announcement of the offer. He suggested that successful firms had funds to invest and takeovers were viewed as a profitable avenue to invest these funds.
2. Successful offerors experienced abnormal negative returns consistently over the 24 months after the offer, with the CAR falling from +4.3% to -10.9%.
3. Post-offer results were not clarified or explained by the method of payment.
4. In an extended period analysis, the CAR for the successful acquirers fell by 14.4% (from +7.9% on announcement of the takeover to -6.5%) after 24 months and by 24.3% (from +7.9% to -16.4%) after 36 months.
5. The CAR of acquired firms rose by about 33% during the three months up to and including the offer month.

These findings support the proposition that, on average, acquisitions are value reducing for acquiring firm shareholders, but value enhancing for the acquired firm shareholders.

Walter (1984)

Walter (1984) examined 572 takeover bids involving Australian listed companies during the period 1966 to 1972; this comprised 368 offerors, of whom 271 were successful, and 383 acquired firms. The study examined share market responses to bids in the context of the Efficient Markets Hypothesis³ and the provision of information to the market arising from the bids; acquisitions were treated as corporate investment decisions. Walter suggested that acquisitions are pursued where resources are undervalued in the share market. Walter also suggested that acquisitions may be pursued for 'managerial self-interest' aided by the separation of ownership and control between shareholders and managers, and proposed that in an efficient market an offeror will set a bid price which reflects the expected return assuming a discount rate commensurate with the risk profile of the transaction. Offeree companies tend to have experienced prolonged periods of negative returns prior to an offer and then experience gains in the immediate period prior to and on the offer day. Walter's key findings were:

1. The CAR of acquired firms was +7.2% across the period from 100 weeks prior to an announcement to 10 weeks prior to an announcement. From 10 weeks prior to an announcement up to the announcement week the CAR increased from +7.2% to +35.2%, with +13.3% occurring in the announcement week.

³ Fama *et al.* (1969) examined the market reaction to share splits and found that 'the market's reaction to the information implications of a split are fully reflected in the price of a share at least by the end of the split month', leading them to conclude that 'the stock market is "efficient" in the sense that stock prices adjust very rapidly to new information', hence the Efficient Market Hypothesis. In the case illustrated the split caused share price changes to the extent associated with expected changes in the level of future dividends.

2. The CAR for 271 acquirers was +28.2% during the 100-week period up to and including the acquisition week. During the period from the announcement week to 100 weeks later the CAR for these successful acquirers fell from +28.2% to +26.7%.
3. The CAR for 97 unsuccessful potential acquirers was +44.0% at the announcement week compared with 100 weeks prior to that, and increased further to +65.3% 100 weeks after the acquisition announcement. One explanation of this outcome is that the market anticipated that prospective acquirers may be acquired themselves⁴.

The pre-announcement results in this study for successful acquirers are consistent with the findings of Dodd (1976) but the post-announcement results differ from those reported by Dodd. Walter suggested that his results for successful acquirers are consistent with the Internal Efficiency Hypothesis⁵. He also suggested that the different post-announcement outcomes between his study and Dodd may, in part, be due to a selection bias associated with data availability. In Walter's study the median market capitalization of his acquirers was five times that of the median size of the firms they acquired.

McDougall, Round, Crouch and Wirth (1986)

The study by McDougall *et al.* (1986) comprised acquisitions between listed companies in the industrial, transport and services industry classifications of the ASXs between 1970 and

⁴ From this sample, 15 of these firms were subsequently acquired or received bids, 15 announced dividend increases, and 57 made at least one bonus or rights issue.

⁵ 'The Internal Efficiency Hypothesis contends that the assets of the target firm were not being utilized efficiently prior to the takeover attempt. The bidding firm is assumed to be motivated by Information on the inefficiency. A special case of this hypothesis is that corporate takeovers are a means of disciplining inept management. Whatever the origins of the Inefficiency, the announcement of a takeover attempt is viewed as positive Information for the target firm. The information released is that stockholder wealth will Increase If the Inefficiency is eliminated Unless there are permanent barriers to the realization of these gains (in which case It is not an Inefficiency) the market value of the target firms will increase irrespective of the outcome of the tender offer' (Dodd & Ruback 1977, p.354).

1981, excluding mergers in the banking, finance and mining industries⁶. They identified six possible motives for takeover activity:

1. Accounting, financial and taxation motives.
2. Managerial motives arising from the separation of ownership from control and consequent agency problems.
3. Growth.
4. Risk reduction through diversification.
5. Profitability and efficiency.
6. Anti-competitive factors.

The study captured data for a period of up to five years (and a minimum of three years) both before and after the takeover.

Their key findings were as follows:

1. Acquiring firms (and their targets) experienced higher growth (total assets) during the pre-takeover period than a non-acquiring matched sample. The acquirers were on average 4.5 times larger, measured by total assets, than their targets. Other financial performance measures showed little differentiation between acquirer and target.

⁶ The final sample comprised 88 takeovers; several frequent acquirers such as Burns Philp, Industrial Equity, Elders-IXL and Adsteam were not included in their sample in order to comply with their requirement of having at least a three-year period before and after the takeover (without another takeover during that interim period) in order to isolate the effects and the determinants of that particular takeover.

2. In the post-takeover period the growth rate of the acquirer was greater than that of the matched sample, but there was no increase in profitability comparing the acquirer with the matched sample, suggesting acquirers lifted the profitability of the firms they acquire, but at the expense of their own profitability. Acquiring firms continued to grow at a faster rate than non-acquiring firms in the post-takeover period from both internal and external sources.
3. Based on the comparable size of the acquirer and target, the authors found that scale economies cannot be a major cause of takeovers.
4. Acquiring firms had higher average levels of leverage (by about 10%) in the post-takeover period than in the pre-takeover period.
5. Shareholders in the acquiring and target firms did better than shareholders in the matching non-acquiring firms in the pre-takeover period; target firm shareholders did consistently better during this period than the acquiring firms.
6. In the post-takeover period, acquiring firm shareholders fared worse than their counterparts in matched non-acquiring firms, but target firm shareholders gained. McDougall *et al.* (1986) suggested that this supports the view that the market for corporate control is efficient and that there are no bargains in this market.
7. In the absence of financial and economic gains in takeovers they concluded that takeovers, on balance, are caused by managerial or growth motives, or the desire to develop or enhance market power.

These findings are consistent with those of Dodd (1976) regarding the performance of the

acquiring firm during the post-acquisition period. They also introduced the idea of 'managerial' factors to explain the cause of acquisitions, which is a central theme of this thesis.

Bishop, Dodd, Officer (1987)

Bishop *et al.* (1987) considered two contrasting schools of thought regarding takeovers (pro- and anti-takeover):

1. The 'pro' school, which emphasizes the more efficient use of assets in the hands of an acquirer than in the hands of incumbent management, and
2. The 'anti' school, which emphasizes 'Managerial Theory' and the motivation of managers to increase the size of their firm and hence takeovers do not create value.

They examined CAR for 1,442 bids across the period 1972 to 1985; the targets were one-sixth the size of the bidding firms based upon medians of the market value of outstanding shares. In nearly 80% of cases cash was the form of payment. The premium offered to the target was estimated by measuring the offer price and the share price three months before the offer; the average premium varied from +25% to +80% during the period 1974 to 1985 in successful cash takeover bids. They used shareholder value as their measure of economic value in light of their concerns regarding the shortcomings of using accounting data for this purpose.

In contrast to McDougall *et al.* (1986), they did not use matching firms in their comparative analysis, because of the practical difficulty of finding firms that might have grown through acquisition but did not.

Their key findings based upon CAR were as follows:

1. Across a seven-month period from three months prior to the announcement to three months after the announcement, the mean change for CAR for successful acquirers was +7.9% and from 11 months prior to the announcement up until the announcement date the mean CAR for these acquirers was +12.1%. Over 60% of successful acquirers recorded positive abnormal returns over the seven-month period around the offer.
2. The CAR of bidding firms showed a steady increase during the three years prior to announcement, which suggests that bidding firms are typically those that have been doing well. The pre-acquisition performance of an acquirer proved to be an important indicator of likely success or failure of acquisition activity in this thesis.
3. Once the offer had been announced, the CARs of successful acquirers tended to plateau over the following 24 months, possibly reflecting the market's response to the frequent acquirers experience and track record. However, the CAR for firms making only one takeover offer rose by about 2% during the first two months following the announcement, but then fell by about 10% in the following 22 months.
4. The average CAR during the 36 months up to and including the announcement date was +23.9% for successful bidders.
5. Successful target firms earned an average CAR of +21.9% across the period from six months prior to the announcement to one month after the announcement. Target firms which were not acquired tended to maintain the share price premium which they accrued during the bidding process for 24 months after the bid announcement.

They concluded that on average shareholders gain considerably when they own shares involved in takeover transactions. Shareholders of target firms gain most, but shareholders of bidding firms also gain. They also found that bidding firms make takeover offers after having experienced abnormally high returns during the 36 months preceding the offer. On the basis of the evidence they concluded that public policy should not restrict the market for corporate takeovers in Australia.

Bugeja and Walter (1995)

In a review of 78 Australian takeovers⁷ between 1981 and 1988, Bugeja and Walter (1995) found that the average abnormal return for targets was 20%. They drew on Manne's (1965) argument that the process of management teams competing to manage corporate assets will result in improved economic efficiency, which is consistent with the Internal Efficiency Hypothesis (Dodd & Ruback 1977).

The CAR associated with the announcement was the cumulative market adjusted return from 60 days preceding the takeover announcement to one day following the takeover announcement. Bidder abnormal returns were calculated from 60 days prior to announcement until either one day or 20 days following the announcement.

Their key findings were as follows:

1. Positive cumulative abnormal returns (CARs) for the target firms started to occur 20–30 days prior to the announcement. The average target firm CAR for the period from 60 days prior to the announcement to one day after the announcement, expressed as $[-60, +1]$, was 16.03%. For bidding firms the average CAR for $[-60, +1]$ was -1.80% . Previous studies have tended to show small but significant positive returns around

⁷ In this sample, the market capitalisation of the bidder is three times higher than the target.

the announcement date of 2–4%. Target firms earned higher abnormal returns when target management recommended rejection of the offer, with +13.74% for target firm acceptors and +18.83% for target firm rejecters; the proportion of target firm rejecters in the sample of 78 was 45%.

2. In a finding which they observed was inconsistent with some previous studies, targets obtained higher returns when equity was the form of payment (18.33%) rather than cash (17.18%). Bidders also obtained a better return when equity was the form of payment (4.67%) rather than cash (–3.36%) during this period.
3. Assessing the prior performance of the bidder and target, by taking the CAR for the period 36 months to 11 months prior to announcement, showed target returns of –16.80% and bidder returns of –0.01% for that prior period.
4. The takeover premium was higher the better the bidder was performing prior to the announcement (from 36 months prior to 11 months prior).
5. There was a negative relationship between the takeover premium and the level of free cash flow in the target after controlling for growth opportunities, which the authors commented was ‘surprising and warrants further research’ since it is inconsistent with the free cash flow argument (Jensen 1986). This finding has implications for managing agency problems which may be encountered in M&A and is examined in this thesis.

da Silva Rosa, Izan, Steinbeck, Walter (2000)

In a study of 240 takeover bids⁸ in Australia across the period 1988 to 1996, da Silva Rosa *et al.* (2000) investigated the effect of the medium of exchange (cash or shares) for an acquisition on the outcome for the acquirer both in the longer term and around the announcement period. Their key findings were as follows:

1. Over the period $[-4,+2]$ days around the announcement date both cash and share bidders underperformed the market but the only statistically significant underperformance at the 5% level was that recorded by the share bidders.
2. Over the period $[-4,+2]$ days target firms earned higher abnormal returns from cash only (10.09%) than stock only (8.15%), but earned better returns with a mixture of cash and stock (10.42%); the only significant difference was between stock only and the mixture of stock and cash.
3. In the long-run post-bid performance analysis the performance of the bidding firms was consistent with the view that share bids signal bidders' shares were over-valued; the performance of cash bidders over the this period was 'solidly unexceptional'.

Sharma and Ho (2002)

Sharma and Ho (2002) discussed the advantages and disadvantages of accounting and cash flow measures for evaluating acquisition performance and highlighted shortcomings of a number of previous studies which had used these measures. They adopted earnings and cash flow (accounting-based) measures of acquisition performance. The acquisition theories which they highlighted are Synergy Theory, Corporate Control Theory and Free Cash Flow

⁸ In the sample 147 bids were cash only, 47 were stock only, and 46 were a mixture of stock and cash.

Theory⁹. Their sample comprised 36 Australian acquisitions during the period 1986 to 1991. Operating performance was measured within the period up to three years prior to acquisition and up to three years after acquisition, and a matched control firm was employed to proxy for industry and economy-wide factors; the industry of the acquirer at the time of the acquisition was used for matching on industry.

For the purpose of matching assets the combined total assets of the acquirer and acquired firm were used. To calculate the abnormal return for the pre-acquisition period, the control firm value was subtracted from the pre-acquisition combined firm value to derive the pre-acquisition adjusted value; a comparable process was conducted for the post-acquisition period. Their key findings were:

1. In terms of return on assets (ROA), the control firms performed statistically worse than the acquisition-involved firms in the pre-acquisition period; in the post-acquisition period, notably in the last two years (of three), the control firms outperformed the combined firms. In the first year following the acquisition, although not statistically significant, the combined firms performed better than the control firms.
2. Using profit margin as the measure of performance, the control firms outperformed the acquired firms each year either side of the acquisition, with the acquiring firms' profit margin relative performance steadily deteriorating up to the acquisition and steadily improving afterwards.

⁹ Each of these three theories is briefly explained in Appendix I.

3. For earnings per share the control firms outperformed the combined firms in the second and third year following the acquisition, suggesting that for many firms acquisitions do not lead to improved operating performance.
4. The combined firms performed significantly better with their cash flow¹⁰ than their control counterparts during the three years prior to the acquisition, but worse during the first year after the acquisition; after year 1 the cash flow measure steadily improved for the combined firms.
5. They concluded that corporate acquisitions do not lead to improved operating performance and industry segments have no significant effect on post-acquisition performance.
6. There was no significant effect from the type of financing on post-acquisition performance, although directionally ROE (Return on Equity) deteriorated with share financing from 0.063 as the mean post-acquisition control adjusted performance difference for cash financing, compared with -0.068 for share financing. Method of financing is one of the factors examined in this thesis.

Sharma and Ho (2002) argued that their results are consistent with the agency hypothesis (since the acquisitions resulted in worse post-acquisition performance but larger firm size), the hubris hypothesis (since their results did not show a post-acquisition performance improvement they concluded that 'the hubris hypothesis should not be disregarded as an explanation for corporate acquisitions in this study' (2002, p.189)) and the financial motivation hypothesis (an emphasis on acquiring poorly performing firms).

¹⁰ The cash flow measure used was cash flow from operations, minus preference dividends, on number of ordinary shares.

Contrary to the findings of Bugeja and Walter (1995) but consistent with Jensen's (1986) agency cost of Free Cash Flow Theory, they found that premiums paid are related to the level of cash flows available in the acquiring firm.

Malone and Ou (2008)

In a study of 529 acquisitions in Australia between 1990 and 2005, Malone and Ou (2008) found that the event month average abnormal return for Australian based acquirers was 2.7% ($p < 0.01$) within a range of +4.7% for acquirers who had positive returns in the prior six months, and -0.3% for acquirers with negative results during that six-month prior period. Further, 50.7% of acquirers had a positive return to their acquisition announcement in the event month. Notably companies with the strongest six-month prior period returns were much more likely to have positive stock market abnormal returns associated with their actions.

2.3.2. Corporate Governance

Corporate governance literature in the Australian context is limited and covers four main areas:

1. Interlocking directorships.
2. Board size and composition.
3. Governance committee adoption.
4. Board and director evaluations.

Kiel and Nicholson (2003) examined board characteristics and governance guidelines in

Australia, the UK and the USA. In a study of 348 companies listed on the ASX in 1996, they found the mean proportion of non-executive directors was 69%, and only 23% of firms had combined the roles of Chairman and CEO.

They found that no single theory offers a complete explanation of the corporate governance-corporate performance relationship, insofar that board composition does not appear correlated with stock market performance.

Carson (2002) reviewed the literature on audit committees, remuneration committees and nomination committees. She developed five hypotheses relating to governance stakeholders and examined them with a sample of 361 companies listed on the ASX. Some of the key statistics from her sample were:

1. 76% of firms had non-executive chairmen.
2. 69% of firms had non-executive board directors.
3. The average number of executive directors was 1.97.
4. 75% of firms were audited by 'Big 6' auditors.
5. 84% of firms had an audit committee.
6. 57% had a remuneration committee.
7. 17% of firms had a nominations committee.

Carson (2002) concluded that audit committees are a highly developed and mature governance mechanism, remuneration committees can be classed as a developing and maturing structure, whilst nomination committees are relatively immature. As an adjunct to

Carson (2002), Collier and Gregory (1999) found that audit committee activity was reduced when the roles of Chairman and CEO were performed by one person and that the presence of executive directors on the audit committee had a significant negative effect on audit committee activity.

2.4. Tenure of the Chairman and CEO

No academic studies have examined the joint tenure and relationship of a firm's Chairman and CEO and its effect on firm performance. Occasionally editorials (Frith 2010) or biographies (Sayer 2009) have provided some evidence of the nature and effect of this relationship (Appendix VII).

The Australian Government's report on Executive Remuneration in Australia (Productivity Commission 2009) highlighted an increasing focus on board governance and the complementary role in firm management of the executive directors, notably the CEO, and the non-executive directors, led by the Chairman (2009, p.140). The board has the authority to appoint and to dismiss the CEO as well as to determine the CEO's remuneration. According to this report, in Australia the number of non-executive directors on a board is greater than the number of executive directors, which in many cases comprises only the CEO.

A number of authors have concluded that organizational tenure is perhaps the strongest characteristic for distinguishing executives, as it reflects factors such as unique knowledge, perspective and insights into the organization that would be especially crucial to successful implementation of an acquisition (Bergh 2001; Finkelstein & Hambrick 1990; Haspeslagh & Jemison 1991).

Several studies have examined executive turnover in acquired firms and its effect on acquisition outcomes (Bergh 2001; Cannella & Hambrick 1993; Krug & Shill 2008; Walsh 1988). In a study of 124 acquisitions in the USA between 1986 and 1992, Bergh (2001) found a positive correlation between tenure of acquired company executives and post-acquisition performance. Bergh also concluded that the acquired firm was less likely to be subsequently disposed of by the acquirer, the longer the tenure of the acquired executives and, more specifically, the greater the retention rate of long-tenured executives than short-tenured executives.

Bergh's view on CEO tenure is similar to that of Simsek *et al.* (2005) in that CEO tenure, in line with the resource-based view, has a positive net effect on Top Management Team (TMT) processes and hence on performance. The idea of a link between CEO tenure and firm performance is being expanded in this thesis to encompass both the Chairman and CEO with firm performance, in the context of mergers and acquisitions.

Bergh's definition of tenure, in the acquired firm, is the mean number of years each of the acquired company top executives has been employed at the time of the acquisition.

Bergh summarized his findings as 'the benefits of long organizational tenure, such as more intimate understanding of the acquired company, lead to more successful outcomes than the benefits of short organizational tenure. The results suggest that one reason for the high frequency of acquisition failure might be because of the retention—and departures—of the wrong acquired company top executives' (2001, p.603).

The period of joint tenure of the acquiring firm Chairman and CEO is also likely to be important in light of the work of Krug and Shill (2008), Walsh (1988) Kiessling *et al.* (2008)

and Cannella and Hambrick (1993) and their findings regarding the rate of departure of acquired firm executives.

Walsh (1988) found that top management turnover rates following a merger are significantly higher than normal top management turnover rates and that senior executives are the first to turn over following an acquisition; however, as Walsh commented, there may also be an involuntary aspect to senior executive departures following acquisitions. This is compatible with the theory that acquisitions permit the replacement of inefficient managers with efficient ones (Sharma & Ho 2002) and hence contribute to savings from the acquisition.

Cannella and Hambrick (1993), from a sample of 96 acquisitions in the USA between 1980 and 1984, found that post-acquisition performance of the acquired firm was adversely affected by the departure of acquired firm executives regardless of the level of pre-acquisition performance and that the departure of senior executives had the greatest effect on subsequent performance.

Krug (2003) observed a much higher rate of executive turnover in merged firms than in non-merging firms, with about 25% of the acquired firm senior executives leaving within the first year, a rate about three times greater than senior executives in firms which had not been acquired. Krug and Shill (2008) observed an average top management team turnover rate of 24.3% in each of the ten years following the acquisition, compared with 12.1% for the same firms in the pre-acquisition period and 9.8% for non-merged firms during the entire period of the study.

In firms that had been acquired more than once, Krug observed an attrition rate of 48% of executives in the first year after the acquisition. 'In accordance with our current state of

knowledge of TMTs effectiveness we expect long-term instability in leadership to contribute to lower performance'(Krug & Shill 2008, p.20). Given there will be situations in which the acquiring firm will be seeking some headcount reductions in the acquired firm as a part of the process of gaining synergies from the acquisition, the inference from Krug and Shill's (2008) study is that the rate of management churn in acquired firms is greater than can be explained by targeted redundancies.

In a study of 714 takeovers in the US between 1990 and 1998, Lehn and Zhao (2006) found a significant negative relationship between the departure of CEOs during the five years following an acquisition and the returns (CAR) around the announcement day, with 50% of CEOs 'involuntarily' replaced within five years following the merger or acquisition.

Tenure may determine the nature of the influence which a CEO has on a firm and its performance. Cannella and Hambrick (1993) and Henderson *et al.* (2006) developed ideas on the various phases which CEOs go through during the course of their tenure and the role which the board of directors play in selecting a CEO with the most appropriate paradigm for the needs of the business.

In an analysis of firms in the computer and branded foods industries Henderson *et al.* (2006), using accounting measures of performance, found that firm level performance in the 'stable' food industry steadily improved with tenure but started to deteriorate amongst those CEOs who had been in situ 10–15 years; in the more 'dynamic' computer industry CEOs performed at their best during the early phase of their tenure.

2.5. Summary of Chapter 2

1. In long-term event studies, acquisitions tend to be value destroying for acquirers' shareholders and value enhancing for target firm shareholders.
2. Efficient Market Theory proposes that markets are efficient and that there are no gains to be derived from acquisitions. In that context acquisitions merely serve to redistribute wealth from acquirer shareholders to target shareholders. However, two possible exceptions to this could be either potential synergies or superior management of the operating assets in the acquired firms.
3. Acquiring firms tend to outperform the market prior to an acquisition, but not after it.
4. An alternative theory for M&A revolves around agency problems and the pursuit of managers' self-interest, or versions of over-confidence referred to as hubris.
5. The selection of statistical techniques can influence the outcome of the analysis, although the general direction of the outcomes in M&A analysis, from differing techniques, seems to be consistent. Cumulative abnormal returns are the generally preferred method of performance analysis rather than the use of accounting data. 'The only impact that model choice and return accumulation methods have is in terms of the size of the abnormal returns and sometimes on the conclusions drawn from the partitioning of the sample' (Gregory 1997, p.998).
6. There are some inconsistencies between studies in Australia but most of the

findings, using adjusted market returns, are consistent with international studies, with the exception of the findings that acquirers tend to maintain their abnormal returns for two years following an acquisition (Bishop, Dodd & Officer 1987; Walter 1984).

7. Although audit committees are very prevalent in Australian firms, nominations committees are not, and this may explain why there is still scope to improve director performance and accountability and hence improve shareholder value through better corporate governance practices.
8. Senior executive tenure is a key factor in determining firm performance. This is even more important within an acquirer given the evidence of high senior executive turnover in the acquired firm during the period after the acquisition.

Chapter 3: Theoretical Background

3.1. Introduction

Each of the hypotheses that form the basis of this study can be placed within the context of a specific theoretical framework. The three hypotheses and their respective theoretical frameworks are as follows:

1. **Hypothesis 1.** *The length of time that the Chairman and CEO of the acquiring firm have been together in their respective positions at the time of the acquisition will determine the success or otherwise of the outcome of the acquisition, indicating the value of experience.*

Theoretical framework: The Resource Based View (RBV) (Barney 1991) and the Upper Echelon Theory (Hambrick 2007; Hambrick & Mason 1984).

2. **Hypothesis 2.** *There is a negative correlation between the change in the remuneration of the CEO and the change in shareholder value in the period following an acquisition, indicating the conflicting nature of shareholder and management goals and the likelihood of agency problems.*

Theoretical framework: Agency Theory (Daily, Dalton & Cannella Jr. 2003; Eisenhardt 1989; Jensen & Meckling 1976) and its implications for the structure of CEO remuneration and corporate governance.

3. **Hypothesis 3:** *Animal spirits drive M&A behaviour and activity and they contribute adversely to shareholder outcomes.*

Theoretical framework: Animal Spirits identified by Keynes (1936, p.161) and

contemporized by Akerlof and Shiller (2009). (Hubris (Roll 1986) and narcissism (Higgs 2009) are also examined within the context of animal spirits).

In the following sections each hypothesis is examined within the context of the respective theoretical framework.

3.2. Hypothesis 1: Tenure of Chairman and CEO

The length of time that the Chairman and CEO of the acquiring firm have been together in their respective positions at the time of the acquisition will determine the success or otherwise of the outcome of the acquisition, indicating the value of experience.

Hypothesis 1 draws on the Resource Based View and Upper Echelon Theory. The period of tenure of a firm's most senior officers (Chairman and CEO) is put forward as a factor that influences acquisition success because of the positive characteristics of experience, top board team (TBT) cohesion and stability. These characteristics are not easily transferred if there is a change in either the CEO or the Chairman (Barney 1991).

3.2.1. Resource Based View (RBV)

Prahalad and Hamel (1990) asserted that the source of value creation within an organization is its core competencies, the 'collective learning of the organization' and its skill in co-ordinating activities, especially technologies or other intellectual property, to achieve protectable, differentiated, value-enhancing outputs. The concept of core competencies is embraced in the RBV of the firm, which claims that sustained competitive advantage arises when firms have resources which are valuable, rare, inimitable and not easily substitutable (Barney 1991; Teece, Pisano & Shuen 1997). The RBV assumes the heterogeneity of

resources across firms and that these resources are not easily transferred to another firm (Barney 1991).

Barney (1991) classified firm resources into three categories: 'Physical' (such as technology or plant and equipment), 'Human' (including knowledge, experience and relationships) and 'Organizational' (planning, reporting and co-ordinating systems). A firm is considered to have a sustainable competitive advantage when it is executing a value-enhancing strategy which is not being adopted by either an existing or a potential competitor and that no competitor is able to duplicate the benefits of that strategy (Barney 1991). In this context one of the unique resources within the firm will be the attributes of the people who, separately, occupy the positions of Chairman and CEO. Applying the earlier definitions, the Chairman and CEO are 'human' capital yielding 'organizational' capital depending on the period of positional tenure.

An *extended period of joint tenure* for a Chairman and CEO will satisfy the RBV requirement for sustainable competitive advantage because it is:

1. Valuable – long periods in situ will attest to this and the quality of their leadership.
2. Rare – the relationship and joint experience will be unique.
3. Inimitable – not directly capable of being copied. This applies particularly to the cultural environment created by the two business leaders.
4. Not easily substituted – recruitment and assimilation into a firm are time consuming and distractive processes.

The combination of the cultural challenges of business integration (Chatterjee et al. 1992;

Teerikangas & Very 2006) and the difficulties of merging different management styles (Datta 1991), in addition to the increased rate of senior executive turnover in the acquired firm (Krug & Shill 2008), serve to enhance the value to the acquiring firm's shareholders of long tenure by their Chairman and CEO. Scholars have argued that different industries have different characteristics (such as capital intensity, growth rate, type of technology) which in turn will affect an analysis of the ideal tenure for senior executives (Datta, Guthrie & Wright 2005).

The concept of the RBV was developed by Teece *et al.* (1997) in their 'dynamic capabilities' approach. In environments experiencing rapid technological change, they linked competitive advantage to distinctive processes, firm-specific assets and the 'evolution path the firm has adopted or inherited' (1997, p.509); emphasis is given to learning, the management of know-how and implementation rather than just 'strategizing' as the crucial components for sustaining competitive advantage. 'Capabilities' recognizes the role of strategic management in adapting, configuring and integrating organizational skills and competencies. Teece *et al.* argued that capabilities are better understood in terms of organizational structures and managerial processes than in terms of balance sheet items, enhancing the idea that core competencies may be more dependent on human capital than on physical capital.

3.2.2. Upper Echelon Theory

Consistent with the discussion on the role and importance of RBV and this study's focus on the Chairman and CEO, Hambrick and Mason (1984) argued for a new emphasis in macro-organizational research: an emphasis on the dominant coalition of the organization, in particular its top managers. Organizational outcomes – both strategies and effectiveness –

are viewed as reflections of the values and cognitive bases of powerful actors in the organization (Hambrick & Mason 1984). It is expected, to some extent, that such linkages can be detected empirically. As Hambrick and Mason (1984) suggested, such an empirical examination may benefit those responsible for 'selecting and developing upper level executives' (1984, p.193).

In summary, Hambrick and Mason took the view that 'top executives matter' (1984, p.194). The complexity of most businesses and their decision-making processes highlight the importance to those businesses of their two most senior managers (Chairman and CEO) and for shareholders to gain an understanding of how they function behaviourally and how they perform.

A related theoretical framework, Upper Echelon Theory, asserts that executives' experiences, values and personalities affect their choices and decisions (Hambrick 2007). Upper Echelon Theory is predicated on an examination of a senior manager's background and observable characteristics (age, tenure, education and career experiences) and their influence on performance; at the heart of this theory is the portrayal of upper-echelon characteristics as determinants of strategic choices and, through these choices, of organizational performance. Several propositions were developed by Hambrick and Mason (1984), notably those relating tenure to performance, which in this study is examined in the context of M&A activity and cumulative abnormal returns to shareholders as the measure of performance.

The Chairman and CEO may be considered as the ultimate top board team (TBT) in any organization. Hambrick (2007) placed considerable emphasis on the importance of the characteristics and behaviours of members of a TMT and introduced the concept of

‘behavioural integration’. He argued that TMTs have ‘few team properties’ (2007, p.336). However, behavioural integration has been shown to have direct positive effects on organizational performance (Hambrick 2007) and he proposed that the characteristics of these subgroups (such as the Chairman and CEO) should be analyzed in order to predict actions and performance. In concluding he remarked that more attention needed to be paid to the “structure” of TMTs, to complement and improve our understanding of TMT composition and processes.

The proposition therefore is that TMTs such as the Chairman and CEO can positively affect firm performance, but relatively little is known about some of the potentially value-enhancing features of a TMT (specifically the Chairman and CEO) and their influence on firm performance.

3.2.3. The Seasons of Tenure

No literature has been identified which explores the nature and effectiveness of joint tenure and its influence on firm performance. This study draws on literature which examines CEO tenure and how tenure may influence a firm’s activity.

A starting point is provided by Hambrick and Fukutomi (1991) and the five ‘seasons’ of a CEO’s tenure covering the period from the CEO’s commencement to departure from office. This concept of ‘seasons’ might operate in conjunction with the concept of joint tenure of the Chairman and CEO to explain the nature of the actions and decisions the Chairman and CEO take together, and the effect on a firm’s performance especially in M&A activity.

Hambrick and Fukutomi (1991) correlated the CEO seasons (Response to Mandate, Experimentation, Selection of an Enduring Theme, Convergence and Dysfunction) with

dimensions of change (Commitment to a Paradigm, Task Knowledge, Information Diversity, Task Interest and Power). For example, during the middle of their tenure period the CEO will typically be selecting the 'enduring theme' or strategy by which the organization will be run for the remaining period of the CEO tenure; during this phase 'task knowledge' and 'power' will be high in light of the period of tenure in office and hence organizational influence will also be high. The outcome might be the pursuit of a successful acquisition during the 'Convergence' period; this study examines the optimal period of joint tenure for a successful acquisition, a finding which may be related to the 'seasons' hypotheses.

Hambrick and Fukutomi (1991) concluded that a CEO's peak performance is likely to occur during the 'Convergence' stage. They also note that during the 'Experimentation' stage a CEO who has had some early successes and, as a result, enhanced power may embark on actions that deviate significantly from the mandate which the CEO received on commencing their role; this form of early 'season' action may be consistent with 'animal spirits', as examined in this study.

Henderson *et al.* (2006) examined the effect of CEO tenure on performance using accounting measures of performance within the 'stable' food industry environment compared with a 'dynamic' computer industry, and found that in the 'dynamic' environment peak performance occurred in year 1 of their tenures, whereas in the 'stable' food industry peak performance occurred at about year 11 of tenure. The mean CEO tenure in their samples was 7.82 years in the food industry and 6.59 years in the computer industry.

Finkelstein (1992) studied the effect of different types of power (structural, ownership, expert and prestige) held by subsets of managers on organization performance, including acquisitions. He proposed that Upper Echelon Theory (Hambrick & Mason 1984) should be

extended to encompass the notion that managerial power affects the association between top managers and organizational outcomes. Managers may have different origins of power depending on their background and therefore the type of power being exerted differs for different periods of tenure of the senior executives.

In summary, the nature of the influence which a senior executive (the CEO) has on a firm's performance will vary according to the period of time in tenure; these periods in tenure may be described as 'seasons'. Executive power influences strategic choice and outcomes, but the nature of the power may differ according to the period in tenure. Tenure influences firm performance, but the nature of the influence will vary according to the period of tenure. The effect of tenure on M&A performance is measured in this study.

3.3. Hypothesis 2: Agency Problems and the CEO

There is a negative correlation between the change in the remuneration of the CEO and the change in shareholder value in the period following an acquisition, indicating the conflicting nature of shareholder and management goals and the likelihood of agency problems.

Hypothesis 2 draws on the Agency Theory framework and the potential for conflict between a firm's managers and the shareholders.

Conflicts of interest between a firm's managers and its shareholders may arise when their goals and rewards are not aligned. The process for seeking alignment between managers' and shareholders' goals and rewards is imbued in the corporate governance practices of the firm and, specifically, through remuneration and nominations committees.

Hypothesis 2 proposes that there is likely to be a conflict of interest between shareholder

goals and management goals in the context of mergers and acquisitions. Jensen (1986) argues that the interests and incentives of shareholders and managers conflict over issues such as the optimal size of the firm; remuneration for managers increases as firm size grows, providing an incentive for managers to grow firm size beyond its optimal level.

Whilst examining Agency Theory, alternative theories such as Stewardship and Entrenchment are also considered because they may provide a better explanation of managerial behaviour.

3.3.1. Agency Theory

Agency Theory is concerned with the potential for parties to a transaction to have conflicting interests and goals, thereby resulting in actions which produce an outcome which is positive for one party but not the other. Asymmetry in the information available to the different stakeholders tends to exacerbate the potential for conflict of interest. Typically, a principal seeks to limit the potential divergent interests by providing incentives designed to produce an alignment in interests with agents; corporate governance processes such as remuneration and nominations committees are intended to provide transparency in the board processes to the shareholders.

Jensen and Meckling (1976) defined an agency relationship as a contract under which one or more persons (the principal) engage another person (the agent) to perform some service on their behalf which involves delegating some-decision making authority to the agent. Jensen and Meckling (1976) claimed that agency problems are widespread in organizations. Eisenhardt (1989) explained that one of the problems in agency relationships is that the principal and the agent may prefer different actions because of the different risk

preferences.

Establishing the risk profile of the agent and the principal assists in determining the key influences on firm strategy and tactics. For example, attitudes toward desired leverage may vary between agent and principal; higher levels of debt and minimizing free cash flow may be a very effective way of principals focussing management, who are agents, on optimizing cash management and minimizing the likelihood of investing in underperforming assets/projects (Eisenhardt 1989; Jensen 1986)¹¹.

3.3.2. Stewardship Theory

As an adjunct to Agency Theory, Stewardship Theory suggests that unified leadership, such as the case where the roles of Chairman and CEO are performed by one person, will facilitate superior firm performance (Dalton et al. 1998). It asserts that managers are highly motivated in their stewardship of corporate assets and that there is no misalignment between managers and shareholders; managers are inherently trustworthy and not prone to misappropriate corporate resources. Stewardship Theory focuses on 'empowering structures', that combining the roles of Chairman and CEO in one person will produce better returns to shareholders than splitting the roles between two people (Donaldson & Davis 1991). Stewardship Theory focuses on facilitative empowering structures in the delivery of organizational goals; this theory suggests that executives are not 'opportunistic shirkers' but rather 'essentially want to do a good job'.

Donaldson and Davis (1991) examined 337 US corporations (of which CEO duality structures – where the roles of CEO and Chairman are combined – occur in 76% of firms) and found that dual structures outperformed independent chair structures, with no evidence that

¹¹ The possible implications of free cash flow theory on dividend policy are discussed in Chapter 7.

superior performance is a result of 'special incentives' (such as long-term compensation) linking CEO performance with higher shareholder returns.

3.3.3. Entrenchment Theory

A further alternative to Agency Theory is Entrenchment Theory, which proposes that managers make investment decisions which are designed to increase their (managerial) value to the shareholders (Shleifer & Vishny 1989). A premise of this theory is that managers act as agents of shareholders and therefore have an incentive to increase their value to the shareholder even if this is at the expense of value accruing directly to the shareholders; this suggests that managers may act on an initiative which they are uniquely skilled to manage and thereby enhance their perceived value. Shleifer and Vishny (1989) argued that managers invest in businesses or assets related to their own background, thereby enhancing their value to the shareholders.

To counter this entrenchment effect 'firms with ample internal funds and cheap access to external capital impose binding capital constraints on their divisions and use above market discount rates in the capital budgeting process' (Shleifer & Vishny 1989, p.136). This situation occurs when, for example, firms make high dividend payouts to mitigate managerial entrenchment and agency problems (Jiraporn & Chintrakarn 2009).

Agency problems in M&A activity may be reflected in the different returns being earned by each main actor. The CEO earns remuneration and the shareholder gains through share price appreciation and/or dividends received. Evidence of agency problems may be revealed by examining the relationship between remuneration and shareholder returns. Hypothesis 2 arises because CEO remuneration structure is often linked to changes in sales revenue or

firm size (Grinstein & Hribar 2004), which in turn will be a consequence of an acquisition.

CEO remuneration around the time of an acquisition has been the subject of several studies. Guest (2009) found that CEOs are rewarded equally for bad and good acquisitions and those well rewarded are more likely to re-acquire. Further, CEO compensation in acquiring firms increases significantly in the year following the acquisition but changes moderately thereafter.

Consistent with agency problems and with a possible rationale for M&A, Girma *et al.* (2006) found that company performance had an insignificant impact on executive remuneration, whilst firm size has a positive effect on CEO compensation. Similarly, Harford and Li (2007) observed that compensation changes around major capital expenditures were much smaller and more sensitive to performance than changes related to acquisitions, supporting the notion that boards treat internal and external investment differently. Further, in a study of 300 firms in the UK between 1983 and 1991, Gregg *et al.* (1993) found a weak correlation between firm performance and directors' remuneration; size was a more important determinant of remuneration.

The existence of agency problems has prompted many regulatory authorities in the USA and UK to provide more stringent corporate governance guidelines for boards of directors, thereby potentially aligning shareholder interests and returns with management interests and returns (Dedman 2002; Jensen 1993; Productivity Commission 2009).

3.3.4. Corporate Governance and Agency Problems

It is required of a board of directors to adopt corporate governance practices which in part meet the challenge of agent-principal conflict. This encapsulates that firms have an Audit

Committee, Remuneration Committee and Nominations Committee. The Remuneration Committee decides on the remuneration for the directors and senior managers; the Nominations Committee is responsible for the appointment of directors and senior managers and monitoring their performance; the Audit Committee focuses on issues relevant to the integrity of the company's financial reporting.

Both the structure and modus operandi of a board of directors may influence its effectiveness in addressing agency problems. Hermalin and Weisbach (2003) reviewed studies on the relationship between activities of boards and identified a number of factors in the relationship between governance and CEO performance and remuneration:

1. Board composition (internal or external directors) is not correlated with performance.
2. When the CEO has performed exceptionally well, the board's independence declines.
3. CEO turnover is more sensitive to performance when the board is more independent.
4. The probability of independent directors being added to the board rises following poor firm performance.
5. Board independence declines over the course of a CEO's tenure.
6. Target boards with a high proportion of outside directors generate better value for shareholders than target boards with a low proportion of outside directors in the sale process (implying outside directors are more effective in negotiating on behalf of shareholders than do insider directors).
7. Interlocking directorships provide the CEO a degree of control over his/her board or, at the very least, that the CEO has the bargaining power to obtain a friendly board and positively affect his/her remuneration.

These findings suggest that the greater the incidence of independent directors, that is, directors with no prior involvement with the firm's activities, on a board of directors then the greater is the likelihood that a CEO will be held to account for performance.

Byrd and Hickman (1992) and Dalton *et al.* (1998) found that board composition had little effect on firm performance. Further, Dalton *et al.* found no systematic relationship between leadership structure (expressed as Chairman and CEO, whether the roles are combined or separate) and financial performance, irrespective of whether accounting or market-based performance indices are used.

The sample in this thesis only comprises acquiring firms in which the board is described as having non-duality or an independent structure with the roles of chairman and CEO performed by different people. Australian firms, especially large firms, typically separate the roles of chairman and CEO (Productivity Commission, 2009, p.92). Studies, which have examined the performance effect of duality or non-duality, produced ambivalent findings with Baliga, Moyer and Rao (1996) concluding that there is no significant difference in firm performance arising from different duality statuses, Sundaramurthy, Mahoney and Mahoney (1997)) who found that governance practice may be enhanced when the roles are separated, and Boyd (1995) who found that the duality-performance relationship is moderated by environmental uncertainty.

3.3.5. Governance and Remuneration

The requirement that boards adopt corporate governance best practice for the purpose of removing conflicts of interest and promoting board accountability (Productivity Commission 2009, p.xiv) has its test in an examination of the effectiveness of the board in aligning CEO

remuneration with firm performance and shareholder returns, particularly in M&A activity. The data tend to suggest that CEO remuneration is more closely aligned to firm size (typically measured in terms of sales revenue) than shareholder returns and that the higher the proportion of executive directors on the board the greater the increase in the CEO's remuneration.

In a UK study of 971 acquisition announcements between 1998 and 2002, Coakley and Iliopoulou (2006) found that CEOs earned higher levels of performance-related cash pay in firms with a higher level of executive to non-executive directors on their boards. They also found that larger boards awarded higher levels of cash pay to their CEOs after M&A completion.

Grinstein and Hribar (2004) demonstrated that CEO remuneration tended to increase in line with changes in sales revenue. Acquisitions often result in significant changes in the acquirer's sales revenue and this typically leads to increases in CEO remuneration regardless of whether or not the acquisition creates increased value for the shareholder.

Coakley and Iliopoulou (2006) and Core *et al.* (1999) examined factors which contribute to changes in CEO remuneration in the UK and USA. Their findings are summarized as follows:

1. Larger boards awarded CEOs significantly higher bonuses and salary following M&A completion¹².
2. Board independence (number of non-executive directors) was important in determining acquiring firm CEO salary, with the ratio of executive to non-executive directors having a significant positive affect on CEO salaries; CEO compensation was greater with fewer independent outside directors on the board and an increasing

¹² The median UK board size was 9 in their study (Coakley & Iliopoulou 2006).

function of board size. They observed that this indirectly supported the managerial power view that CEOs of less independent boards received higher levels of cash pay (Coakley & Iliopoulou 2006).

Overall, studies suggest that weak governance allows stronger power on the part of the CEO and this results in a negative relationship between CEO compensation and stock return performance (Core, Holthausen & Larcker 1999).

3.4. Hypothesis 3: Animal Spirits and M&A Outcomes

Animal spirits drive M&A behaviour and activity and they contribute adversely to shareholder outcomes

Hypothesis 3 is developed within a framework of ‘animal spirits’ (Keynes, J. M. 1936, p.161), but with consideration being given to hubris and narcissism. It suggests that M&A activity is not a purely rational process and that a manager’s psychological traits and characteristics influence the process.

3.4.1. Animal Spirits

‘Animal spirits’ refer to people’s changing emotions, their confidence, envy, hope, anxiety, excitement, depression. A distinction between hubris and narcissism, for example, on the one hand, and animal spirits on the other is that hubris and narcissism are developed personal characteristics whilst animal spirits arise in the market, although the reaction to these market developments may vary from individual to individual.

The concept of animal spirits was adopted by Keynes (1936) in *The General Theory of Employment, Interest and Money* to explain the driver of human behaviour which did not

conform to rational diagnosis at the time of the inter-World War economic depression.

Quoting from his book (1936, p.161):

Most, probably, of our decisions to do something positive, the full consequences of which will be drawn out over many days to come, can only be taken as a result of animal spirits – of a spontaneous urge to action rather than inaction and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities.

Keynes's view was that actions are not necessarily a function of rational calculation of costs and benefits. Rather, judgement for a course of action is often based on optimism or pessimism, or the glowing or diminishing of animal spirits. This glowing or dimming of animal spirits may also be considered as degrees of confidence, a term often cited in discussions of alternatives to animal spirits such as hubris (Malmendier & Tate 2008b; Roll 1986). Keynes believed that animal spirits could play a positive, and important, role in influencing business activity: 'if the animal spirits are dimmed and the spontaneous optimism falters, leaving us to depend on nothing but a mathematical expectation, enterprise will fade and die' (1936, p.162).

Keynes noted that when estimating the prospects of investment 'we must have regard to the nerves and hysteria ... of those upon whose spontaneous activity it largely depends' (1936, p.162). He concluded that it is our 'innate urge to activity which makes the wheels go round ... often falling back for our motive on whim or sentiment or chance' (1936, p.163).

Keynes's view was that animal spirits are the main cause for fluctuations in the economy (Akerlof & Shiller 2009, p.xxiii), a forerunner of behavioural economics (Akerlof & Shiller

2009, p.xxv). Akerlof and Shiller focussed on the concept of confidence as a key component of animal spirits (2009, p.13), beyond purely rational decision making. When people are confident they behave in a certain way, such as regularly buying a wide range of goods and services; when they lack confidence, changing sentiment will result in them being inclined to be more prudent and save, even though their economic circumstances have not changed. The change in behaviour to save became a prominent feature of the economic landscape in Australia during the recent Global Financial Crisis (Stevens 2010).

In a broader economic context, Akerlof and Shiller (2009, p.173) argued that the government must intervene in the economy's workings to prevent massive swings, to set the conditions in which animal spirits can be harnessed. The parallel to this form of intervention within a business context is that played by the board of directors with respect to corporate governance practice.

Akerlof and Shiller (2009, p.4) explained animal spirits as 'a restless and inconsistent element in the economy'. This idea of 'a restless and inconsistent element in the economy' may be applicable in the context of a firm and be linked to decisions regarding acquisitions. It suggests that variability in a firm's performance may provide a stimulus for a decision to pursue an acquisition. Evidence of this feature of performance variability for a firm prior to an acquisition is presented in Chapter 7.

Keynes (1936), in developing his antidote for the Great Depression, recognized the importance and 'instability' of human nature and its influence on behaviour; human nature is neither rational nor analytic in its influence on behaviour.

Keynes (1936) explains animal spirits as a 'spontaneous urge to action' linking the changes in

the economic environment and outlook to individual investment decisions. Akerlof and Shiller (2009, p.132 - 133) also explain volatility in, for example, stock prices as a function of both rational and irrational factors. Market conditions, such as a bull market, will produce different behaviours than a bear market. Ultimately decisions occur at an individual level, for example in an acquisition, and therefore individual decisions matter.

3.4.2. Hubris

Hubris is often cited as an explanation for management behaviour in M&A (Gregory 1997; Sharma & Ho 2002). Hubris is reviewed in the next two sections along with narcissism; a more detailed discussion of hubris, hubris syndrome and narcissism is contained in Chapter 4. The main distinction between hubris and animal spirits is that hubris and narcissism are personal characteristics, whereas animal spirits is a market condition.

In the context of acquisitions, the hubris hypothesis (Roll 1986) asserts that decision makers in acquiring firms pay too much for their targets on average, based on the self-belief that they can value targets better than the market consensus. Roll proposed that if there are no gains in takeovers, hubris is necessary to explain why managers do not abandon these bids since reflection would suggest that such bids are likely to represent positive errors in valuation (1986). This is wrong if Hypothesis 2 is true, since Hypothesis 2 proposes that agency factors may drive M&A activity.

Roll's (1986) fundamental assumption in support of his hypothesis was that markets (financial, product and labour) are efficient and that if a rational bidder offers target shareholders more than the market price for their stock then the market has incomplete information regarding the cash flow outlook of the bidder and the target and that the bidder

has this information.

Roll highlighted that one problem which may affect the interpretation of share price movements around the time of a bid is 'contaminating information', this being information which may pertain to other aspects of the firm's performance but which, by becoming available to the market at the same time as an announcement about a bid, can confuse the real assessment of the impact of the bid announcement on share prices.

3.4.3. Narcissism

An alternative to hubris as an explanation for managerial behaviour is narcissism. Chatterjee and Hambrick (2007), following the work of Hayward and Hambrick (1997), distinguished between hubris and narcissism. 'Hubris is a psychological state brought on by some combination of confidence-buoying stimuli and one's narcissistic tendencies. Research on narcissism, as a dispositional trait, leads to the conclusion that narcissism is the more fundamental, ingrained property¹³¹⁴. Hubris lacks key elements of narcissistic personality, most notably, a sense of entitlement, preoccupation with self and continuous need for affirmation and applause. Narcissism is a more ingrained trait than hubris' (Chatterjee & Hambrick 2007, p.357). Acquisition activity is particularly suited to narcissists with their attention-seeking nature and engagement in bold attention-seeking behaviours (Chatterjee & Hambrick 2007).

¹³ Chapter 4 examines hubris, hubris syndrome and narcissism in more detail.

¹⁴ For further research see Emmons (1984) and his examination of the Narcissistic Personality Inventory (NPI), Raskin and Terry (1988) and their extension of Emmons's work and the development of measures for narcissism, and Rhodewalt and Morf (1998), including their finding that narcissists experience greater mood swings (including anger) as a consequence of learning positive and negative information about themselves.

3.5. Summary of Chapter 3

1. The three hypotheses in this thesis each have a theoretical basis:
 - a. Hypothesis 1: Resource Based View (RBV) and Upper Echelon Theory.
 - b. Hypothesis 2: Agency Theory.
 - c. Hypothesis 3: Animal spirits.
2. The RBV is satisfied in Hypothesis 1 because the Chairman and CEO are valuable, rare, inimitable and not easily substituted. Upper Echelon Theory justifies this hypothesis because of the importance of upper echelon characteristics as determinants of performance.
3. Agency Theory is concerned with the potential for parties in a transaction (shareholders and managers) to have conflicting goals and different methods of returns. CEOs are often rewarded in line with changes in sales revenue and not the outcome of a transaction.
4. Animal spirits is a market-based condition which results in behaviour changes which in turn influence managerial decisions.

Chapter 4: Development

4.1. Introduction

This chapter examines the behavioural characteristics of hubris and its alternatives of narcissism and hubris syndrome in more detail. The chapter challenges the frequent use of hubris in M&A literature (Gregory 1997; Roll 1986; Sharma & Ho 2002) as a behavioural explanation for M&A performance.

Narcissism and hubris syndrome (not to be confused with hubris in Roll (1986)) have more substantive research evidence in support of their efficacy than hubris and therefore may provide an explanation for poor performance in M&A. The relevance of this literature to the central hypothesis of this study, the impact of the relationship between the Chairman and the CEO, is examined.

Leadership personality and M&A success

A number of studies have examined the role of leaders in the change management processes. Bass (1990) observed that superior leadership performance (transformational leadership) occurred when leaders broadened and elevated the interests of their employees. Bono and Ilies (2006) identified a positive link between leader emotions and follower mood: their research indicated that leaders' emotional expressions play an important role in the formation of leader effectiveness and attraction to leaders, and charismatic leadership is linked to organizational success. This link between positive employee moods emerging from leaders with a positive mood and firm performance was supported by (Sy, Cote & Saavedra 2005).

A leader or CEO may be defined as being charismatic¹⁵ or transformational¹⁶ (Bass 1990; Bass & Avolio 1990), both potentially positive attributes with characteristics such as inspirational motivation or intellectual stimulation, but in the absence of a counter-balance such people may become unproductive narcissists (Maccoby 2000). Narcissists can be productive but, as Maccoby (2000) argued, they need trusted colleagues to help them to avoid the limitations and negative aspects of their traits.

The relationship between Chairman and CEO may help to mitigate the undesirable side-effects of narcissism (Maccoby 2000), or hubris, while enhancing positive attributes. In this context it is important to distinguish between hubris and narcissism.

4.2. Hubris: Evidence

Leadership style and behaviour is recognized as being an important contributor to firm performance (Bass & Avolio 1990), especially in situations where significant decisions, such as an acquisition, are being made (Chatterjee & Hambrick 2007). Some doubt exists (Bruner 2004, p.76) as to whether it is hubris which influences CEO behaviour, with its avoidance of managerial irrationality (Sirower 1997, p.161-163). Concerns have been raised regarding the ability to measure hubris and which factors to select to attempt some form of measurement (Sirower 1997, p.12; Tichy 2001).

According to Roll (1986), bidding firms influenced by CEO hubris pay too much for their targets in the sense that some acquisitions fail to add value. Many M&A studies (Tuch & O'Sullivan 2007) have demonstrated that acquiring firm shareholders lose value as a consequence of their firm making an acquisition. Is there a measurable connection between

¹⁵ Charismatic leaders inspire and excite their employees with the idea that they may be able to accomplish great things with extra effort (Bass 1990).

¹⁶ Transformational leaders elevate the desires of followers for achievement and self-development, while also promoting the development of groups and organisations (Bass & Avolio 1990).

poor M&A outcomes and evidence of hubris, thus providing support for Roll's hypothesis? If strong leadership is a key factor in successful investment decisions, then poor leadership will contribute to failed investment decisions. But what constitutes 'poor leadership'?

Several studies have identified CEO hubris as a possible contributor to poor M&A outcomes (Gregory 1997; Sharma & Ho 2002), but they have done so by induction, as a result of the failure of other possible factors which they have measured and tested being able to explain their M&A outcomes. In a study of 452 M&A transactions in the UK, Gregory found no evidence of shareholder wealth maximizing behaviour on the part of acquiring firms' management, claiming the evidence was 'consistent with Roll's hubris hypothesis' (1997, p.998). However, no data or analysis were presented which link firm M&A performance with hubris.

In a study comprising 36 M&A transactions in Australia and using accounting measures of firm performance, Sharma and Ho (2002) found evidence of results consistent with agency problems and also results which 'imply' that the hubris hypothesis should not be disregarded as an explanation of M&A outcomes. Like Gregory's (1997) results, there was no direct statistically verified evidence of hubris, although both studies indicated that some form of behavioural influence affects poor M&A performance.

Measuring hubris is difficult. Sirower (1997, p.12) claimed it is not possible to test whether the hubris hypothesis – or the hypothesis that managers simply pursue their own objectives – is the true explanation of M&A performance, consistent with Agency Theory. Tichy (2001) noted that theories around management self-interest cannot easily be checked for their concordance with the driving motive of acquisitions such as Roll's (1986) Hubris Theory.

Bruner (2004, p.76) raised concerns about the potential for ambiguity with the hubris hypothesis. Roll (1986) suggested that confidence is a manifestation of hubris whereas Malmendier and Tate (2008b) asserted that overconfidence is better explained by Agency Theory.

Malmendier and Tate (2008b) found 'unambiguously' that an important factor which enables CEOs to pursue acquisitions is that their firms have sufficient internally generated funds, a view consistent with Jensen's (1986) Free Cash Flow Theory. They also proposed that overconfident managers overestimate their ability to create value.

Through the development of a series of theoretical models, Aktas *et al.* (2009) examined how CEO hubris influences bidding behaviour in hostile acquisitions. They distinguished between how hubris might lead to overestimation of potential synergies in an acquisition and how a CEO may interpret the reaction of the market to past deals. They did not find a strong link between CEO hubris and the declining trend in CARs in acquisitions.

Billett and Qian (2008) asserted that hubris tends to be a characteristic of multiple acquirers rather than single acquirers. They developed the idea of 'self-attribution bias', which occurs when managers over-emphasize their role in bringing about positive outcomes. They examined frequent and infrequent acquiring firms, defining frequent acquirers as those who have acquired at least two public companies within a five-year period. They concluded their evidence was consistent with the notion that acquirers with no acquisition history show no sign of hubris. They proposed that hubris associated with acquisition experience leads to more acquisitions and that historical stock price performance drives decisions regarding acquisitions.

Using a sample of 3,357 acquisitions of publically traded US firms involving 2,301 different CEOs, Billett and Qian (2008) found support for the hypothesis that positive cumulative abnormal returns following acquisitions will lead to a greater probability for subsequent deals; however, subsequent deals have negative announcement effects and non-positive cumulative abnormal returns. They concluded that acquisitions are more likely to occur when the stock market as a whole has performed well and when the firm's stock performance has been strong.

4.3. Narcissism

As noted by Chatterjee and Hambrick (2007), it is possible that a Chairman or CEO may have narcissistic tendencies with respect to merger and acquisition activity.

Hubris is just one possible contributor to failed acquisitions; alternative explanations are narcissism and hubris syndrome. Narcissism has been explored within the context of leadership by Higgs (2009), Kets de Vries (1993) and Chatterjee and Hambrick (2007). Narcissism¹⁷ is defined as emotional self-investment. When normal, it leads to self-regard and mature aspirations. When pathological, it is accompanied by inordinate demands upon oneself, excessive dependence upon acclaim from others and deteriorated capacity for interpersonal relations.

Narcissistic personality disorder can be defined as an exaggerated sense of self-importance, a tendency to overvalue one's actual accomplishments, an exhibitionistic need for attention and admiration, and preoccupation with fantasies of success, wealth, power and esteem.

¹⁷ Highly narcissistic CEOs are defined as those who have very inflated self-views and who are preoccupied with having those self-views continuously reinforced (Campbell, Goodie & Foster 2004).

Chatterjee and Hambrick (2007) distinguished between hubris and narcissism. They defined hubris as a psychological state brought on by some combination of confidence-buoying stimuli and one's narcissistic tendencies. They asserted that narcissism is a more fundamental property, while hubris lacks key elements of narcissistic personality, most notably a sense of entitlement, preoccupation with self and continuous need for affirmation and applause. Narcissism is a more ingrained trait than hubris (Chatterjee & Hambrick 2007) and a narcissistic personality stirs hubris. They argued that acquisition activity is particularly suited to narcissists with their attention-seeking nature and engagement in bold attention-seeking activity (Chatterjee & Hambrick 2007).

The measures of narcissistic tendencies adopted by Chatterjee and Hambrick (2007) included an examination of the incidence of CEO photographs in annual reports, CEO prominence in company reports and a comparison of the CEO's compensation (cash and non-cash) with the second-highest paid executive in their firm. Their study captured firms in the computer hardware and software markets in the USA between 1992 and 2004. They concluded that CEO narcissism is positively related to 'strategic grandiosity', as indicated by the number and size of acquisitions, and that these results supported the view that narcissism is a personality dimension rather than a pathological category. This means that narcissists are very confident about their abilities in task domains, to the point of being objectively overconfident, rating themselves very highly on competence and leadership (Chatterjee & Hambrick 2007).

Chatterjee and Hambrick found that a firm's performance (measured either by Return on Assets (ROA) or Total Shareholder Returns (TSR)) was no better or worse than for a firm with a non-narcissistic CEO. However, they highlighted that this finding may be a function of the

‘dynamic’ industry in which their analysis was based. They suggested that narcissism could have a negative effect on firm performance in more stable industries which call for more consistent strategies and steady continuous improvement. The implication of this finding is that the characteristics required of a CEO may differ between industries, and that appointing a CEO with the appropriate industry-specific, risk-based, behavioural characteristics will be of significance when examining large-scale investments such as a merger or acquisition.

Higgs (2009) identified four central themes from the literature on ‘bad’ leadership, which he suggested arise from positional power:

1. Abuse of power, including for personal goals or gain.
2. Inflicting damage on others, such as bullying or coercion.
3. Over-exercise of control to satisfy personal needs, accompanied by an obsession for detail.
4. Rule breaking to serve own purposes, such as corrupt, unethical or illegal behaviour.

Higgs argued that the consequences of ‘bad’ leadership impact in the longer term through the debilitating impact on morale and motivation of subordinates and the reduced ability of people to work together productively in teams. He identified behavioural characteristics which may be observed in a Chairman or CEO and related these to four distinct elements of the narcissistic trait which aid in understanding narcissism, particularly when there is evidence of excess of the trait:

1. Exploitativeness/Entitlement: ‘I demand the respect due to me’.
2. Leadership/Authority: ‘I like to be the centre of attention’.

3. Superiority/Arrogance: 'I am better than others'.

4. Self-absorption/Self-admiration: 'I am pre-occupied with how extraordinary I am'.

These narcissistic traits provide a wider range of observable characteristics than the hubris explanation for explaining the behaviour of a CEO or Chairman in failed acquisitions. These provide a guide for observable behaviours which may be monitored in any performance review process established by a nominations committee for its Chairman and CEO. It is proposed in this study that these behavioural influences of the Chairman and CEO that may affect firm performance in M&A activity are capable of observation and therefore correction. The eventual outcome should be improved shareholder returns in future merger and acquisition activity.

The difficulties for conducting research in this area of M&A study include the selection of a reliable measurement for narcissistic and hubris behaviour and obtaining the support of CEOs to facilitate the examination of such behaviour.

The potential for narcissism or hubris by either the Chairman or CEO highlights the importance of the role played by either the CEO or the Chairman in the joint leadership combination of a Chairman and CEO. The potential consequences of narcissism were reviewed by Higgs (2009) and this in turn indicated the importance of the countervailing influence of a Chairman and CEO in their partnership. The period of joint tenure and the complementarity of the leadership styles of a Chairman and a CEO becomes even more important in this, potentially narcissistic, context.

The negative aspects of narcissism are reflected in organizational consequences (Higgs 2009) such as creation of a blame culture, unethical behaviour, abuse of power and often

organizational collapse. Higgs commented on the potential for positive outcomes from narcissism, citing Finkelstein and Hambrick (1996) and Chatterjee and Hambrick (2007). Higgs concluded that, whilst not all 'bad' leadership is caused by narcissism, narcissistic leadership is damaging to an organization internally (e.g. culture) which ultimately leads to longer term deterioration in organizational performance.

The value of the partnership of a Chairman and CEO was further highlighted by Maccoby (2000). Maccoby drew on Freud's analysis of erotic, obsessive and narcissistic personality types. Erotic personality types are those for whom loving and being loved is most important and they tend to make poor leaders. He claimed obsessives create and maintain order and make the most effective operational managers; they are self-reliant and conscientious. Narcissists are independent and not easily impressed; they are innovators, driven in business to gain power and glory and they want to be admired.

Further, Maccoby (2000) claimed narcissists lack empathy and typically have few regrets; they direct rather than coach, and organizations led by narcissists are generally characterized by intense internal competition. In order to avoid the worst characteristics of narcissistic leadership it is proposed that these leaders should find a colleague to work closely with, someone who is likely to be a 'productive obsessive' in personality type, and someone who can get his leader or partner to accept new ideas. Examples where such working partnerships at the top of an organization have occurred include Microsoft and Oracle. Maccoby's analysis provided a framework, based on Freud's work, to explain how and why the joint tenure hypothesis works.

4.4. Hubris Syndrome

The personal characteristics of the CEO are known to influence the managing style of firms, which is particularly important in large investment decisions such as mergers and acquisitions (Aktas, de Bodt & Roll 2009).

Having examined the traits of hubris and narcissism, a blend of these two characteristics is now considered. Let this be entitled hubris syndrome.

Owen and Davidson (2009) considered hubris in medical terms. They asserted that extreme hubristic behaviour is a syndrome, constituting a cluster of features ('symptoms') evoked by a specific trigger (power) and usually remitting when power fades. 'Hubris syndrome' is seen as an acquired condition and therefore different from most personality disorders which are traditionally seen as persistent throughout adulthood. Their key concept was that hubris syndrome is a disorder of the possession of power, particularly power which has been associated with overwhelming success, held for a period of years and with minimal constraint on the leader. In the context of M&A activity, this form of 'minimal constraint' on a CEO is consistent with weak corporate governance or an ineffective Chairman in a firm.

In considering hubris syndrome as a potential personality disorder, Owen and Davidson (2009) posed a question as to whether it differs from narcissistic personality disorder, and concluded that some of the symptoms are identical and some are different. In politics, as well as in business, it is very difficult to undertake clinical tests on possible sufferers, mainly in light of their status and unwillingness to participate in the requisite manner. Some of the symptoms of hubris syndrome, which seem to be very similar to those for narcissism, were identified by Owen (2009) and summarized in Owen and Davidson (2009, p.3) as follows:

(i) sees the world as a place for self-glorification through the use of power; (ii) has a tendency to take action primarily to enhance personal image; (iii) shows disproportionate concern for image and presentation; (iv) shows excessive self-confidence; (v) resorts to restlessness, recklessness and impulsive actions.

Consistent with the findings of Chatterjee and Hambrick (2007), Owen and Davison (2009) found that qualities such as charisma, charm, the ability to inspire, persuasiveness, breadth of vision, willingness to take risks, grandiose aspirations and bold self-confidence, are often associated with successful leadership. Yet these very same qualities can be marked by impetuosity, or a refusal to take advice. This can result in disastrous leadership and cause damage on a large scale (Owen & Davidson 2009), such as with a merger or acquisition.

The focus of this study is the influence of a Chairman and a CEO on firm performance in M&A. This chapter suggests that narcissism and 'hubris syndrome' may provide greater insight into some managerial behaviour than hubris (Roll 1986) itself, which is often cited (Gregory 1997; Sharma & Ho 2002) as a cause of adverse M&A outcomes. The chapter also indicates that the different behavioural characteristics of a Chairman and a CEO may be complementary in their ability to enhance their own and their firm's performance.

4.5. Summary of Chapter 4

In many academic reviews of M&A activity, hubris is most often cited as the main behavioural factor affecting leadership and therefore M&A outcomes. This chapter examines this assertion through a review of some of the literature and finds that hubris is difficult to measure and that it may not be the main behavioural causal factor for business outcomes that some studies suggest. Narcissism is suggested as a possible alternative to hubris, with very different associated personal characteristics, which can have an adverse effect on business, including M&A, outcomes. MacCoby (2000) has suggested that identifying and understanding these different traits can be important in the design of the top management team of an organization. In more recent times hubris syndrome has been identified with leaders and their use of power.

These behaviours (hubris, narcissism, hubris syndrome) don't only have negative consequences for a firm. However, a lengthy period of joint tenure by a Chairman and a CEO is likely to be effective in controlling the potential for negative consequences arising from these behaviours.

Chapter 5: Sample and Methodology of the Research

5.1. Introduction

This chapter explains the methodology adopted for the study and provides details on the sample of acquisitions. The chapter begins with a description of the dataset, followed by a discussion of the timeframe of the analysis, the sample structure, methodology, identification of dependent and independent variables and an explanation of the format of the equations.

5.2. Dataset

The data in this study comprised 47 acquisitions undertaken in Australia during the period 1990 to 2006. The cut-off date of 2006 was chosen to provide three years of data following the acquisition completion date in order to assess performance of the transaction. Both the acquiring and acquired firms were ASX-listed companies¹⁸.

The acquisitions were obtained from Thomson Reuter's 'Thomson One' database. Additional data sources were the annual reports of the acquirer and the acquired firm, Datastream, Aspect Huntley, the *Australian Financial Review*, the Reserve Bank of Australia (RBA) and the ASX for the S&P/ASX 200 Accumulation Index.

The sectors from which the 47 acquisitions were drawn are presented in Table 5–1.

¹⁸ One exception to this rule was Landmark, which was acquired by AWB from Wesfarmers; Landmark was included in the sample because the data which this study required could be sourced for both acquirer (AWB) and acquired firm (Landmark).

Table 5–1. Sectors

Category	Number of Acquisitions
Health Care	5
Media & Entertainment	8
Consumer Staples	10
Industrials	8
Real Estate	4
High Technology	1
Retail	1
Financials	8
Energy & Power	1
Consumer Products & Services	1

The only sector omitted was ‘materials’ or mining and related activities; this is consistent with earlier studies in Australia by Sharma and Ho (2002), McDougall *et al.* (1986) and Kiel and Nicholson (2003), which also excluded the ‘materials’ sector.

The population from which the sample was drawn were all acquisitions in Australia between 1990 and 2006.

5.3. Timeframe of Analysis

M&A studies adopt one of two timeframes for their analysis:

1. An examination of the announcement effect for both target and acquirer shares (a short-event window).
2. The effect on longer-term performance for the shares of the acquirer across a two-to-five-year period following the acquisition (a long-event window).

Sudarsanam (2010, p.114) found that short-horizon event studies assume that stock prices react almost instantly to an event reflecting informational efficiency in the market; but he

observed that a growing body of literature argues that stock prices adjust slowly over longer time periods (typically three to five years) to information to get a full view of market inefficiency. Gregory and McCorriston (2005) observed that recent finance research has suggested that announcement period returns may not fully reflect the wealth effect of an event. This study adopted a long-event window approach across a three-year timeframe. Specifically, this study calculated three-year returns to acquiring firm shareholders following completion; returns to acquiring firm shareholders were also calculated for the three years prior to the acquisition. Returns to acquired firm shareholders were calculated from six months prior to completion up to the completion date.

Previous studies in Australia have observed the following outcomes:

1. Acquirers earn positive abnormal returns during the period prior to the acquisition (Bishop, Dodd & Officer 1987; Dodd 1976; McDougall et al. 1986; Sharma & Ho 2002; Walter 1984).
2. Acquirers tend to earn negative abnormal returns during the two years following an acquisition (Bishop, Dodd & Officer 1987; Dodd 1976; Sharma & Ho 2002; Walter 1984).
3. The acquired firm earns a positive abnormal return during the three to six months prior to the acquisition (Bishop, Dodd & Officer 1987; Bugeja & Walter 1995; Dodd 1976; McDougall et al. 1986) and these returns are likely to be higher than for the acquirer during this period (McDougall et al. 1986).

In keeping with Bruner (2004, p.33), the shareholder measurement comprised a 'raw' return and a benchmark return. The 'raw' return in any month is the percentage change in the

share price over the month, plus dividends paid to the shareholders in that month. The abnormal return is the raw return less a benchmark return based on the performance of the S&P/ASX Accumulation Index. The difference is the cumulative abnormal monthly return (CAR).

A long-term horizon was selected for the study because it allows time for the integration of the acquiring and target firm and the performance of the acquisition to be meaningfully analyzed. The downside of long-term studies is that factors external to the acquisition may impact on the performance of the acquiring firm. However, the mean size of the acquisitions in the study largely helped to mitigate the impact of other factors on CARs for the acquiring firm post acquisition¹⁹.

The mean consideration paid for the acquisitions in the study was A\$1,048m²⁰. The mean size of the acquirer, measured by net assets in the year prior to the acquisition, was A\$1,640m. The mean size of the target, measured as net assets recorded in the last annual report issued by the target prior to acquisition, was A\$483m. The ratio of acquirer net assets to target net assets was 3:1.

5.4. Sample Structure

Table 5–2 identifies the acquisitions in the study. Forty-seven acquisitions were undertaken by 39 firms.

¹⁹ Other factors occurred, for example, following the acquisition of Colonial Bank by Commonwealth Bank of Australia (CBA) in 2000. After CBA acquired Colonial Bank, the CBA pursued a series of organizational restructurings which had a material effect on CBA's performance during the period following the Colonial acquisition.

²⁰ The dollar values reported in this study are all expressed in Australian dollars.

Table 5–2. Study Sample

Acquirer	Target	Consideration (A\$m)
Jupiters	AWA Ltd	145.88
Toll	Finemore Holdings	120.00
Lang Corp.	Holyman Ltd.	124.00
Downer	Evans Deakin	253.90
Bendigo Bank	First Australian Building Society	134.00
Fosters Brewing	Mildara Wines	476.60
Lion Nathan	Petaluma	235.50
Wesfarmers	IAMA	160.27
Westpac	Challenge Bank	684.00
Argo	Bounty Investments	177.85
Toll	Patrick	6763.00
Stockland	Advance Property Fund	552.18
Westpac	Bank of Melbourne	1169.00
CBA	Colonial	9120.00
St. George	Advance Bank	2660.00
Tabcorp	Star City	902.33
Seven Network Ltd	Sunshine Broadcasting Network Ltd.	111.34
Goodman Hardie	Capcount Property	285.63
Healthscope	Gribbles	288.26
Metcash Ltd	Foodland (FAL) Ltd	1007.39
Australand	Walker	246.40
Evans Deakin	Clyde Industries	181.65
Wesfarmers	Howard Smith	2023.00
Sothorn Cross Broad.	Telecasters Australia	260.00
Sothorn Cross Broad.	Southern Star Group	94.67
Mirvac	J. Fielding	384.90
Burns Philp	Goodman Fielder	2000.00
CCA	Ardmona	523.50
Tabcorp	Jupiters	1102.60
Boral	Sagasco Holdings	819.80
Primary Health Care	H. C. N.	117.13
Multiplex	Ronin	1174.91
Tattersall (Tatts Grp.)	Unitab	2075.35
Healthscope	Nova Health Limited	72.85
Fosters	Southcorp	3200.00
Pacific Dunlop	Petersville Sleigh	404.97
AMP	GIO	1134.00
Ruralco	Roberts	130.68
Transurban Group	Hills Motorway	2002.23
ABC Learning Centres	Peppercorn Group	242.13
Mayne Symbion	Australian Hospital Care (AHC) Group	198.28
Mayne Symbion	Fauldings	2355.00
AWB	Landmark	703.00
Tabcorp	Tab	2137.70
Forrester Parker	Peter Kurts Property Ltd	121.94
Grand Hotel Group	Australian Tourism Group	128.36
GUD	Sunbeam	71.00

In the sample, one firm (Tabcorp) completed three acquisitions during the period of the study; two acquisitions were completed by each of Healthscope, Mayne Symbion (otherwise known as Mayne Nickless), Fosters, Wesfarmers, Southern Cross Broadcasting and Westpac Bank. Twenty of the acquisitions occurred during 1998 to 2001, 19 between 2003 and 2006, none in 2002, six between 1995 and 1997, and one each in 1993 and 1991. From Martynova and Renneboog's (2008) definition of wave periods (when M&A activity is very intense), 28 of the acquisitions occurred during Wave 5 (1993–2001) and 19 in Wave 6, which started in 2003 and ended in 2008.

Other selection criteria for the sample were:

1. The consideration was a minimum of A\$50 million.
2. Only Australian acquisitions were included.
3. Up to three years pre- and post-completion data were available.

The two largest acquisitions in the study were the Commonwealth Bank of Australia's purchase of Colonial Bank (A\$9,120m) and Toll's purchase of Patrick (A\$6,763m). If these two acquisitions are excluded from the study the average consideration paid was A\$742m, the average net assets of the acquired firms was A\$359m and the average net assets of the acquirer prior to the acquisition was A\$1,653m. For these transactions the acquiring firm was 4.6 times larger than the acquired firm at the time of the acquisition. This result is consistent with the findings of McDougal *et al.* (1986), but slightly larger than the average size of the sample by Bishop *et al.* (1987) and slightly smaller than the average size of the sample by Bugeja and Walter (1995).

5.5. Methodology

The research design involved regressing 21 independent variables with 4 dependent variables to test for joint tenure (Hypothesis 1), agency factors (Hypothesis 2) and animal spirits (Hypothesis 3). The methodology involved regressing cumulative abnormal returns (dependent variables) against data related to independent variables, including joint tenure of the Chairman and CEO in the acquiring firm, CEO remuneration, consideration paid, earnings per share and the acquirer's performance during the period prior to completion in order to test the three hypotheses.

The event study methodology is based on the work of Fama *et al.* (1969), who used a window of 30 months before and after the event describing as 'abnormal' movements in share prices of the firm being examined compared with the general movement in the New York Stock Exchange at that time. This relatively simple adjustment for market movements is considered to be adequate when compared with more complex adjustments and is therefore often used in event studies (Dimson & Marsh 1986).

The benchmark date, as the base for estimating returns, was the month of completion of the acquisition. Two of the dependent variables analyzed in this study were the cumulative abnormal return during the period up to three years following completion (CARB) and the CAR during the four-year period from one year prior to completion to three years following completion (CARA).

The study has, as a focus, an examination of the outcome of the acquirer's acquisition during its period of ownership, namely when the acquired firm was being managed by the acquirer's managers. The market's view, during the period prior to completion, on potential

anticipated effects arising from the acquisition, may not be correct since factors such as experience, agency theory, and animal spirits may not be taken adequately into account by the market during this period. This study assesses the actual returns following the acquisition.

5.6. Dependent and Independent Variables

Four dependent variables in this study were:

CARB: Cumulative abnormal return to the acquirer for the three years following completion.

CARA: Cumulative abnormal return to the acquirer for the three years following completion plus the year prior to completion.

TGTCAR: Target firm cumulative abnormal return at completion from six months prior to completion adjusted by ASX Accumulation Index.

CONSIDPERACQ2: Consideration paid by acquirer as a percentage of the acquirer's net assets in the year prior to completion.

The dependent and independent variables included in the modelling are summarized in Table 5–3.

Table 5–3: Dependent and Independent Variables Examined

1	<p>CARGAVE: the annual average cumulative abnormal return for the acquirer during the period three years prior and two years prior to completion.</p> <p><i>Examining the acquirers' performance two to three years prior to the acquisition.</i></p>
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2	<p>CARCCARGAVE: Cumulative abnormal return for the acquirer in the year prior to completion minus the average cumulative abnormal return during years 2 and 3 prior to completion.</p> <p><i>This was a measure of animal spirits reflecting the extent to which cumulative abnormal returns during the year prior to completion are better or worse than the average CAR during the preceding two years. Economic conditions prevailing during the immediate (12-month) period prior to an acquisition may have a significant influence on some managers' judgement giving rise to excessive optimism. This concept of animal spirits is recognised in economics literature (Keynes (1936), Akerlof & Shiller (2009)).</i></p>
3	<p>CARTOTOD: cumulative returns from the ASX Accumulation Index for the period up to three years prior to completion.</p> <p><i>This was one of several measures of ASX market performance used in the study to examine the effect of overall market performance on acquirer outcomes.</i></p>
4	<p>CARD Toto Average: cumulative returns from the ASX Accumulation Index for the period up to three years prior to completion expressed as a per year average across that three-year period.</p> <p><i>An annual measure of average overall ASX market performance.</i></p>
5	<p>CARC Toto: cumulative returns from the ASX Accumulation Index for the period one year prior to completion.</p> <p><i>This was also one of several measures of ASX market performance used in the study to examine the effect of market influences on outcomes, this time during the year prior to the acquisition.</i></p>
6	<p>JTENURE: period of joint tenure for Chairman and CEO at the time of completion for acquiring firm.</p> <p><i>This was the period of time during which the Chairman and CEO have been in their respective roles together. The source of this data was the annual report of the acquirer.</i></p>
7	<p>CEOTENURE: period of tenure for the CEO at completion time for acquiring firm.</p> <p><i>The period of time that the acquiring firm CEO has been in that role prior to the date of completion of the acquisition.</i></p>
8	<p>REMCHG: change in acquiring firm CEO's remuneration in year of completion compared with prior year.</p> <p><i>The data for CEO remuneration was taken from the acquiring firm's annual reports. During the early years of the period of this study, directors' remuneration was often presented in the notes to the accounts and stated within a narrow band, for example 1,400,001–1,410,000, in which case the mid-point of this band was taken as the CEO's remuneration for that period.</i></p>

9	<p>CONSIDERATION: amount paid by acquirer for target firm, expressed in A\$ millions.</p> <p><i>This was the consideration paid by the acquirer for the acquired firm as stated in the acquirer's annual report.</i></p>
10	<p>CONSIDPERACQ2: Consideration paid by acquirer as a percentage of the acquirer's net assets in the year prior to completion.</p> <p><i>This was a measure of the relative size of the acquisition for the acquirer, by relating the consideration paid to the acquiring firm's net assets. It gives an indication of the potential risk to the acquirer if the acquisition is unsuccessful.</i></p>
11	<p>MEDIA: Media exposure is measured using Factiva database (on August 25th, 2010) with the sum of the Chairman and CEO mentions in the media during the period one year prior to completion to the period one year after completion; all media sources used in the data collection are within the region Australia and New Zealand.</p> <p><i>This variable was used as a possible measure of hubris similar to Hayward and Hambrick (1997).</i></p>
12	<p>TGTCAR: Target firm cumulative abnormal return (CAR) at completion from six months prior to Completion adjusted by ASX Accumulation Index.</p> <p><i>This was a measure of the return to the acquired firm shareholders by examining the cumulative abnormal return during the six months up until completion. Six months was used across all acquired firms with the objective of starting the analysis prior to an acquisition being announced.</i></p>
13	<p>CUMTGTPRCHG: Change in target firm share price during the six months up to completion.</p> <p><i>This was a measure of the change in the acquired firm's share price without an adjustment for market changes (i.e. the ASX Accumulation Index).</i></p>
14	<p>NATGT: Net assets of Target in Target's final year Annual Accounts.</p> <p><i>This was the measure adopted for the size of the target (acquired) firm in order to examine if target size was a significant factor in determining the outcome of an acquisition, particularly when compared with the size of the acquirer.</i></p>
15	<p>Tgt NPAT: Target's Net Profit after Tax (NPAT) in their final year published Annual Accounts.</p>
16	<p>NPAT Yr -1: Acquirer's Net Profit After Tax (NPAT) in financial year prior to completion.</p>
17	<p>NAACQ: Net Assets Yr -1, Acquirer's Net Assets in financial year prior to completion.</p> <p><i>This was the measure used for the size of the acquirer.</i></p>

18	NPAT Yr +3: Acquirer's NPAT during third year after completion.
19	Net Assets Yr +3: Acquirer's Net Assets in third year after completion.
20	<p>NATGTACQ: Net Assets Target divided by Net Assets Yr -1 (for acquirer), as defined above.</p> <p><i>This was the comparative measure adopted for the size of the target as a proportion of the size of the acquirer in order to examine if relative size was a significant factor in determining the outcome of an acquisition, particularly when compared with the size of the acquirer. Tuch and O'Sullivan (2007) cited studies which observe that relative size can have an influence on M&A outcomes; this study also seeks to identify any statistically significant correlation with M&A outcomes.</i></p>
21	<p>EQUCASH: Equity (1) versus cash (0), composition of consideration paid between equity (1) and cash (0) to target shareholders, with equity (cash) representing at least 50% of the consideration involved in the acquirer's offer.</p> <p><i>Method of payment is occasionally cited as influential on M&A outcomes (Tuch & O'Sullivan 2007).</i></p>
22	<p>Leverage Acquirer: Borrowings (current and non-current) or Interest Bearing Liabilities divided by Total Equity, for the acquiring firm, in the year prior to completion.</p> <p><i>This was the measure used for examining leverage as an independent variable</i></p>
23	<p>POR (Dividend payout ratio): Proportion of Diluted Earnings per Share for the acquirer paid as dividend in the year of the acquisition (NB, after goodwill amortization).</p> <p><i>Agency Theory (Jensen & Meckling 1976) and Free Cash Flow Theory (Jensen 1986) make reference to the role of dividend payout ratios as an influence in M&A activity.</i></p>
24	<p>EPS: Earnings per share, in cents.</p> <p><i>The EPS was for the acquiring firm in the year of the acquisition completion.</i></p>
25	<p>DIVISHARE: Dividend paid in cents per share.</p> <p><i>This was the dividend per share paid during the year of the acquisition completion by the acquirer.</i></p>
26	<p>PERATIO: Price Earnings Ratio.</p> <p><i>The share price of the acquirer at the end of the final month of the financial year in which the acquisition was completed, divided by earnings per share for that financial year.</i></p>

27	<p>BOARDIRECT: Number of board directors at time of completion in acquiring firm; alternative directors are not included, nor is the company secretary.</p> <p><i>The role of board structure (including number of executive directors on a board and their percentage of the total board) has been cited in previous studies as an influence on business performance. This was one of the independent variables adopted in this study to examine board structure effects in M&A.</i></p>
28	<p>EXECDIRS: Number of executive directors on the board of the acquiring firm at the time of completion.</p>
29	<p>PERCENTEXECDIR: Percentage of the acquiring firm board who are executive directors.</p>
30	<p>Beta: Beta for the acquirer at the end of the month of completion of the acquisition.</p>
31	<p>Linear A: 1-0 coding with 1 = Positive CARA and 0 = negative CARA outcome for the acquirer.</p>
32	<p>Linear B: 1-0 coding with 1 = Positive CARB and 0 = negative CARB outcome for the acquirer.</p>
33	<p>CARB1: cumulative abnormal return for the acquirer during the first year following Completion.</p> <p><i>This study examined acquirer abnormal returns during each of the three years following the acquisition, as well as across the three periods following the acquisition, in order to identify any correlations or patterns in acquirer performance between successful and unsuccessful acquirers.</i></p>
34	<p>CARB2: cumulative abnormal return for the acquirer during the second year following completion.</p>
35	<p>CARB3: cumulative abnormal return for the acquirer during the third year following completion.</p>
36	<p>CARC: cumulative abnormal return for the acquirer during the year before completion for acquirer.</p> <p><i>This variable may be a factor in examining animal spirits, as well as enabling a comparison to be made of the acquirer's performance, during the period prior to an acquisition, with previous M&A studies for consistency.</i></p>
37	<p>CARD: cumulative abnormal returns for the period up to three years prior to completion for acquirer.</p>
38	<p>Completion Date: Month and year of acquisition completion.</p>

5.7. Regression Equations

The regression equations in this thesis took the following form:

$$\text{INDEP} = C + \text{ADEP}_1 + \text{BDEP}_2 + \text{ΓDEP}_3 + \text{ΔDEP}_4 + \text{EDEP}_5$$

where DEP_n are independent variables (numbered 1–n) which are significantly correlated at least at the 10% level to the independent variable INDEP; C is a constant.

In addition, simple correlations were conducted relating the dependent and independent variables with each other²¹ to observe if any collinearity was present. Tests were conducted for other variables, such as CEOTENURE in the equation, both in place of JTENURE and in addition to JTENURE. Binary analysis and discriminant analysis were also undertaken to provide additional verification of the results from the regression analyses. Such analysis may explain success or failure better than the numerical value of CAR.

Appendix III presents the dataset by dependent and independent variable for each acquisition; Table 5–4 presents some of the key data from Appendix III.

²¹ Appendix II.

Table 5–4. Key Dependent and Independent Variable Data by Acquisition

Acquirer	Target	Completion date	CAR A	CAR B	Joint Tenure	Rem. Chg.	Tgt CAR
Jupiters	AWA Ltd	January, 2000	59.14	94.12	8.75	126.8	11.070
Toll	Finemore Holdings	March 2nd, 2001	132.80	73.10	15.00	142.5	6.764
Lang Corp.	Holyman Ltd.	December 23rd, 1999	127.16	64.94	7.75	100.0	101.439
Downer	Evans Deakin	February 6th, 2001	88.10	63.45	4.00	111.3	16.935
Bendigo Bank	First Australian Building Society	October, 2000	23.05	49.02	12.00	100.0	9.544
Fosters Brewing	Mildara Wines	February 9th, 1996	31.34	38.18	0.40	99.3	22.871
Lion Nathan	Petaluma	October, 2001	47.06	35.07	0.25	102.7	7.011
Wesfarmers	IAMA	February, 2001	70.59	34.92	8.50	123.0	22.451
Westpac	Challenge Bank	December, 1995	45.38	31.59	3.00	96.9	35.321
Argo	Bounty Investments	November, 2000	10.78	25.29	2.00	105.8	2.985
Toll	Patrick	May 10th, 2006	17.65	19.58	4.00	108.0	16.101
Stockland	Advance Property Fund	October 1st, 2000	10.15	14.98	10.00	155.2	17.423
Westpac	Bank of Melbourne	November, 1997	27.70	9.91	5.00	124.6	12.908
CBA	Colonial	June 13th, 2000	10.13	9.75	0.66	102.7	38.660
St. George	Advance Bank	January 29th, 1997	-1.64	7.53	0.33	129.9	15.844
Tabcorp	Star City	October 14th, 1999	-12.99	6.35	5.00	172.9	-1.415
Seven Network Ltd	Sunshine Broadcasting Network Ltd.	October 20th, 1995	13.63	5.27	0.00	100.0	31.558
Goodman Hardie	Capcount Property	June, 1999	-8.23	4.92	4.00	153.5	0.858
Healthscope	Gribbles	December 21st, 2004	2.29	2.05	7.00	155.8	53.038
Metcash Ltd	Foodland (FAL) Ltd	November 2nd, 2005	21.40	-1.59	6.00	136.0	-6.055
Australand	Walker	January 13th, 2000	14.59	-3.73	5.00	141.8	9.409
Evans Deakin	Clyde Industries	July 1st, 1996	-11.84	-6.19	2.00	132.0	20.766
Wesfarmers	Howard Smith	August, 2001	62.82	-9.66	9.00	260.8	48.988
Sothorn Cross Broad.	Telecasters Australia	August 1st, 2001	1.21	-11.32	1.40	100.5	51.860

Acquirer	Target	Completion date	CAR A	CAR B	Joint Tenure	Rem. Chg.	Tgt CAR
Sothorn Cross Broad.	Southern Star Group	April 15th, 2004	-10.47	-17.90	2.00	111.9	20.859
Mirvac	J. Fielding	January 7th, 2005	-28.40	-18.15	0.00	112.1	3.465
Burns Philp	Goodman Fielder	June 12th, 2003	-10.33	-20.33	5.75	72.2	11.491
CCA	Ardmona	February, 2005	-26.09	-22.46	3.25	131.8	25.279
Tabcorp	Jupiters	October 31st, 2003	-30.51	-23.10	1.00	115.8	-5.594
Boral	Sagasco Holdings	November, 1993	-33.27	-24.22	0.00	146.7	18.611
Primary Health Care	H. C. N.	February, 2005	-12.35	-25.04	9.00	120.0	25.435
Multiplex	Ronin	November, 2004	-26.52	-25.47	1.00	100.0	7.376
Tattersall (Tatts Grp.)	Unitab	October 12th, 2006	-32.41	-26.25	0.00	174.9	-4.609
Healthscope	Nova Health Limited	May 25th, 2005	-23.22	-28.52	7.50	155.8	19.191
Fosters	Southcorp	May, 2005	-43.95	-33.40	1.00	173.9	11.930
Pacific Dunlop	Petersville Sleigh	August 31st, 1991	-42.75	-37.00	0.80	100.0	2.415
AMP	GIO	December, 1999	-71.32	-39.15	0.50	49.1	-43.340
Ruralco	Roberts	May 31st, 2006	-97.25	-49.80	0.00	185.9	-5.729
Transurban Group	Hills Motorway	April 12th, 2005	-18.05	-52.76	8.50	243.7	32.060
ABC Learning Centres	Peppercorn Group	December, 2004	-30.65	-54.71	4.00	216.8	20.548
Mayne Symbion	Australian Hospital Care (AHC) Group	February 1st, 2001	-1.99	-55.20	0.50	162.0	126.644
Mayne Symbion	Fauldings	October, 2001	-29.14	-65.45	1.25	196.6	56.103
AWB	Landmark	August, 2003	-52.48	-66.52	0.50	83.8	9.422
Tabcorp	Tab	September, 2004	-56.48	-66.55	2.00	102.5	-4.001
Forrester Parker	Peter Kurts Property Ltd	May 1st, 1998	-84.16	-78.62	5.00	154.5	12.670
Grand Hotel Group	Australian Tourism Group	July, 1998	-99.42	-83.03	2.00	111.9	-3.754
GUD	Sunbeam	October, 1996	-103.90	-112.16	3.00	137.2	27.151

Chapter 6: Presentation of the Results

6.1. Introduction

This chapter presents the results of the analysis. Chapter 7 discusses the implications of these findings within the context of the three main hypotheses of this study.

The key findings of this chapter are:

1. Two independent variables, joint tenure at the time of the acquisition for the Chairman and CEO of the acquirer (JTENURE) and the acquiring firm's CEO remuneration change in the year of completion compared with the prior year (REMCHG), were significantly correlated at the 1% level with acquirer shareholder returns (CARA and CARB). Further, earnings per share (EPS), net assets of the target in the target's final published annual accounts divided by net assets of the acquirer in the financial year prior to the acquisition completion (NATGTACQ) and the cumulative returns from the ASX Accumulation Index for the period up to three years prior to completion (CARTOTOD), were significantly correlated at least at the 5% level in the regression equation with the two CAR variables.

2. The regression results for CARA and CARB were:

$$\begin{aligned} \text{CARA} = & 5.637 + 8.069\text{JTENURE} - 0.398\text{REMCHG} + 0.659\text{CARCCARGAVE} - 13.198\text{POR} \\ & (0.322) \quad (5.320^{***}) \quad (-3.646^{***}) \quad (3.679^{***}) \quad (-1.908^*) \\ & + 0.291\text{EPS} - 15.189\text{NATGTACQ} + 0.610\text{CARTOTOD} \\ & (3.142^{***}) \quad (-2.115^{**}) \quad (2.230^{**}) \quad R^2 = 0.63, \text{Adj. } R^2 = 0.56 \end{aligned}$$

$$\begin{aligned}
\text{CARB} = & 6.244 + 5.830\text{JTENURE} - 0.426\text{REMCHG} + 0.881\text{CARTOTOD} + 0.215\text{EPS} \\
& (0.405) \quad (5.145^{***}) \quad (-4.630^{***}) \quad (3.551^{***}) \quad (2.456^{**}) \\
& - 15.085\text{NATGTACQ} - 10.660\text{POR} \\
& (-2.173^{**}) \quad (-1.837^*)
\end{aligned}$$

$R^2 = 0.51, \text{Adj. } R^2 = 0.43$

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

3. The change in the CEO's remuneration (REMCHG) was significantly negative for the pre/post completion cumulative abnormal return (CARA) and for the post completion cumulative abnormal return (CARB).
4. The coefficient for the period of joint tenure for the Chairman and CEO at the time of completion (JTENURE) was significantly positive for the pre/post completion CAR (CARA) and for the post completion CAR (CARB).
5. The period of joint tenure for the Chairman and CEO at the time of completion (JTENURE) was more significant in M&A outcomes than the length of the period of CEO tenure alone (CEOTENURE) at the time of completion.
6. Of the total sample, 40% of the acquisitions (19 from 47) achieved a positive return to their shareholders (CARB); the average return to the successful acquirers (positive CARB) was 31.05% and the average return to the unsuccessful acquirers (negative CARB) was -37.8%.

The results were examined to distinguish between the profile of successful acquirers (positive CAR) and unsuccessful acquirers (negative CAR). They are discussed under the following sections:

1. Analysis of CARB positive acquirers and CARB negative acquirers.
2. Analysis of CARA positive acquirers and CARA negative acquirers.
3. Initial analysis of a range of independent variables for CARA and CARB.
4. CARB: Cumulative abnormal return to the acquirer for the three years following completion.
5. CARB1 (year 1 following completion), CARB2 (year 2 following completion), CARB3 (year 3 following completion).
6. CARD: Cumulative abnormal return to the acquirer for the three years prior to completion.
7. CARA: Cumulative abnormal return to the acquirer for the three years following completion plus the year prior to completion.
8. TGTCAR: Target firm cumulative abnormal return at completion from six months prior to completion adjusted by ASX Accumulation Index.

As discussed in Chapter 5, this study examined seven key dependent variables for the 47-acquisition sample, including the CAR to the acquiring firm's shareholders during the three years following completion (CARB), the CAR to the acquiring firm's shareholders during a four-year pre/post completion window (CARA) and the CAR to the target firm shareholders during the six months leading up to completion (TGTCAR). The CAR in the three years prior to completion (CARD) was also analyzed, in light of previous research findings that acquirers tend to have a positive performance prior to an acquisition (Tuch & O'Sullivan 2007). The

CAR in the year prior to the acquisition and in each of the three years following the acquisition was analyzed.

6.2. Analysis of CARB Positive and CARB Negative Acquirers

This section examines the differences between successful acquirers and unsuccessful acquirers²². The average CAR of the acquiring firm during the three years following completion (CARB) was –10.01%, with a standard deviation of 43.42% and a median of –11.32%. The negative three-year CAR result was consistent with international M&A studies; it was lower than the result of Gregory (1997) who found a CAR in the range –11.82% to –18.01% from announcement to 24 months after announcement, but close to that of Agrawal *et al.* (1992) with an average CAR of –7.4% during the 24–36 months from completion.

The results in this study are also consistent with the previous Australian study by Dodd (1976), who had a cumulative average residual of –15.2% during the 24 months following announcement, and the Australian study by Bishop *et al.* (1987), with a subsequent fall in the CAR by 10% for single bidders. In contrast to these results, Walter (1984) and Bishop *et al.* (1987) both recorded relatively unchanged CARs during the 100-week and 24-month period, respectively, following the announcement.

Of the 47 acquisitions in the sample, 19 achieved a positive cumulative abnormal return (CARB) and 28 a negative CARB return (Table 6–1). The standard deviation of 43.42% indicates a significant difference between the average outcome for the 19 positive acquisitions (CARB of 31.05) compared with the 28 negative return acquisitions (CARB of

²² Appendix III presents the tabulation of data by acquisition and Appendix VI presents the detail, by acquirer, of the data used to calculate the abnormal returns.

–37.8). In summary, the positive acquirers performed very well whilst the negative acquirers performed very badly.

Table 6–1 shows the results of the key variables for positive CARB acquirers and negative CARB acquirers. Notably, the percentage of acquirers who earned positive abnormal returns was 40%, in line with the findings of Gregory (1997).

Table 6–1. Analysis of CARB Acquirer Profiles

Variable	Positive CARB Results	Negative CARB Results
CARB	31.05	-37.80
CARC	5.48	7.00
CARD	15.14	6.89
CARB1	20.90	-13.40
Joint Tenure	5.14	2.93
CEO Tenure	7.74	4.52
Net Assets, Tgt/Acq	0.70	0.60
Remun. Change (%)	+21.60	+40.40
Equity (1) Cash (0)	0.47	0.50
Dividend per Share	34.00	29.80
EPS	53.20	29.02
Dividend Payout %	63.91	102.7
Board Directors	8.42	8.50
Executive Directors	1.58	1.82
Target CAR	22.18	17.45
Media	292.20	308.90
CAR C - CAR G Ave.	0.49	7.45
P/E Ratio	16.04	13.49
Net Assets Acquirer	1660.60	1626.80
CAR G Average	4.99	-0.45

The key findings were as follows:

1. The 19 positive acquirers performed better during the three years prior to completion (CARD) than the negative acquirers, with average returns of 15.14% and

6.89%, respectively. The negative acquirers performed better in the year prior to completion (CARC) than during the two years prior to that (CARG). This finding was reinforced with the independent variable (CARCCARGAVE), which subtracted the average CAR for the acquirer during the third and second year prior to completion (CARG Average) from the cumulative abnormal return for the acquirer during the year before completion (CARC). For the positive acquirers this outcome was 0.49 whilst for the negative acquirers it was 7.45. This result suggests a significant surge in performance for the negative acquirers during the year prior to completion, whereas the positive acquirers had on average a consistent performance during the entire three-year period prior to completion. This finding is consistent with the 'animal spirits' hypothesis in that a relatively strong short-term performance improvement boosts confidence and leads to a poorly planned acquisition, which is subsequently value destroying for the acquiring firm shareholders.

2. The positive abnormal returns earned by acquirers in the period prior to an acquisition were consistent with earlier Australian studies (Dodd 1976; McDougall et al. 1986; Walter 1984) although not comparable with the findings of Bugeja and Walter (1995). The finding in this study on pre-acquisition performance by acquirers was consistent with most Australian studies.
3. During the first year after completion a significant divergence in performance emerged between the positive and negative acquirers, with the cumulative abnormal return during that first year (CARB1) being +20.9% for the positive acquirers and -13.4% for the negative acquirers.

4. The periods of Chairman and CEO joint tenure were longer for the positive acquirers than the negative acquirers. The positive acquirers had joint tenure of 5.14 years, and the negative acquirers, 2.93 years. CEO tenure was 7.74 years for the positive acquirers and 4.52 years for the negative acquirers. These findings suggest that experience in the business by the two leading directors was an important influence on M&A outcomes and consistent with the joint tenure hypothesis (Hypothesis 1).
5. The average increase in remuneration for the CEO was greater (+40.4%) for the negative return acquirers than for the positive return acquirers (+21.6%). This is consistent with agency problems.
6. The dividend per share was relatively similar whether the acquirer was successful (34 cents) or unsuccessful (29.8 cents), but the dividend payout as a proportion of earnings per share (EPS) during the year of completion was much higher for the negative acquirers, at 102.7% of EPS, than for the positive acquirers, at 63.9%. The earnings per share were greater for the positive acquirers (53.2 cents) than for the negative acquirers (29.02 cents).

This result suggests that a relatively small, or negative, level of retained earnings (difference between the dividend per share and the acquirer's EPS) may be an indication of either weak trading conditions during the period of the acquisition for the acquirer or that the acquirer encounters funding difficulties with the acquisition²³. In either scenario, this finding may be a key indicator that the acquirer

²³ This outcome is examined in Chapter 7 in the context of the Free Cash Flow Theory (Gregory 2005; Jensen 1986).

will encounter difficulties in generating shareholder value as an outcome of the acquisition.

7. The average size of the acquiring firm was virtually identical whether the acquirer was successful (A\$1,661m) or unsuccessful (A\$1,627m). The average size of the target firm, measured in net assets, was A\$626m for positive acquirers and A\$386m for negative acquirers.

6.3. Analysis of CARA Positive and CARA Negative Acquirers

Table 6–2 shows the results for CARA (cumulative abnormal return to the acquirer for the three years following completion plus the year prior to completion) of the key variables for positive CARA acquirers and negative CARA acquirers.

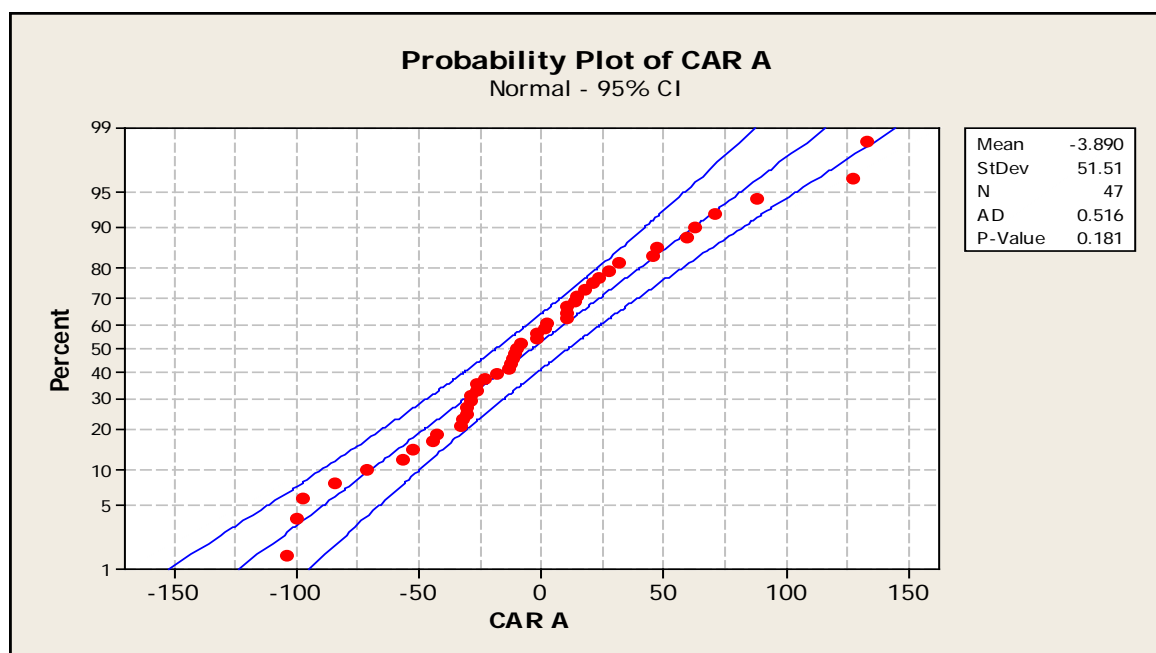
Table 6–2. Analysis of CARA Acquirer Profiles

Variable	Positive CAR A Results	Negative CAR A Results
CAR A	40.85	-37.03
CAR B	27.25	-37.53
CAR B1	17.70	-12.30
CAR C	13.60	1.04
CAR D	20.75	2.44
Joint Tenure	5.49	2.59
CEO Tenure	8.54	3.81
Remun. Change (%)	+24.70	+38.80
Net Assets Tgt/Acq	0.66	0.59
Equity (1) Cash (0)	0.40	0.56
Dividend/Share	36.40	27.90
EPS	55.20	26.60
Divi. Payout Ratio %	70.80	116.20
Board Directors	8.75	8.26
Executive Directors	1.75	1.70
Target CAR	25.05	14.80
Media	327.30	283.50
CAR G Average	3.52	0.44
CAR C - CAR G Ave.	10.08	0.61
P/E Ratio	16.63	12.96
Net Assets Acquirer	1612.40	1661.20

There is a significant difference between the average cumulative abnormal return performance of the positive CARA acquirers (+40.85%) and the negative CARA acquirers (−37.03%) with the standard deviation being 51.51 and the median −10.33. Of note is the relatively low earnings per share (EPS) and consequential high dividend payout ratio for the CARA negative performers (116.2) compared with the positive performers (70.80) in the year of the acquisition. EPS was significantly correlated at the 1% level with CARA and at the 5% level with CARB.

The probability plot for CARA is shown in Figure 6–1:

Figure 6–1. Probability Plot of CARA



Probability plots evaluate the fit of a distribution to the data, estimate percentiles and compare different sample distributions. They plot each value against the percentage of

values in the sample that are less than or equal to it, along a fitted distribution line and they are thus a test of normality.

The results show that the greater the dividend payout ratio, the lower the CAR to the acquirer during the one year before plus three years (CARA) following completion, and the lower the return to shareholders during the three years (CARB) following completion alone (Table 6–1).

6.4. Analysis of Independent Variables for CARA and CARB

6.4.1. CAR One Year Prior plus Three Years Following Acquisition (CARA)

The analysis incorporated 21 independent variables into the regression equation for CARA in order to identify which of these variables were significantly correlated with CARA. The results were examined within the context of the three main hypotheses of this thesis.

The outcome for CARA is presented in Equation 1 in Table 6–3.

From the initial regression equation (Equation 1, in Table 6–3), six independent variables with a probability above 0.70 were eliminated, resulting in Equation 2 in Table 6–3²⁴.

Four independent variables were significant at the 1%²⁵ level: earnings per share (EPS), the cumulative abnormal return for the acquirer in the year prior to completion minus the average CAR during years 2 and 3 prior to completion (CARCCARGAVE), the period of joint

²⁴ This process was to demonstrate the evolution of the CARA regression equation from the sample of 21 independent variables.

²⁵ The t-statistic (t-Stat.) was used to test a single hypothesis about the parameters in the model; probability value is the smallest significance at which the null hypothesis can be rejected (Wooldridge 2003, pp.841,846). Standard errors were based on White Heteroskedasticity – consistent standard errors which do not affect the ordinary least squares coefficients or R-squares. The asterisks indicate the level of significance as calculated by the program. One asterisk indicates significance at the 10% level, two asterisks indicate significance at the 5% level, and three asterisks indicate significance at the 1% level.

tenure at the time of completion of the Chairman and CEO (JTENURE) and the change in remuneration of the CEO in the year of completion (REMCHG).

Next, a further eight variables were eliminated resulting in a regression equation (Equation 3, in Table 6–3) with an $R^2 = 0.63$ and an adjusted R^2 of 0.56, as in Table 6–3.

Table 6–3. CARA Regression Equations

Dependent Variable: CARA									
	Equation 1			Equation 2			Equation 3		
Variable	Coef.		t-Stat.	Coef.		t-Stat.	Coef.		t-Stat.
Constant	73.339		1.229	62.245		1.519	5.637		0.322
CARCCARGAVE	0.702	**	2.070	0.686	***	3.115	0.659	***	3.679
CEOTENURE	-0.150		-0.090						
CONSIDERATION	0.002		0.120	0.072		1.136			
CONSIDPERACQ2	0.069		0.649						
CUMTGTPRCHG	-5.125		-0.070						
DIVISHARE	-0.432		-0.586	-0.416		-0.891			
POR	-13.703		-0.836	-13.384		-1.636	13.198	*	-1.908
EPS	0.573		1.038	0.564	***	2.735	0.291	***	3.142
EQUCASH	-10.124		-0.831	-8.579		-0.683			
EXECDIRS	20.416		1.222	18.881		1.417			
JTENURE	8.095	***	3.582	8.054	***	5.732	8.069	***	5.320
MEDIA	-0.015		-0.455	-0.010		-0.592			
NAACQ	0.000		0.124						
NATGTACQ	-29.317	**	-2.116	-28.085	**	-2.249	15.189	**	-2.115
REMCHG	-0.491	**	-2.651	-0.491	***	-3.266	-0.398	***	-3.646
TGTCAR	0.039		0.039						
CARTOTOD	0.582		1.398	0.623	*	1.972	0.610	**	2.230
PERCENTEXECDIR	151.642		-1.003	143.785		-1.221			
CONSIDPERNATGT	-0.229		-0.353						
PERATIO	-0.316		-0.892	-0.323		-1.393			
BOARDDIRECT	-4.752		-0.714	-3.913		-0.889			
R-squared	0.679			0.676			0.629		
Adjusted R-squared	0.409			0.519			0.562		
F-statistic	2.513			4.313			9.448		
Prob (F-statistic)	0.015			0.000			0.000		

*Significant at 10%; **Significant at 5%; ***Significant at 1%

As a result of these two steps it can be concluded that each of the following *are not* significant factors in terms of influencing shareholder outcomes in acquiring firms; these findings differ from several previous M&A studies:

1. The structure of the deal in terms of cash or shares (EQUCASH).
2. The structure of the board, in terms of number of directors (BOARDDIRECT) and the percentage of executive directors (PERCENTEXECDIR).
3. The size of the consideration paid as a proportion of the acquirer's net assets in the year prior to completion.

However, the following are significant in influencing shareholder returns in acquiring firms:

1. Joint tenure (JTENURE) between the Chairman and CEO. This is consistent with Hypothesis 1.
2. Remuneration change (REMCHG) for the CEO in the year of the acquisition. This is consistent with Hypothesis 2.

6.4.2. CAR Three Years Following the Acquisition (CARB)

This analysis incorporated 21 independent variables into the regression equation for CARB in order to identify which of these variables were significantly correlated with CARB. The results were examined within the context of the three main hypotheses of this thesis.

The outcome for CARB is presented in Equation 1 in Table 6–4.

Table 6–4. CARB Regression Equations

Dependent Variable	CARB					
	Equation 1		Equation 2		Equation 3	
Variable	Coef.	t-Stat.	Coef.	t-Stat.	Coef.	t-Stat.
Constant	62.239	0.992	38.320	0.966	6.244	0.405
CARCCARGAVE	0.052	0.147				
CEOTENURE	-7.899	0.000				
CONSIDERATION	0.004	0.294				
CONSIDPERACQ2	0.032	0.307				
CUMTGTPRCHG	-8.861	-0.122				
DIVISHARE	-0.493	-0.658	-0.552	-1.316		
POR	-8.625	-0.512	-4.286	-0.778	-10.660 *	-1.837
EPS	0.458	0.860	0.531 ***	2.833	0.215 **	2.456
EQUCASH	-3.199	-0.275				
EXECDIRS	12.732	0.712	7.404	0.614		
JTENURE	6.31 ***	2.923	6.226 ***	5.297	5.830 ***	5.145
MEDIA	-0.011	-0.354				
NAACQ	0.001	-0.160				
NATGTACQ	-26.228 *	-1.768	-18.413 **	-2.500	-15.085 **	-2.173
REMCHG	-0.498 **	-2.679	-0.468 ***	-4.217	-0.426 ***	-4.630
TGTCAR	-0.026	-0.026				
CARTOTOD	0.908 **	2.177	0.904 ***	3.385	0.881 ***	3.551
PERCENTEXECDIR	136.193	-0.824	-97.630	-0.878		
CONSIDPERNATGT	-0.186	-0.315				
PERATIO	-0.109	-0.303				
BOARDDIRECT	-3.305	-0.488	-2.351	-0.571		
R-squared	0.559		0.541		0.506	
Adjusted R-squared	0.188		0.413		0.431	
F-statistic	1.507		4.242		6.817	
Prob (F-statistic)	0.163		0.001		0.000	

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

Eliminating all the independent variables with a probability above 0.70 reduced the number of independent variables by 11 to produce Equation 2 in Table 6–4. A further rationalization of independent variables produced Equation 3 in Table 6–4 with $R^2 = 0.51$ and adjusted $R^2 = 0.43$.

As a result of these steps in developing the regression equation for CARB, it can be concluded that each of the following *are not* significant factors in terms of influencing shareholder outcomes in acquiring firms:

1. The structure of the deal in terms of cash or shares (EQUCASH).
2. The structure of the board, in terms of number of directors (BOARDIRECT) or the percentage of executive directors (PERCENTEXECDIR).
3. The size of the consideration paid as a proportion of the acquirer's net assets in the year prior to completion.
4. Media exposure (MEDIA) for the Chairman and/or CEO.

However, the following *are* significant in influencing shareholder returns in acquiring firms:

1. Joint tenure (JTENURE) between Chairman and CEO. This is consistent with Hypothesis 1.
2. Remuneration change (REMCHG) for the CEO in the year of the acquisition. This is consistent with Hypothesis 2.

The CARB analysis in Table 6–4 identified three independent variables which were

statistically significant for CARB at the 1% level:

1. The period of joint tenure of the acquirer's Chairman and CEO at the time of completion (JTENURE).
2. Change in the remuneration of the acquirer's CEO during the year of the acquisition (REMCHG).
3. Cumulative returns from the ASX Accumulation Index for the period up to three years prior to completion (CARTOTOD).

Two independent variables were significant at the 5% level:

1. Net assets of the target divided by net assets of the acquirer in the year prior to the acquisition (NATGTACQ).
2. Earnings per share of the acquirer in the year of the acquisition (EPS).

CEO remuneration change (REMCHG,) and joint tenure (JTENURE) emerged as the most significant independent variables with t-statistics of -4.63 and 5.14, respectively; CARTOTOD was also significant at the 1% level with a t-statistic of 3.55.

Hypothesis 1 proposes that the period of Chairman and CEO tenure (JTENURE) is important in determining M&A outcomes. The results (Table 6–4) supported Hypothesis 1 that joint tenure (JTENURE) is a highly significant factor (t-statistic of 5.14 and probability of 0.000) in determining the M&A outcome, expressed as CARB, the CAR to the acquirer during the three years following completion.

To examine whether acquirer CEO tenure alone is significant in M&A outcomes and more important than joint tenure, joint tenure (JTENURE) was replaced by CEO tenure (CEOTENURE) in the regression analysis. This analysis permitted an examination of whether the finding for tenure was merely an experience effect.

The initial regression analysis of the effect on the acquiring firm of CEO tenure (CEOTENURE) at the time of completion rather than joint tenure (JTENURE) involved 21 independent variables being included in the regression equation for CARB, with both JTENURE and CEOTENURE included. Table 6–5 presents the outcome.

The results showed that CEO tenure as an independent variable had no relationship to CARB when JTENURE was included as a variable (Equation 1 in Table 6–5). Removing the variable JTENURE from the regression equation produced the outcome in Equation 2 in Table 6–5.

This was a key finding in the context of Hypothesis 1. Joint tenure suppressed CEO tenure as a statistically significant contributor to shareholder returns.

As a result of excluding JTENURE from the regression equation, to focus the analysis on the significance of CEO tenure alone, the R^2 and Adjusted R^2 reduced from 0.56 and 0.19, respectively, in Equation 1 (Table 6–5) to 0.46 and 0.05, respectively, in Equation 2 in Table 6–5.

The elimination of statistically insignificant independent variables in the equation for CARB, where joint tenure (JTENURE) was excluded, in which CEO tenure (CEOTENURE) was an independent variable, resulted in Equation 3 in Table 6–5.

Table 6–5. CARB Regression Equations for CEO Tenure Analysis

Dependent Variable	CARB					
	Equation 1		Equation 2		Equation 3	
Variable	Coef.	t-Stat.	Coef.	t-Stat.	Coef.	t-Stat.
Constant	62.239	0.992	48.875	0.702	3.058	0.169
CARCCARGAVE	0.052	0.147	-0.190	-0.537		
CEOTENURE	-7.899	0.000	2.446	1.480	3.361 ***	2.827
CONSIDERATION	0.004	0.294	0.005	0.444		
CONSIDPERACQ2	0.032	0.307	-0.012	-0.104		
CUMTGTPRCHG	-8.861	-0.122	-38.835	-0.447		
DIVISHARE	-0.493	-0.658	0.065	0.088		
POR	-8.625	-0.512	-20.812	-1.349	-10.973 *	-1.711
EPS	0.458	0.860	0.151	0.300	0.183 *	1.770
EQUCASH	-3.199	-0.275	-15.032	-0.856		
EXECDIRS	12.732	0.712	11.671	0.515		
JTENURE	6.31 ***	2.923				
MEDIA	-0.011	-0.354	-0.034	-1.095		
NAACQ	0.001	-0.160	-0.002	-0.605		
NATGTACQ	-26.228 *	-1.768	-22.784	-1.165	-17.403 **	-2.085
REMCHG	-0.498 **	-2.679	-0.364 *	-1.688	-0.296 ***	-2.728
TGTCAR	-0.026	-0.026	0.555	0.466		
CARTOTOD	0.908 **	2.177	0.743	1.591	0.628 *	1.839
PERCENTEXECDIR	-136.193	-0.824	-58.566	-0.305		
CONSIDPERNATGT	-0.186	-0.315	-0.388	-0.674		
PERATIO	-0.109	-0.303	-0.543 *	-1.705		
BOARDDIRECT	-3.305	-0.488	-0.290	-0.040		
R-squared	0.559		0.463		0.395	
Adjusted R-squared	0.188		0.050		0.304	
F-statistic	1.507		1.120		4.353	
Prob (F-statistic)	0.163		0.387		0.002	

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

CEO tenure was significant at the 1% level, with a t-statistic of 2.83, with one other independent variable, change in acquiring firm CEO remuneration during the year of the

acquisition (REMCHG), also significant at the 1% level. Incorporating CEOTENURE into the joint tenure (JTENURE) equation (Table 6–5, Equation 1) for CARB highlighted the importance in the regression equation of joint tenure above CEO tenure. Eliminating the independent variable joint tenure (JTENURE) from the analysis demonstrated that CEO tenure (CEOTENURE) alone was a significantly positive contributor to shareholder returns, measured as CARB.

However, joint tenure (JTENURE) was more significant in its effect on acquirer shareholder returns than CEO tenure alone, as demonstrated in the analysis in tables 6–4 and 6–5.

As a result of these steps in developing the regression equations for CARB, including CEO tenure (CEOTENURE) as an independent variable but excluding joint tenure (JTENURE), it can be concluded that each of the following *are not* significant factors in terms of influencing shareholder outcomes in acquiring firms:

1. The structure of the deal in terms of cash or shares (EQUCASH).
2. The structure of the board, in terms of number of directors (BOARDDIRECT) or the percentage of executive directors (PERCENTEXECDIR).
3. The size of the consideration paid as a proportion of the acquirer's net assets in the year prior to completion).
4. Media exposure (MEDIA) for the Chairman and CEO.

6.5. CARB1, CARB2, CARB3

The CARs to the acquirer were analyzed across each of the three years following the

acquisition to determine whether there was a pattern to these returns following completion:

1. CARB1: Cumulative abnormal return to the acquirer during the first year following completion.
2. CARB2: Cumulative abnormal return to the acquirer during the second year following completion.
3. CARB3: Cumulative abnormal return to the acquirer during the third year following completion.

It was found (Table 6–6) that the second year following completion was the poorest year for acquiring firm shareholder returns, accounting for 70% of the average reduction in shareholder returns (CARB = -10.01%) across the three years following completion.

The average CARs for the total sample during each of the three years following completion (CARB1, CARB2, CARB3), together with the average annual CARB (-3.34%), expressed as CAARB, are presented in Table 6–6.

Table 6–6. CARB Analyzed by Year Following Acquisition

CARB	CAARB	CARB1	CARB2	CARB3
-10.01	-3.34	0.45	-6.92	-3.81

The best performance for the acquirer occurred in the first year following the acquisition

with a cumulative abnormal return (CARB1) of 0.45%, compared with the average annual abnormal return across the three years following completion (CAARB) of -3.34%. The average abnormal return for the acquirers in the year prior to completion (CARC) was 6.39%²⁶, whereas the average annual return during the three years prior to completion (CARD average) was 3.41%. On average the low point for an acquirer's abnormal returns across the six-year period (three years prior to completion plus three years following completion) was the second year after completion (CARB2), with an average cumulative abnormal return of -6.92%.

In summary, acquirers in this study performed well in terms of their CAR during the period prior to an acquisition, consistent with previous Australian studies (Bishop, Dodd & Officer 1987; Dodd 1976; McDougall et al. 1986; Sharma & Ho 2002; Walter 1984) but lost most of the gains during the second year following the acquisition.

During the first year following completion 24 acquirers had a positive cumulative abnormal return (CARB1), compared with 26 who had a positive CAR during the year prior to completion (CARC); 16 had a positive CAR during the second year following completion (CARB2) and 19 had a positive CAR during the third year (CARB3) following completion. Therefore, even the positive acquirers had, on average, a relatively weak CAR outcome during the second year following the acquisition.

Table 6–7 presents the equation for CARB. Tables 6–8 to 6–11 follow with results for CARB1, CARB2 and CARB3.

²⁶ Appendix III.

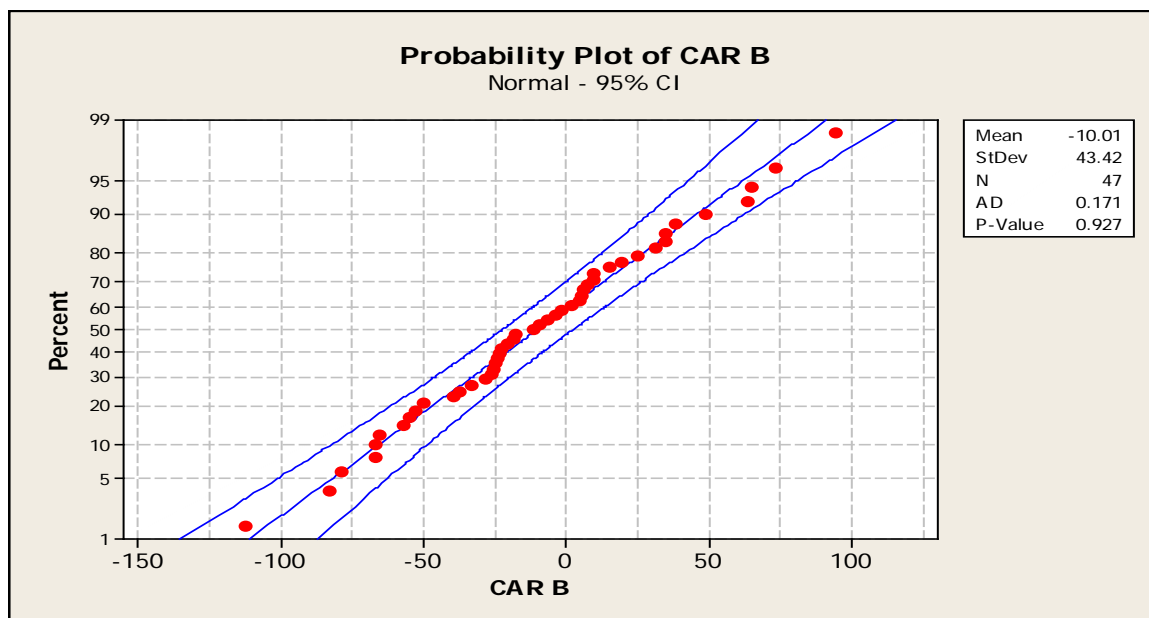
Table 6–7. CARB Results

Dependent Variable: CARB			
Independent Variable	Coefficient		t-Statistic
Constant	6.244		0.405
JTENURE	5.830	***	5.145
REMCHG	-0.426	***	-4.630
CARTOTOD	0.881	***	3.551
EPS	0.215	**	2.456
NATGTACQ	-15.085	**	-2.173
POR	-10.660	*	1.837
R-squared	0.506	F-statistic	6.817
Adjusted R-squared	0.431	Prob (F-statistic)	0.000

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

The probability plot for CAR B is shown in Figure 6–2.

Figure 6–2. Probability Plot of CARB



The regression equation for CARB (Table 6–7) provided evidence of the following:

1. Joint tenure was a statistically significant factor, at the 1% level, in determining the outcome of an acquisition for an acquirer. The longer the period of time that the Chairman and CEO were in their respective roles when the acquisition was completed, the more successful that acquisition would be when measured in terms of shareholder returns (CARB). The average period of time (joint tenure) that the Chairman and CEO had been in their roles at the date of completion in this study was 3.82 years²⁷; for successful acquirers the period of joint tenure was 5.14 years²⁸, whilst for unsuccessful acquirers the period of joint tenure was 2.93 years²⁹. The regression analysis for CEO tenure (Table 6–5) indicated that joint tenure was statistically more significant in influencing M&A outcomes than CEO tenure alone, further highlighting the importance of the pairing of the acquirer’s Chairman and CEO over time as a key factor in creating shareholder value.
2. The change in the remuneration of the acquiring firm’s CEO during the year of the completion (REMCHG) of the acquisition was, statistically at the 1% level, negatively correlated with shareholder returns across the three years following the acquisition (CARB). The less successful the acquisition, measured by CAR, the greater the increase in the CEO’s remuneration. In this study, the CEO’s remuneration increased, on average, by 32.8%³⁰ during the acquisition year. The net assets of the firm being acquired (during the year prior to the acquisition, NATGT) were equivalent to 29.5% of the value of the acquirer’s net assets (NAACQ) at the time of the acquisition. This suggests that the change in CEO remuneration was more positively aligned with the change in the size of the acquiring firm, than with shareholder returns.

²⁷ Appendix III.

²⁸ Table 6-1.

²⁹ Table 6-1.

³⁰ Appendix III.

3. Shareholder returns for the acquirer (CARB) were positively correlated, at the 1% level, with the performance of the share market (CARTOTOD) during the three years prior to the acquisition. The better the Australian share market performed during the period prior to the acquisition, the better the outcome for the acquirers' shareholders; similarly, if the share market was in decline during the period prior to the acquisition, then that acquisition was likely to reduce shareholder value.

Table 6–8 shows the results for the first year following completion for the acquirer (CARB1).

Table 6–8. Results for CARB1

Dependent Variable: CARB1			
Independent Variable	Coefficient	t-Statistic	
Constant	0.221		2.109
JTENURE	0.037	***	4.223
REMCHG	-0.002	**	-2.446
DIVPAYRATIO	-0.097	***	-3.579
R-squared	0.400	F-statistic	9.552
Adjusted R-squared	0.358	Prob (F-statistic)	0.000

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

The dividend payout ratio (DIVPAYRATIO) indicated that the higher the payout ratio, the worse the return of the acquirers' shareholders. This is in conflict with Easterbrook (1984) and his view on capital markets being able to monitor firms and adjust their level of risk more effectively when dividend payouts are high; this is discussed further in Chapter 7.

Joint tenure emerged as a statistically significant independent variable at the 1% level. The average CARB1 was 20.9% for the CARB positive acquirers and –13.4% for the negative CARB acquirers (Table 6–1). When CEO tenure was included in the regression equation, it served to highlight the importance of joint tenure over CEO tenure alone (Table 6–9).

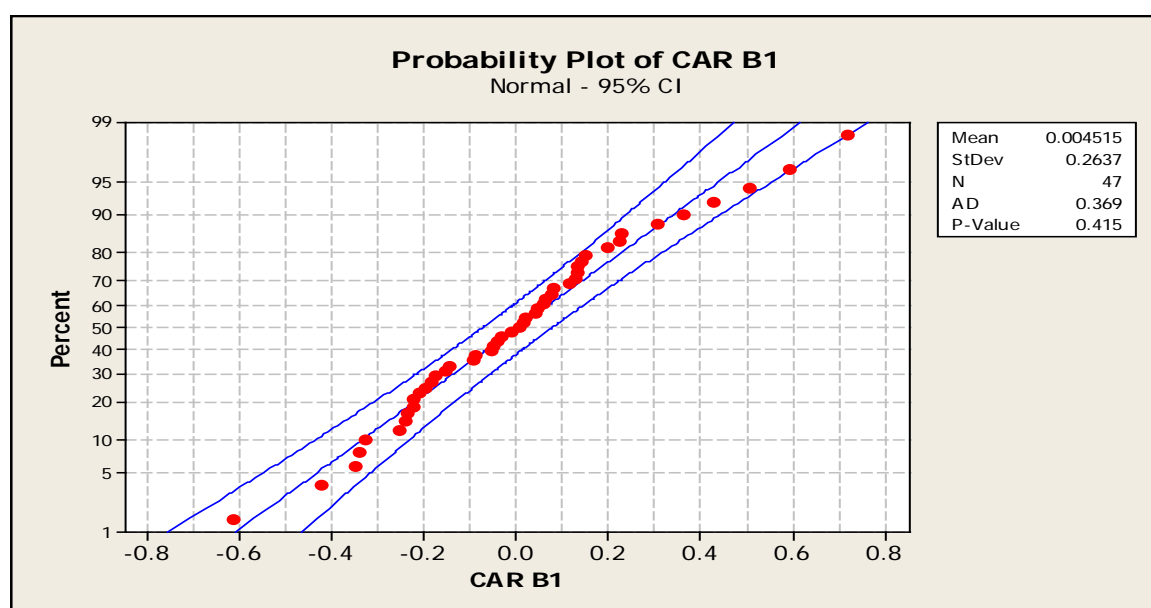
Table 6–9. CARB1 with Joint Tenure and CEO Tenure

Dependent Variable: CARB1			
Independent Variable	Coefficient	t-Statistic	
Constant	0.199		1.691
JTENURE	0.033	***	3.026
CEOTENURE	0.005		0.728
REMCHG	-0.002	**	-2.315
DIVPAYRATIO	-0.095	***	-3.437
R-squared	0.404	F-statistic	7.120
Adjusted R-squared	0.347	Prob (F-statistic)	0.000

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

The probability plot for CARB1 is shown in Figure 6–3.

Figure 6–3. Probability Plot of CARB1



For the CAR during the second year (CARB2), which averaged –6.92%, only media (MEDIA) was significant at the 5% level. Media was included in the results shown in Table 6–10.

Table 6–10. Results for CARB2

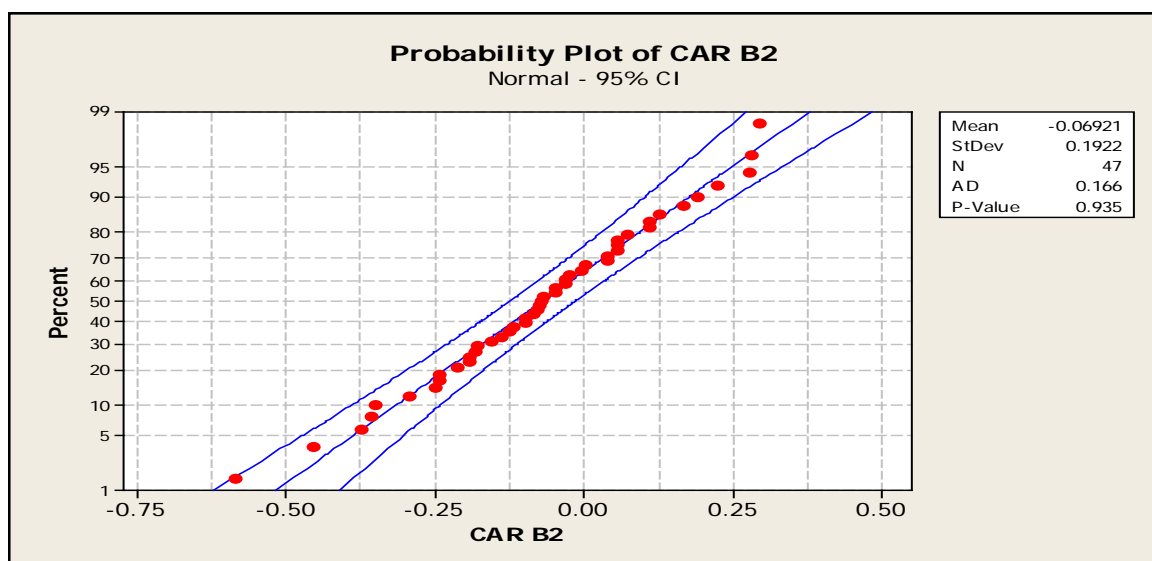
Dependent Variable: CARB2			
Independent Variable	Coefficient	t-Statistic	
Constant	-0.020	-0.510	
MEDIA	0.000	**	-2.274
R-squared	0.082	F-statistic	4.010
Adjusted R-squared	0.061	Prob (F-statistic)	0.051

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

Year 2 was the weakest year for an acquirer following an acquisition (CARB2). Media was negatively correlated with this (CARB2) shareholder outcome. This result implies that the greater the media coverage for the acquirer's Chairman and CEO during the period one year prior to the acquisition and one year following the acquisition, the worse the outcome in the second year following the acquisition for the acquirer's shareholders. This lends support to hubris (Hayward & Hambrick 1997; Malmendier & Tate 2008b) or narcissism (Chatterjee & Hambrick 2007) being a major factor leading to failed acquisitions.

The probability plot for CARB2 is shown in Figure 6–4.

Figure 6–4. Probability Plot of CARB2



During the third year following completion, the average CAR for the total sample improved from -6.92% (CARB2) in year 2 following completion to -3.81% for CARB3. The only variables which have a significant relationship with CARB3 were CEO tenure (CEOTENURE)

and the difference between the change in the accumulation index during the year prior to completion (CARCTOTO) and the average change in the accumulation index during the three years prior to completion (CARDTOTOAV), represented by the variable CARCTOTOMINCARDTOTAV.

Table 6–11. Results for CARB3

Dependent Variable: CARB3			
Independent Variable	Coefficient	t-Statistic	
Constant	-0.112	*	-2.270
CEOTENURE	0.016	**	2.222
CARCTOTMINCARDTOTAV	-0.008	*	-1.770
R-squared	0.154	F-statistic	4.019
Adjusted R-squared	0.116	Prob (F-statistic)	0.025

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

The probability plot for CARB3 is shown in Figure 6–5.

Figure 6–5. Probability Plot of CARB3

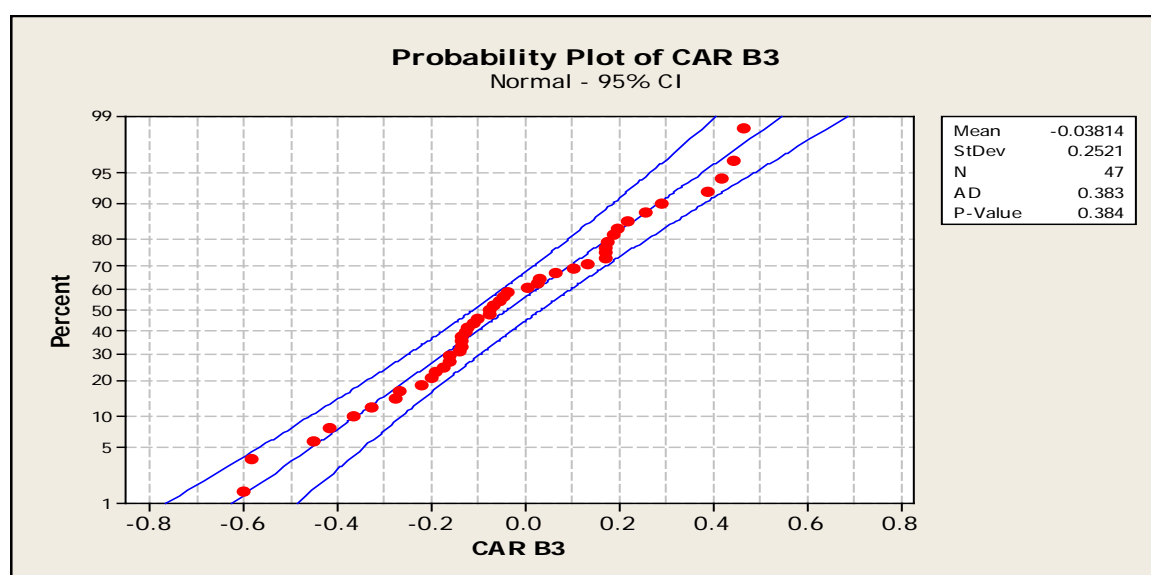


Table 6–12 shows that in a comparison of the performance of the CARB positive acquirers with the CARB negative acquirers, the negative-performance acquirers (Negative CARB) had negative abnormal returns during each of the three years following completion (CARB1, CARB2, CARB3), whereas the positive-performing acquirers (Positive CARB) had a small reduction (–1.7% in performance during year 2 (CARB2) but recoup during year 3 to +11.8% (CARB3).

Table 6–12. CARB Positive and Negative Acquirers

Variable	Positive CARB Results	Negative CARB Results
CARB	31.05	-37.8
CARB1	20.9	-13.4
CARB2	-1.7	-10.5
CARB3	11.8	-14.4

All acquirers therefore experienced a weak shareholder outcome during year 2 following the acquisition. The shareholder outcome in year 1 (CARB1) served as an indicator of the likely result of the acquisition across the three years following completion (CARB); successful acquirers had, on average, a very good shareholder outcome in the first year at 20.9%, whereas unsuccessful acquirers achieved a negative outcome at –13.4%. This may be an important indicator for investors and analysts as they decide whether to remain with a firm, or not.

Table 6–13 shows there was no statistically significant correlation between CARB1, CARB2 and CARB3, with the weakest correlation being between CARB2 and the other two cumulative abnormal returns (CARB1 and CARB3).

Table 6–13. CARB1, CARB2, CARB3 Correlations

		CARB1	CARB2
CARB2	Pearson Correlation	-0.114	
	p-value	0.446	
CARB3	Pearson Correlation	0.223	0.013
	p-value	0.131	0.929

The following charts show a comparison of the relative performance of each acquisition, in terms of CARB1, CARB2, CARB3, presented in order of CAR performance from left (worst performer) to right (best performer) on the chart. For the CARB1 chart (Figure 6–6) the first acquisition (1 on the x-axis) was Mayne Symbion’s acquisition of Fauldings which had a CARB1 of –0.613 (–61.3%), a CARB2 of –0.073 (–7.3%) and a CARB3 of 0.032 (+3.2%). The last acquisition represented on this chart (acquisition number 47) was Toll’s acquisition of

Finemore Holdings and it had the highest CARB1 outcome from the 47 acquisition sample of 0.721 (72.08%). The top eight performing acquisitions measured by CARB1 had a positive CARB3 outcome.

Figure 6–6. Graphical Analysis of CARB2 and CARB3 Based on CARB1 Outcome

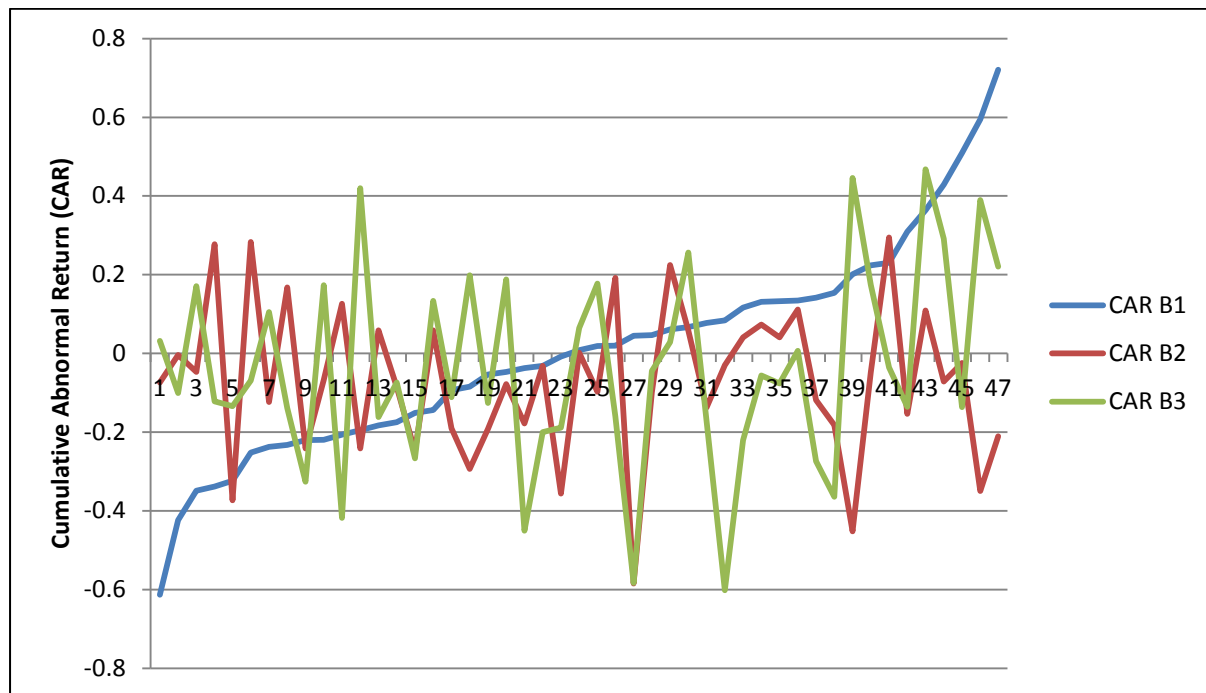


Figure 6–7 presents the same data as in the previous chart but based on the rank order of acquisitions by CARB2, with the worst performer, in terms of CARB2, being GUD and Sunbeam with a CARB2 of –58.42% (acquisition1 on the x-axis), and the best CARB2 performer being Bendigo Bank’s acquisition of First Australian Bank with a CARB2 of 29.47% (acquisition 47 in Figure 6–7).

Figure 6–7. Graphical Analysis of CARB1 and CARB3 Based on CARB2 Outcome

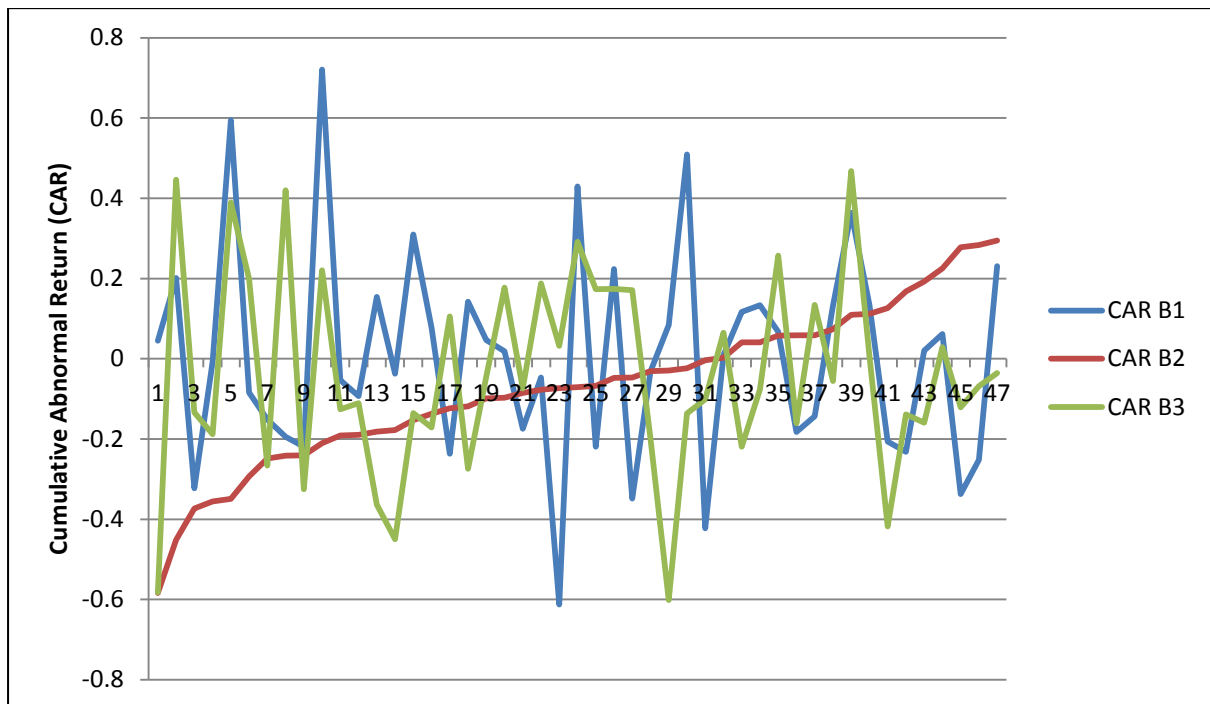
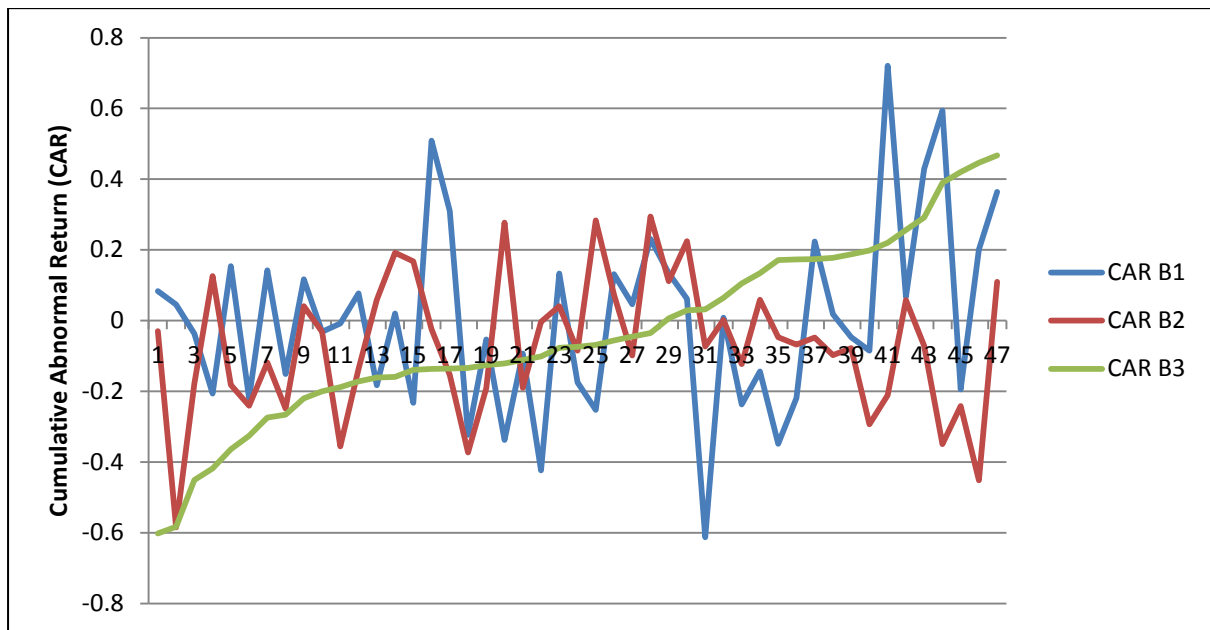


Figure 6–8 presents the same data as in figures 6–6 and 6–7 but the data were based on the rank order of acquisitions by CARB3, with the worst performer (acquisition 1 on the x-axis), in terms of CARB3 being ABC Learning’s acquisition of Peppercorn with a CARB3 of –60.15% and the best CARB3 performer being Jupiter’s acquisition of AWA Ltd with a CARB3 of 46.75% (acquisition 47 in Figure 6–8).

Figure 6–8. Graphical Analysis of CARB1 and CARB2 Based on CARB3 Outcome



Appendix IV presents the data used in the preparation of these three charts (figures 6–6, 6-7 and 6–8).

6.6. CAR Three Years Prior to Acquisition (CARD)

Acquirer performance prior to an acquisition is often cited as being positive (Dodd 1976; Sharma & Ho 2002). For this study CARD was the CAR to the acquiring firm shareholders during the three years prior to completion. It was found that the CARD was 10.23%, demonstrating that on average acquirers did earn positive abnormal returns during the three years prior to an acquisition.

In terms of CARD, three variables were found to be significant at the 10% level during the three years prior to completion: joint tenure (JTENURE) at the 5% level, earnings per share (EPS) at the 1% level and the percentage of executive directors on the acquirer’s board

(PERCENTEXECDIR) at the 10% level. Joint tenure was statistically significant at the 5% level for the variable CARD, although with a lower t-statistic (2.433) than with the variable CARB (5.336). The results are presented in Table 6–14.

Table 6–14. Results for CARD and Joint Tenure

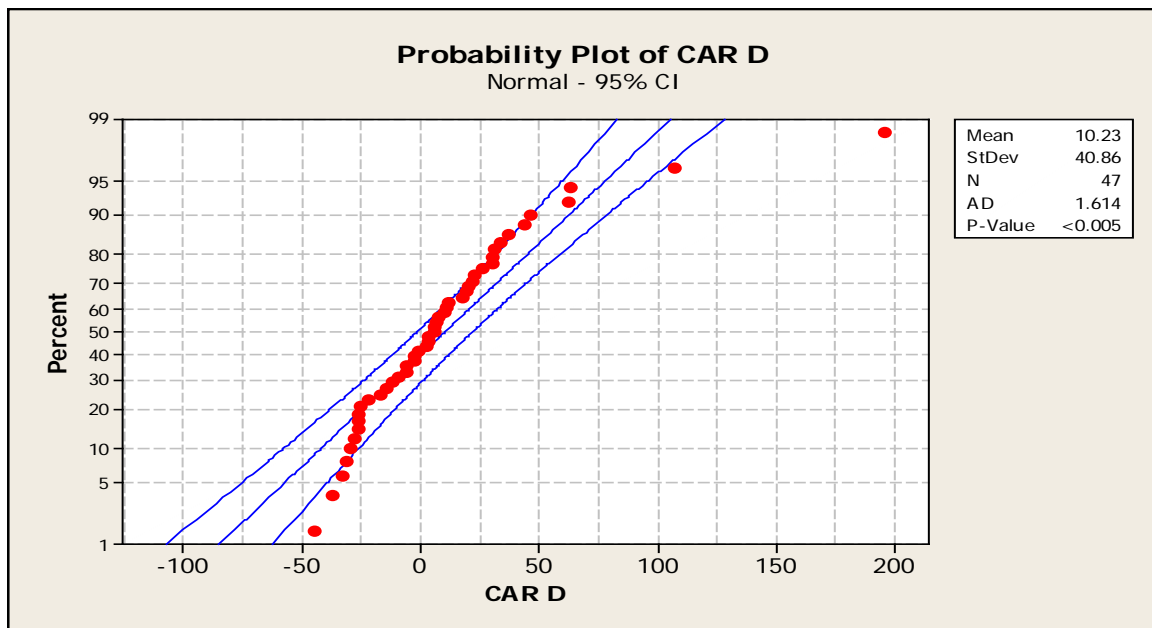
Dependent Variable: CARD			
Independent Variable	Coefficient		t-Statistic
Constant	-35.981	***	-3.375
JTENURE	5.593	**	2.433
EPS	0.266	***	3.461
PERCENTEXECDIR	68.911	*	1.888
R-squared	0.445	F-statistic	11.478
Adjusted R-squared	0.406	Prob (F-statistic)	0.000

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

Joint tenure (JTENURE) was significant at the 5% level for the acquirer's performance during the period prior to an acquisition, with earnings per share (EPS) as the most significant variable, at the 1% level. The significance of this result is that experienced leadership arising from an extended period of joint tenure (JTENURE) will be reflected in a good historical performance (CARD) and be positively correlated with a future positive earnings per share.

The probability plot for CARD is presented as Figure 6–9.

Figure 6–9. Probability Plot of CARD



6.7. Target Firm CAR (TGTCAR)

Finally, the average outcome for the abnormal return to the acquired firm shareholders during the six months prior to completion (TGTCAR) was 19.36%. Further, the average change in the acquired firm's share price during this six-month period (CUMTGTPRCHG) was 29.6%. Unlike the shareholders in the acquiring firm, the shareholders in the acquired firm gained, on average, from having their firm purchased.

Table 6–15 shows the results for TGTCAR, with four variables statistically significant at the 5% level or greater.

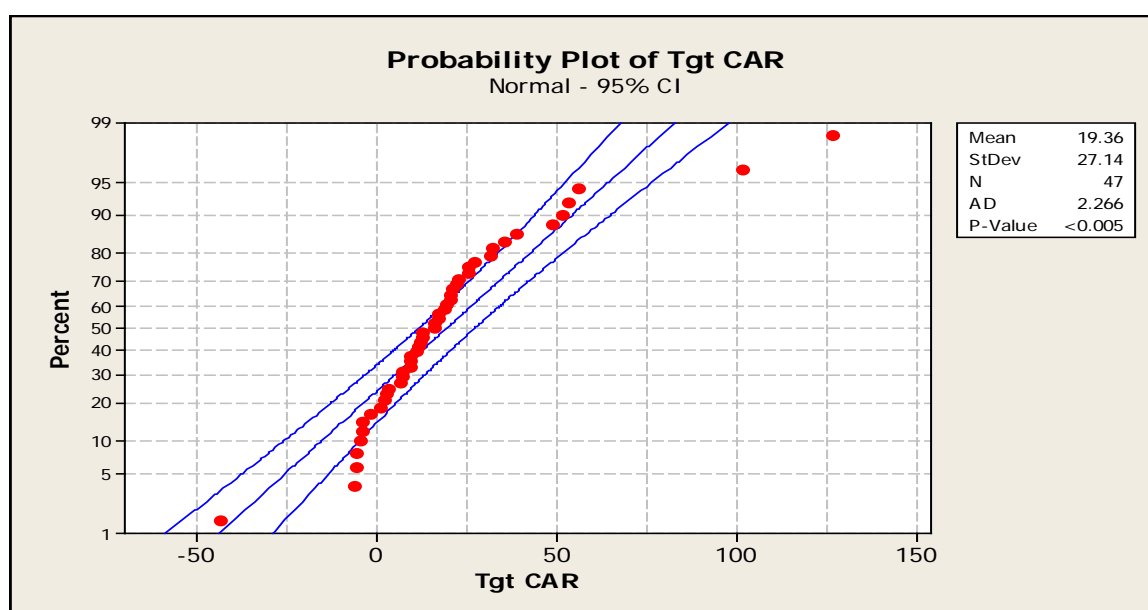
Table 6–15. Results for TGTCAR

Dependent Variable: TGTCAR			
Independent Variable	Coefficient	t-Statistic	
Constant	42.159	***	4.063
CARCCARGAVE	0.616	***	4.210
BOARDDIRECT	-3.090	**	-2.580
DIVISHARE	-0.398	**	-2.390
EPS	0.337	***	5.054
R-squared	0.597	F-statistic	15.532
Adjusted R-squared	0.558	Prob (F-statistic)	0.000

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

The probability plot of TGTCAR is shown in Figure 6–10.

Figure 6–10. Probability Plot of TGTCAR



Earnings per share (EPS) was significant at the 1% level. It was shown in Table 6–1 that those acquirers who generated a positive return tended to have a higher EPS (average 53.2 cents) than the unsuccessful acquirers (EPS 29.02 cents). This finding is consistent with the earlier results and the correlation between EPS and CARB.

The next most significant variable was CARCCARGAVE, which was the difference between the CAR to the acquirer during the year prior to completion (CARC) minus the average abnormal return during each of the two years prior to that (CARGAVE). This indicated that the stronger the performance of the acquirer during the 12 months leading up to completion, by comparison with the performance of the acquirer during the two years prior, the greater the premium which the acquirer would pay for the target firm's shares. This result supported the notion of animal spirits. It also supported the earlier finding that successful acquirers tended to acquire following a consistent level of shareholder performance across the three-year period up until completion, with the unsuccessful acquirers acting more hastily based upon a one-year positive result. The transitory nature of this process by unsuccessful acquirers was then reflected in their poor cumulative abnormal return during the first year following completion (CAR B1) at -13.4%, in contrast to the successful acquirers at +20.9%.

Hypothesis 3 is supported.

6.8. Summary of Chapter 6

1. Two independent variables, JTENURE (joint tenure) and REMCHG (CEO remuneration change) are significantly correlated, at the 1% level, with the acquirer shareholder return dependent variables CARA and CARB.
2. The potential for agency problems exists in M&A with REMCHG being negatively correlated with shareholder returns CARA and CARB.
3. The period of joint tenure for the Chairman and CEO at the time of completion (JTENURE) is significantly and positively correlated with CARA and CARB.
4. The period of joint tenure for the Chairman and CEO at the time of completion (JTENURE) is significantly more important in M&A outcomes than the length of the period of CEO tenure alone (CEOTENURE) at the time of completion.
5. 40% of the acquisitions (19 from the sample of 47) achieved a positive return to their shareholders (CARB); the average return to the successful acquirers (positive CARB) was 31.05% and the average return to the unsuccessful acquirers (negative CARB) was -37.8%.

Chapter 7: Interpretation of the Results

7.1. Introduction

The discussion in this chapter incorporates the findings from the cumulative abnormal returns analyses which were presented in Chapter 6, and links these findings with several previous academic studies. The second part of the chapter presents the findings from Seemingly Unrelated Regressions, Linear Probability Analysis and Discriminant Function Analysis of the variables used in the study.

The chapter begins with a summary of the key conclusions from the examination of the three hypotheses.

Hypothesis 1.

The length of the period of joint tenure of the Chairman and CEO in acquiring firms was significantly positively correlated with the CAR to acquiring firm shareholders during both the three years following completion of an acquisition (CARB) and the four-year period encompassing one year before and three years following completion (CARA). The correlation was most significant when the period of joint tenure is greater than six years. Joint tenure was also significantly positively correlated with firm performance during the period prior to an acquisition (CARD); joint tenure was therefore positive for shareholder value across a three-year period both following an acquisition (CARB) and prior to an acquisition (CARD). These outcomes are consistent with Upper Echelon Theory (Hambrick & Mason 1984) and the RBV Theory (Barney 1991).

This outcome can be examined in terms of the 'seasons' of a CEO's tenure (Hambrick &

Fukutomi 1991). The outcome is important in light of the rate of senior staff turnover in acquired firms (Krug & Shill 2008) and the adverse effect that has on firm performance. This reinforces the importance of joint tenure as a shareholder value enhancer in M&A and the development of the Chairman and CEO's working relationship (Kakabadse, Kakabadse & Knyght 2010).

Hypothesis 1 is accepted.

Hypothesis 2.

Remuneration change for the CEO of the acquirer at the time of an acquisition was significantly negatively correlated with CARB and CARA. The average increase in CEO remuneration was greater for those acquirers who reduced shareholder value than for those who increased shareholder value. This finding has governance implications; the size of the board has a significant negative correlation with CEO remuneration change.

These findings provide support for the presence of agency problems (Jensen & Meckling 1976) in M&A. Dividend policy is often cited as a means for shareholders to 'manage' agency problems (Easterbrook 1984; Jensen 1986); this study found a significant negative correlation between dividend payout ratios and shareholder returns (CARB and CARA).

Hypothesis 2 is accepted.

Hypothesis 3.

Two variables provided evidence of the presence of animal spirits in the context of Keynes's (1936, p.161) 'spontaneous urge to action'; the first was consideration, particularly when

expressed as a proportion of the acquirer's net assets during the year prior to completion (CONSIDPERACQ2). The second variable providing evidence of animal spirits was the difference between the abnormal returns to acquirer shareholders during the year prior to completion (CARC) and the average abnormal return to acquirer shareholders during the second and third year prior to completion (CARGAVE), expressed as CARCCARGAVE. The independent variable CARCCARGAVE may be considered as the 'spontaneous urge' and the dependent variable CONSIDPERACQ2 as the 'to action' in Keynes's observation.

This finding is consistent with the early 'Experimentation season' of a CEO's tenure (Hambrick & Fukutomi 1991) and Finkelstein's (1992) coincident type of power reflecting a CEO's early successes as observed with the firm's most recent 12-month performance (CARC) being better than the firm's performance in the preceding two years (CARGAVE).

Hypothesis 3 is accepted.

7.2. CARA and CARB Regression Equations

The regression results for CARA and CARB are:

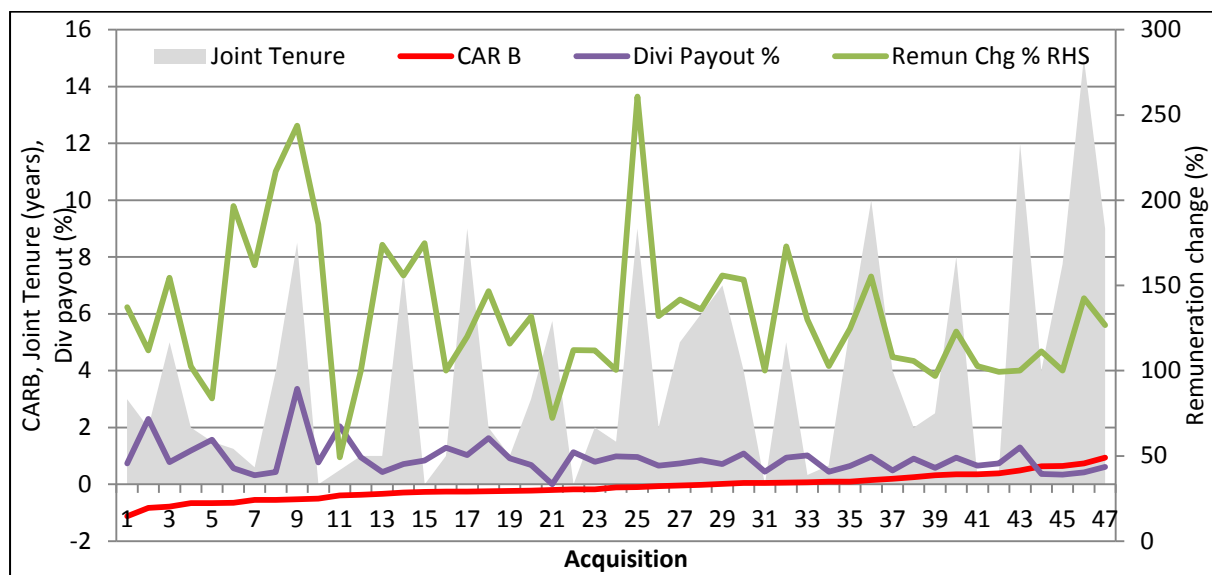
$$\begin{aligned}
 \text{CARA} = & 5.637 + 8.069\text{JTENURE} - 0.398\text{REMCHG} + 0.659\text{CARCCARGAVE} - 13.198\text{POR} \\
 & (0.322) \quad (5.320^{***}) \quad (-3.646^{***}) \quad (3.679^{***}) \quad (-1.908^*) \\
 & + 0.291\text{EPS} - 15.189\text{NATGTACQ} + 0.610\text{CARTOTOD} \\
 & (3.142^{***}) \quad (-2.115^{**}) \quad (2.230^{**}) \quad R^2 = 0.63, \text{Adj. } R^2 = 0.56
 \end{aligned}$$

$$\begin{aligned}
 \text{CARB} = & 6.244 + 5.830\text{JTENURE} - 0.426\text{REMCHG} + 0.881\text{CARTOTOD} + 0.215\text{EPS} \\
 & (0.405) \quad (5.145^{***}) \quad (-4.630^{***}) \quad (3.551^{***}) \quad (2.456^{**}) \\
 & - 15.085\text{NATGTACQ} - 10.660\text{POR} \\
 & (-2.173^{**}) \quad (-1.837^*) \quad R^2 = 0.51, \text{Adj. } R^2 = 0.43
 \end{aligned}$$

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

Graphically the relationship between Joint Tenure, Remuneration change, Dividend payout ratio and CARB is presented in Figure 7–1.

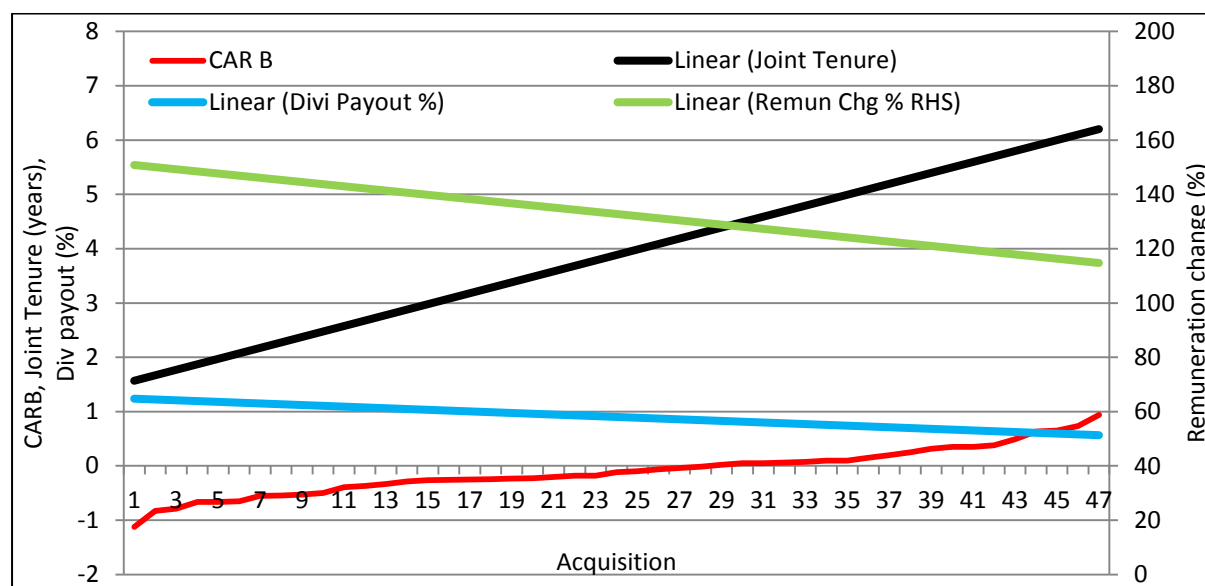
Figure 7–1. Graphical Representation of Joint Tenure, CARB, Dividend Payout, Remuneration Change



Acquisition 1 (on the x-axis) was the worst-performing acquisition in terms of CARB³¹. The key trends to observe in Figure 7–1 are that, as CARB rises, the dividend payout ratio decreases and the remuneration change lessens.

Figure 7–2 presents the lines of best fit for each of the independent variables (joint tenure, remuneration change and dividend payout ratio), demonstrating the positive correlation of joint tenure with CARB and the negative correlation of remuneration change and dividend payout ratio with CARB.

Figure 7–2. Microsoft Excel Line of Best Fit for Remuneration Change, Joint Tenure, Dividend Payout



The correlation coefficients for a selected range of dependent and independent variables are presented in Table 7–1.

In the next sections the results are examined in more detail.

³¹ The data for this chart, presented in descending order of CARB performance, are presented in Appendix IV.

Table 7–1. Correlation Analysis, Selected Dependent and Independent Variables

	Joint Tenure	CEO Tenure	Remun. Chg %	NA Tgt/Acq	CAR B1	No. Board Dir.	% Exec Dir.	Tgt CAR	CAR G Ave	CAR C- CAR G Ave	EPS (A\$)
Joint Tenure	1.000										
CEO Tenure	0.634***	1.000									
Remun. Chg %	0.245*	0.046	1.000								
NA Tgt/Acq	-0.005	0.159	-0.027	1.000							
CAR B1	0.429***	0.382***	-0.243*	-0.013	1.000						
No. Board Dir.	-0.185	-0.274*	-0.246*	-0.065	0.049	1.000					
% Exec Dir.	0.267*	0.258*	0.074	0.075	-0.022	-0.191	1.000				
Tgt CAR	0.098	0.049	0.234	0.035	0.075	-0.238	-0.066	1.000			
CAR G Ave	0.479***	0.289**	-0.050	0.226	-0.295**	-0.144	0.320**	-0.125	1.000		
CAR C-CAR G Ave	0.035	-0.020	0.297**	-0.229	-0.002	0.096	-0.061	0.618***	-0.485***	1.000	
EPS (A\$)	0.021	0.167	0.024	0.398***	0.213	0.239	-0.123	0.234	0.216	0.063	1.000

*** Significant at 1%; ** Significant at 5%; * Significant at 10%.

7.3. Joint Tenure

It has been found that joint tenure was a significant factor influencing the M&A outcome for acquirer shareholders from an acquisition (CARA or CARB); the longer the period of joint tenure the better the outcome for the acquirers' shareholders. Joint tenure was also significant for three years prior to an acquisition (CARD).

7.3.1. RBV and Upper Echelon Theory Context

This finding regarding joint tenure is consistent with the Resource Based View (Barney 1991) of a firm and Upper Echelon Theory (Hambrick & Mason 1984). This also has implications in a governance context given a regulatory push to separate the roles of Chairman and CEO on boards, as typifies firms in the UK and Australia (Dedman 2002; Productivity Commission 2009).

In the UK the Cadbury Committee recommended that the roles of Chairman and CEO be separated (Cadbury 1992; Dedman 2002); in Australia the ASX Corporate Governance Council also recommends that the roles of Chairman and CEO are not performed by the same person (Productivity Commission 2009, p.92). In his Presidential Address to the American Finance Association, Jensen (1993) also recommended that the positions of CEO and Chairman be separated. These reports all propose a separation of the roles of Chairman and CEO; this study has found that, when the roles are separated, an extended period of tenure together for the Chairman and CEO can enhance shareholder value in M&A.

Further, Prahalad and Hamel's (1990) paper on core competence stressed the importance of

the leadership role of a Chairman and CEO as a core competence on the basis that pairing will be difficult for competitors to copy. It is a vital component of the 'collective learning in the organization, especially how to co-ordinate diverse skills' and is a real source of competitive advantage with their ability to consolidate corporate wide skills into competencies that empower individual businesses to adapt to changing opportunities (Prahalad & Hamel 1990, p.82) such as acquisitions. Length of tenure in their roles together will enhance the value of this competence to the organization.

The Resource Based View (RBV) (Barney 1991) emphasizes the importance of resources which are valuable, rare, inimitable and not easily substitutable in order to sustain competitive advantage, with 'human' and 'organizational' being two of his three capital resource categories.

Henderson *et al.* (2006) found that firm level performance in more 'stable' industries improved with tenure (10–15 years). No previous study has been identified which has evaluated the effect which joint tenure, for the Chairman and Chief Executive of an acquiring firm at the time of completion of the acquisition, has had on firm performance in mergers and acquisitions.

7.3.2. Acquiring Firm Performance and Tenure Effect Over Time

Table 7–2 presents the Pearson correlation and P-Value for the relationship between Joint Tenure and cumulative abnormal returns. Joint tenure had a higher Pearson correlation for the three years prior to the acquisition (CARD) than the three years following the acquisition (CARB), although both were significant at the 1% level. Statistically, joint tenure was

significant for an acquirer during the six-year period around an acquisition, including the three years prior to an acquisition (CARD) and the three years following an acquisition (CARB). The positive correlation of joint tenure with shareholder returns prior to an acquisition (CARD) provides an early indicator to shareholders of the possible return which the incumbent long-serving CEO and Chairman may achieve with their proposed acquisition.

Table 7–2. Comparison of Joint Tenure and Cumulative Abnormal Returns

Joint tenure correlation with:	CAR A	CAR B	CAR C	CAR D
Pearson Correlation	0.526	0.422	0.343	0.569
P-Value	0.000	0.003	0.018	0.000

Table 7–3 presents correlation coefficients for CEO tenure and cumulative abnormal returns.

Table 7–3. Comparison of CEO Tenure and Cumulative Abnormal Returns

CEO tenure correlation with:	CAR A	CAR B	CAR C	CAR D
Pearson Correlation	0.416	0.404	0.160	0.321
P-Value	0.004	0.005	0.281	0.028

The correlation coefficients were lower for CEO tenure and its contribution to each of the

CARs than were the figures for joint tenure. Joint tenure had a statistically significant relationship with CARC, but CEO tenure alone did not. This supports the importance of joint tenure ahead of CEO tenure in M&A outcomes.

On average the performance of the acquiring firm deteriorated over time, when examined during the three years prior to acquisition completion (CARD), the year prior to completion (CARC) when there is a spike in performance, and the three years after completion (CARB); this finding of acquirers earning positive returns prior to an acquisition but negative returns following an acquisition is consistent with those of Dodd (1976), Walter (1984), Sharma and Ho (2002) and Tuch and O’Sullivan (2007). The average cumulative abnormal returns over this six-year period are presented in Table 7–4.

Table 7–4. Average CAR: CARD, CARC, CARB

	CARD	CARC	CARB
47 Acquisition average CAR	10.23	6.39	-10.01

The CARB-positive acquirers (Table 6–1) had average joint tenure of 5.14 years at the time of completion, 75% longer than the joint tenure for the CARB-negative CARB acquirers (2.93 years).

For the 12 acquirers where the period of joint tenure was six years or longer (average 9.08 years for the subsample of 12 acquirers), the average cumulative abnormal return for the acquiring firm:

1. In the three years prior to completion (CARD) was 38.46% (compared with 10.23% for the total sample).
2. For the three years following completion (CARB) was 17.96% (with –10.01% for the total sample).
3. For the four-year period (CARA) was 37.98% (with –3.89% for the total sample).

Acquirer returns (CARs) improved significantly when joint tenure was at, or in excess of, six years. This observation is examined in more detail in the section on binary analysis later in this chapter.

The period of joint tenure (JTENURE) had the highest Pearson correlation coefficient³² for the three years prior to completion (CARD) at 0.569 and the lowest Pearson correlation coefficient during the second year following completion (CARB2) at 0.097. This low joint tenure Pearson coefficient coincided with a Pearson coefficient of -0.029 and a P-value of 0.848 for CEO tenure. The joint tenure variable was at its weakest during the second year of the acquisition when measured in terms of CAR (CARB2). Joint tenure was more significantly correlated with shareholder outcomes for acquirers even prior to an acquisition (CARD and CARC) than CEO tenure, especially during the year prior to the acquisition (CARC). This further supports the proposition that joint tenure is more important for shareholder value than CEO tenure alone, both before and after an acquisition.

The average period of joint tenure in the study was 3.82 years³³, whilst the average period of tenure for the CEO alone was 5.82 years. The average joint tenure period for positive-CARB acquirers was 5.14 years (Table 6–1) and for the CEOs of the positive-CARB acquirers it

³² Appendix II.

³³ Appendix III.

was 7.74 years; conversely, the average period of joint tenure for acquirers with negative CARB was 2.93 years and the CEO tenure for those acquirers averaged 4.52 years. On only 17 occasions had the Chairman been in office for a shorter length of time than the CEO; conversely, the Chairman had been in office the same length of time as the CEO or longer on 30 occasions. These findings tend to support the value to shareholders of Chairman and CEO stability in terms of tenure in office. In effect, these findings provide evidence that a Chairman adds value for shareholders above what the CEO alone provides, both before (CARD) and after (CARB) an acquisition.

7.3.3. Tenure of Acquired Firm Executives

Previous studies (Krug & Shill 2008; Walsh 1988) have highlighted the high turnover rate of senior executives in acquired firms and its implication for the performance of the firm. Cannella and Hambrick (1993) found that post-acquisition performance of the acquired firm was adversely affected by the departure of acquired firm executives, whilst Krug and Skill (2008) reported that top management turnover rates during the period following an acquisition were, in the acquired firms, more than double the rate in non-merged firms. This implies that stability of turnover of executives in the acquirer at the time of the acquisition is likely to result in the acquirer performing better than if its executive turnover is at the same rate as executive turnover in acquired firms.

The high turnover rate of senior executives in the acquired firm therefore requires that focus be given to the stability and tenure of senior executives in the acquiring firm, since it is realistic to assume that the adverse performance implications of senior executive departures in the acquired firm can also be applied to senior executive turnover in the

acquiring firm. It is possible that a long period of joint tenure by the Chairman and CEO of the acquiring firm may signal stability in the acquiring firm management, and thereby enhance the possibility of achieving a higher level of senior management retention if required in the acquired firm.

7.3.4. Joint Tenure and the Nature of the Chairman and CEO Relationship

The findings from this study are consistent with those of Bergh (2001), who stated that the benefits of long organizational tenure, such as intimate understanding of the company, led to more successful outcomes than the benefits of short organizational tenure. This is important in the context of the separate but complementary roles of the CEO and Chairman as reflected by Parker (1990), with the Chairman more 'outward' looking and the CEO more focussed on 'day to day' management.

The findings of this study also place considerable importance on the development and benefit of an effective working relationship between the Chairman and CEO, supported by the findings of Kakabadse *et al.* (2010), Roberts and Stiles (1999) and Roberts (2002).

In contrast, Adams *et al.* (2005) found no evidence that powerful CEOs have, on average, a worse performance record than others and that governance policy guidelines need to carefully analyze reasons for poor performance and avoid generalizations. Adams *et al.* (2005) and Daily and Dalton (1997) did not dismiss the idea that a business may prosper when the role of Chairman and CEO is held by one person. This study has not tested the effect of the positions of Chairman and CEO being held by one person on performance, in part due to the relatively low incidence of this amongst firms in Australia (Productivity

Commission 2009, p.92).

The results of this study suggest that the time in the joint tenure period at which a successful acquirer makes an acquisition corresponds with Hambrick and Fukutomi's (1991) 'convergence' period of the Chairman's and CEO's working time together; the convergence period occurs when CEO task knowledge is very high and 'the CEO's commitment to his or her paradigm is strong and getting stronger' (1991, p.731). For the unsuccessful acquirer the period during which the Chairman and CEO make an acquisition may coincide with the 'experimental' period; as the CEO achieves early successes and establishes credibility and power, he or she may now be willing to consider new directions (Hambrick & Fukutomi 1991).

7.4. Remuneration and Agency Theory

This section examines and discusses significance of the results related to Hypothesis 2.

The regression equations for CARA and CARB are:

$$\begin{aligned} \text{CARA} = & 5.637 + 8.069\text{JTENURE} - 0.398\text{REMCHG} + 0.659\text{CARCCARGAVE} - 13.198\text{POR} \\ & (0.322) \quad (5.320^{***}) \quad (-3.646^{***}) \quad (3.679^{***}) \quad (-1.908^*) \\ & + 0.291\text{EPS} - 15.189\text{NATGTACQ} + 0.610\text{CARTOTOD} \\ & (3.142^{***}) \quad (-2.115^{**}) \quad (2.230^{**}) \quad R^2 = 0.63, \text{Adj. } R^2 = 0.56 \end{aligned}$$

$$\begin{aligned} \text{CARB} = & 6.244 + 5.830\text{JTENURE} - 0.426\text{REMCHG} + 0.881\text{CARTOTOD} + 0.215\text{EPS} \\ & (0.405) \quad (5.145^{***}) \quad (-4.630^{***}) \quad (3.551^{***}) \quad (2.456^{**}) \\ & - 15.085\text{NATGTACQ} - 10.660\text{POR} \\ & (-2.173^{**}) \quad (-1.837^*) \quad R^2 = 0.51, \text{Adj. } R^2 = 0.43 \end{aligned}$$

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

The finding that the change in the CEO's remuneration was significantly negatively correlated with shareholder returns in acquiring firms is consistent with Agency Theory problems (Eisenhardt 1989; Jensen & Meckling 1976) and the different motivation of managers when compared with shareholders.

This finding supports Hypothesis 2.

A key aspect of Agency Theory (Eisenhardt 1989; Jensen & Meckling 1976) is that effective principal-agent relationships should reflect an efficient, transparent exchange of information, with risk appropriately shared. Problems emerge when the two parties have differing goals, differing attitudes/preferences toward risk and/or differing rewards. M&A activity, as a major investment decision, has the propensity for such conflicts to emerge. Eisenhardt (1989) emphasizes the potential for serious agency problems when stakeholder goals conflict.

7.4.1. Analysis

Remuneration change (REMCHG) was negatively correlated with CARA and CARB at the 1% level.

The t-statistic for remuneration change in the regression equations for cumulative abnormal returns is presented in Table 7–5.

Table 7–5. CARA, CARB and REMCHG

Dependent Variable	REMCHG t-statistic	Probability
CARA	-3.656	0.000
CARB	-5.080	0.000

For all acquisitions the average CARB was –10.01% and the average remuneration change was an improvement of 32.8% during the year of completion. For the 19 successful acquisitions the average CARB was 31.05% and the average remuneration change was 21.6%. For the unsuccessful acquisitions the average CARB was –37.8% and the average change in remuneration was 40.4%, a much greater increase in remuneration than was received by the successful acquirers. This result provides support for Hypothesis 2.

Table 7–6 presents the correlation between Remuneration Change and a range of variables which are significantly correlated with a p-value ≤ 0.100 .

Table 7–6. Remuneration Change Correlation Analysis

Remuneration Change Correlation		
Variable	Pearson Correlation	P-Value
CARB	-0.243	0.100
CARC	0.306	0.036
CARB1	-0.243	0.100
Joint Tenure	0.245	0.097
No. Board Directors	-0.246	0.096
CAR Toto D	0.258	0.080
CARC - CARG Average	0.297	0.043
P/E Ratio	-0.243	0.100
Net Assets Acquirer	-0.282	0.055

Remuneration change was negatively correlated (Table 7–6) with CARB and CARB1, but positively correlated with CARC, which is potentially not surprising given the expectation that remuneration changes would be correlated with shareholder performance during the previous year. This was reflected in the direct correlation between remuneration change (REMCHG) and the variable (CARCCARGAVE) which represented the difference between abnormal returns to shareholders during the year prior to completion (CARC) and the average annual return to shareholders during the two years prior to that (CARGAVE). This reflected a short-term uplift in shareholder returns during the year prior to an acquisition, which coincided with a characteristic of negative CARB acquirers (Table 6–1) when CARCCARGAVE was 7.45 for unsuccessful acquirers and 0.49 for successful acquirers.

7.4.2. Remuneration Change, Agency Theory and Corporate Governance

In this study, while the change in remuneration was negatively correlated³⁴ with the size of the board, there was no correlation between remuneration change and the number of executive directors on the board. These findings do not concur with those of Coakley and Iliopoulou (2006).

Further, in this study remuneration change was not correlated³⁵ with the size of the target relative to the size of the acquirer (NATGTACQ), which differs from the finding of Grinstein and Hribar (2004), but remuneration change was negatively correlated at the 10% level with the size of the acquirer (NAACQ) prior to the acquisition.

³⁴ Appendix II.

³⁵ Appendix II.

There was minor positive correlation between remuneration change and joint tenure but no correlation between remuneration change and CEO tenure.

In summary, CEO remuneration change was positively correlated with firm performance during the year prior to completion (CARC) but not the three years prior to completion (CARD). CEO remuneration was significantly negatively correlated with firm performance during the three years following the acquisition (CARB). CEO remuneration was positively correlated with joint tenure but it was negatively correlated with board size. It was not significantly correlated with shareholder returns during the first year following completion (CARB1).

These findings demonstrate that CEO remuneration changes and longer-term shareholder returns (CARD and CARB) are negatively correlated; this will tend to support the arguments for the presence of agency factors in firms, both when they have made acquisitions (CARB) and when they are not making acquisitions (CARD).

7.4.3. Agency Theory and Dividend Policy

A potentially significant finding in this study was the negative relationship between the dividend payout ratio in the year of completion of the acquisition and the return to shareholders. Table 7–7 summarizes the correlation between the dividend payout ratio (POR: dividend paid as a percentage of earnings per share) and other variables, when the correlation was significant at the 5% level.

Table 7-7. Correlation of Dividend Payout and Related Variables

<i>Correlation between dividend payout and:</i>	Pearson Correlation	P-Value
CAR B	-0.297	0.042
Equity or Cash payment	0.286	0.051
P/E Ratio	-0.674	0.000
EPS	-0.290	0.048

Two different perspectives have been developed regarding free cash flow as it pertains to dividend policy. Jensen (1986) argued that many acquirers will have a good performance prior to an acquisition (which is consistent with the findings from this study) and this in turn will generate free cash flow for an acquisition, or substantial capital investment. When strong free cash flow is generated beyond what the firm requires for positive net present value (NPV) projects, Jensen (1986) argued that, unless the firm increases its dividend payout rate, managers will invest in low return or even negative NPV projects such as an acquisition. Gregory (2005) presented the alternative view that high free cash flow acquirers do better than low free cash flow acquirers. It is possible to observe that Jensen (1986) was more aligned to Agency Theory, whereas Gregory (2005) was more aligned with Stewardship Theory, at least on the issue of free cash flow management.

The findings of this study support Gregory's (2005) view of free cash flow management. The successful acquirers (CARB positive) had a dividend payout ratio of 63.9% of EPS (Table 6–1), whereas the unsuccessful acquirers (CARB negative) had a dividend payout ratio of 102.7% of EPS. Jensen (1986) argued in favour of high dividend payout ratios to prevent

management from investing in low NPV activities. In this study the fact that unsuccessful acquirers had a lower level of earnings per share (EPS) than successful acquirers suggests that these firms may be poor managers of shareholders' funds on acquisition activity.

Much of the literature relating to dividend policy centres on Agency Theory, with dividend payouts being rationalized as a means to reduce the free cash flow available to managers because they may not use this free cash flow in the best interests of shareholders, but to meet their own needs (Jiraporn & Chintrakarn 2009). Australian firms have an incentive to pay dividends because of the imputation tax system (the ability to offset personal taxes payable on dividend income with credits that represent tax paid by the company issuing the dividends); it is the only way to pass on franking credits (Berk *et al.* 2011, p.492).

Miller and Modigliani (1961), in a seminal paper, discussed perfect markets and rational behaviour in which, when the investment policy of a firm is held constant, there are no consequences for shareholder wealth from a firm's dividend policy (La Porta et al. 2000).

However, Miller and Modigliani (1961) also considered two 'imperfections': first, where an imperfection might lead a shareholder to value a current capital gain differently from a current dividend gain and, second, where there are differences in tax rates between capital gains and personal income tax rates. Applying Miller and Modigliani's argument to this study, there is an inference that an 'imperfection' exists since a high dividend payout ratio (POR) is correlated with adverse shareholder value (CARA and CARB). The 'imperfection' observed in this study may arise from the presence of agency problems (Hypothesis 2) and animal spirits or hubris (Hypothesis 3) as factors which drive management behaviour in their allocation of firm resources and contrary to the idea of perfect markets and rational

behaviour.

Easterbrook (1984) examined how dividend policies can offset agency problems by aligning management interests with owners. He argued that financing projects from retained earnings, with a lower debt to equity ratio, lowers the manager's risk and transfers wealth from shareholders to bondholders. If managers consistently need to raise money, they are more likely to act in the interests of their shareholders, who will scrutinize their plans each time a capital raising is required; the argument is that managers will be less rigorous with their critical analysis if project funding comes from retained earnings than if it comes from external sources. Easterbrook concluded that dividends may keep firms in the capital market, where monitoring of managers is available at lower cost and may be useful in adjusting the level of risk taken by managers and the different classes of investors. However, in this study firms with the higher average dividend payout ratios were the poorer M&A performers (Table 6–1), suggesting that Easterbrook's view about capital market scrutiny may not be effective in protecting investor interests.

Jiraporn and Ning (2006) also examined agency costs as a determinant of dividend policy, developing a 'substitution hypothesis' arguing that dividends substitute for shareholder rights. That is, a highly fragmented shareholder base with no dominant shareholder (therefore individual shareholder rights are very weak) paying a substantive regular dividend develops a positive reputation for a firm, thereby easing the burden of future capital raisings from this fragmented shareholder base. This may explain the behaviour of managers in those firms in this study that were unsuccessful with their acquisitions. They concluded that there is evidence supporting their 'substitution hypothesis' regarding a

negative relationship between shareholder rights and dividend payouts. Of note in this context is the work of Aggarwal and Kyaw (2010), who found that multinational firms seem to pay higher dividends and have lower debt ratios than domestic firms, suggesting that international diversification may reduce the risk profile of firms.

La Porta *et al.* (2000) examined dividend decisions in the context of agency theories for 4,000 firms in 33 countries, including Australia. They found support for the application of Agency Theory to dividend payouts, including in Australia. In their analysis of 103 Australian firms, the median dividend to earnings ratio, expressed as dividends as a percentage of earnings in fiscal 1994, was 42.82%; earnings were measured as after tax and interest but before extraordinary items and seven broad industry categories were identified including mining.

Table 7–8 summarizes the differences between successful and unsuccessful CARB acquirers regarding dividends and earnings per share. The dividend payout proportion of earnings per share was much higher for the unsuccessful acquirers (102.8%) than for the successful acquirers (63.9%), suggesting that high dividend payout ratios alone are not an effective means of protecting shareholder interests. A high dividend payout as a share of EPS, as in the case of the unsuccessful acquirers, may indicate to shareholders that the firm's financial position is not adequate to undertake an acquisition and that an acquisition may be a value-destroying event for that firm. A high dividend payout ratio may act as a warning signal to shareholders and debt holders for a firm which proposes making an acquisition.

Table 7–8. Dividend per Share and EPS Comparisons

Variable	Positive CAR B Results	Negative CAR B Results
Dividend per Share	34.00	29.80
EPS	53.20	29.02
Dividend Payout %	63.9	102.8

The poorest performers in terms of shareholder returns were those acquirers with the highest dividend payout ratio and low earnings per share.

7.5. Animal Spirits: Hypothesis 3

CEOs were, by natural Darwinian selection, excessively energetic sorts, seldom ‘deficient in animal spirits’. They measured themselves by the size of their castle, rather than by Buffett’s yardstick of profitability (which to him was the only rational goal (Lowenstein 2009, p.238).

A measure of the ‘size of the castle’ is the size of the consideration paid for the target firm. For successful acquirers in this study the average size of the consideration paid was A\$1,282m; this average included two large acquisitions (by consideration paid) which were CBA’s acquisition of Colonial Bank and Toll’s acquisition of Patrick. Excluding these two transactions, the average consideration paid for the remaining 17 positive CARB acquirers was A\$498.9m. For the unsuccessful acquirers the average consideration which they paid to the acquired firm’s shareholders was A\$889.8m; deducting the two largest acquisitions in this sample of acquirers reduced the average consideration for the remaining 26 acquirers to A\$744.6m.

Comparing the successful acquirers with the unsuccessful acquirers, the consideration paid as a percentage of the acquirers' net assets in the year prior to the acquisition was 77.2% and 54.7%, respectively; deducting the two largest acquisitions from the successful acquirers subsample reduced the average consideration to 29.4% of acquirers' net assets (from 77.2%) and for the unsuccessful acquirers the average consideration reduced to 49% of acquirer's net assets (from 54.7%). The implication is that relatively small acquisitions prove to be more successful for acquirers than relatively large acquisitions, a finding shared by Rehm *et al.* (2012) from McKinsey & Company.

The results of the analysis examining animal spirits as an explanation for M&A performance and outcome are presented in tables 7–9 and 7–10. Table 7–9 reports the consideration paid by the acquirer as a proportion of the acquirers' net assets in the year prior to the acquisition (CONSIDPERACQ2) as the dependent variable with five statistically significant independent variables. The significant dependent variables are: net assets of the target divided by net assets of the acquirer during the year prior to the acquisition (NATGTACQ); number of board directors in the acquiring firm (BOARDDIRECT); change in the target firm's share price during the six months preceding the acquisition (CUMTGTPRCHG); acquirer media exposure for the acquirer's CEO and Chairman (MEDIA); and acquirer earnings per share (EPS).

Table 7–9. Analysis of Consideration Paid as Proportion of Acquirer Net Assets

Dependent Variable	CONSIDPERACQ2		
Independent Variable	Coefficient		t-Statistic
Constant	133.538	**	2.489
NATGTACQ	126.094	***	7.404
BOARDDIRECT	-13.928	***	-3.120
CUMTGTPRCHG	-64.658	**	-2.132
MEDIA	0.088	***	2.970
EPS	0.540	**	2.535
R-squared	0.723	F-statistic	21.351
Adjusted R-squared	0.689	Prob (F-statistic)	0.000

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

Removing the two outliers from the 47 acquisition sample resulted in the equation presented in Table 7–10 for the remaining sample of 45 acquisitions. In this equation, two variables (CEO tenure (CEOTENURE) and CEO remuneration change (REMCHG)) replaced media (MEDIA) and earnings per share (EPS) as significant at the 5% level.

The results in Table 7–10 indicate that CEO tenure becomes a statistically significant, negative independent variable for consideration expressed as a proportion of the acquirer's net assets prior to completion. This implies that the shorter the period of time that the acquirer's CEO has been in his/her position at the time of the acquisition, the larger will be the consideration paid as a proportion of net assets. Joint tenure, when it replaced CEO tenure (Table 7–9), was negatively significant at the 10% level.

**Table 7–10. Analysis of Consideration Paid as Proportion of Acquirer Net Assets
(excluding two outliers)**

Dependent Variable		CONSIDPERACQ2	
Independent Variable	Coefficient	t-Statistic	
Constant	138.957	**	2.560
NATGTACQ	97.843	***	4.761
BOARDDIRECT	-12.927	***	-3.122
CUMTGTPRCHG	-69.396	**	-2.512
CEOTENURE	-7.282	**	-2.657
REMCHG	0.599	**	2.240
R-squared	0.645	F-statistic	14.168
Adjusted R-squared	0.599	Prob (F-statistic)	0.000

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

The key relationships arising from these results are as follows:

1. The most significant independent variable was the size of the target relative to the acquirer (NATGTACQ) based upon both firms' net assets in the year prior to completion; they were positively correlated. The size of the target relative to the size of the acquirer would be expected to be a dominant factor in determining the consideration paid as a proportion of the acquirers own net assets.
2. The total consideration paid (CONSIDPERACQ2) was negatively correlated with the number of board directors (BOARDDIRECT). This indicates that the smaller the size of the board, the larger will be the consideration paid as a proportion of acquirer net assets. On average the size of the board in this study was 8.47 with a standard

deviation of 2.56; the median size was 8. The implication of this finding is that the larger the size of the board, the more parsimonious they may be in terms of what they will pay in an acquisition.

3. An unexpected negative correlation was found between the acquired firm's share price change during the six months prior to completion (CUMTGTPRCHG) and the consideration paid as a proportion of the acquirer's net assets (CONSIDPERACQ2). The smaller the change in the target firm's share price (CUMTGTPRCHG) during the six months prior to completion, the larger the proportion that the consideration represents of the acquirers net assets. The significance of this finding may be that the market for these shares is efficient and that the prevailing share price fully reflects the value of the firm to be acquired.
4. The measure adopted in this study for media exposure was positively correlated with total consideration paid. This correlation is consistent with previous work examining hubris (Hayward & Hambrick 1997; Malmendier & Tate 2008b). Media exposure was measured using the Factiva database (on August 25th, 2010) with the sum of the Chairman and CEO mentions during the two-year period encompassing one year prior to completion and one year after completion; all media sources were used in the data collection within the region Australia and New Zealand. The result indicates that the greater the media exposure of the Chairman and CEO then the greater will be the relative size of the consideration paid. This also provides support for narcissism and Higgs's (2009) evidence of it through self-admiration and entitlement.
5. CEO tenure was negatively correlated with the consideration, indicating that the

shorter the CEO's tenure, the higher the consideration being paid as it relates to the acquirer's net assets. This clearly supports animal spirits in that new CEOs are keen to increase their profile and achieve 'quick wins' by growing the business through acquisition.

Table 7–11 shows the outcomes for consideration as a percentage of acquirer's net assets categorized in accordance with whether the acquirer was successful (positive CARB) or unsuccessful (negative CARB) in generating shareholder returns.

Table 7–11. Analysis of Positive and Negative CARB Acquirers

Variable	Positive CARB Results	Negative CARB Results
Consideration	1282.3	889.8
Consideration as a percent of acquirer's net assets (%)	77.2	54.7
CARB	31.05	-37.80
CARC	5.48	7.00
Net Assets of Target as percent of acquirer's net assets	0.63	0.60
Board Directors	8.42	8.50
Media	292.20	308.90
CAR D Toto Average	12.59	12.49
Cum Tgt Share Price Chg	32.00	28.00

Adopting media as the dependent variable with consideration as the independent variable produced the result in Table 7–12.

Table 7–12. Analysis of Media and Consideration

Dependent Variable	MEDIA		
Independent Variable	Coefficient	t-Statistic	
Constant	163.141	***	3.767
CONSIDERATION	0.133	***	3.338
R-squared	0.439	F-statistic	35.191
Adjusted R-squared	0.426	Prob (F-statistic)	0.000

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

Media was used by Melmender and Tate (2008b) and Hayward and Hambrick (1997) as a measure of hubris; in their examination of narcissism Chatterjee and Hambrick (2007) adopted a media measure (CEO's prominence in press releases) as a measure of narcissism. From this study the size of the purchase consideration was significantly correlated with media. A consequence of a high consideration paid relative to acquisition size was a negative outcome for shareholder returns, meaning the intended benefits of the acquisition fail to materialize to the extent envisaged. Overall the result suggests that media exposure was more closely aligned to animal spirits than to hubris. A consequence is that high levels of media exposure may drive CEOs to be overconfident (Hayward & Hambrick 1997) with inflated self-views (Chatterjee & Hambrick 2007) and make decisions that, on a risk/reward basis, are not in the best interests of the shareholders.

Table 7–13 shows the relationship between cumulative abnormal return to the target firm's shareholders' (TGTCAR) during the six months leading to completion and variables linked to

animal spirits.

Table 7–13. Analysis of Target CAR

Dependent Variable: TGTCAR			
Independent Variable	Coefficient	t-Statistic	
Constant	42.159	***	4.063
CARCCARGAVE	0.616	***	4.210
BOARDDIRECT	-3.090	**	-2.580
DIVISHARE	-0.398	**	-2.390
EPS	0.337	***	5.054
R-squared	0.597	F-statistic	15.532
Adjusted R-squared	0.558	Prob (F-statistic)	0.000

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

The results show that the most significant independent variable was earnings per share (EPS). As Table 6–1 illustrated, those acquirers who generated a positive return to shareholders tended to have a much higher EPS (average 53.2 cents) than the unsuccessful acquirers (EPS 29.02 cents). Likewise, the acquired firm shareholders achieved the best result (TGTCAR) the higher the acquiring firm's EPS. Both acquirer and acquired firm generated positive shareholder returns when the acquiring firm's EPS is high.

The next most significant variable was CARCCARGAVE, which was the difference between the cumulative abnormal return to the acquirer during the year prior to completion (CARC) minus the average abnormal return during each of the two years prior to that (CARGAVE). This was an indication that the stronger the performance of the acquirer during the 12

months leading up to completion by comparison with the performance of the acquirer during the two years prior to that, the greater the premium which the acquirer will pay for the target firm's shares. This supports the notion of animal spirits through Keynes's 'spontaneous urge to action rather than inaction' (1936, p.161).

As noted earlier, successful acquirers in the study tended to acquire firms following a consistent level of shareholder performance across the three years up until completion (CARD), with the unsuccessful acquirers acting more hastily based upon a one year (CARC) positive result. This is consistent with Hambrick and Fukutomi's (1991) 'experimentation season' of tenure and the shorter period of tenure by the CEO in the unsuccessful acquiring firm (Table 6–1). The transitory nature of this process by unsuccessful acquirers was then reflected in their poor cumulative abnormal return during the first year following completion (CARB1) at –13.4% versus the successful acquirers at +20.9%.

In a US study of 394 firms Malmendier and Tate (2008b) found that overconfident CEOs overpaid for target firms and undertook value-destroying mergers. The effects were strongest if they had access to internal funds. This study supports the findings of Malmendier and Tate when the average size of the consideration paid was deemed a proxy for overpayment. This study found support for their findings in that there was a negative correlation between the acquiring firm's dividend paid per share and the target firm cumulative abnormal return.

The final variable concerned the number of board directors in the acquiring firm; this study found a negative correlation between the number of board directors in the acquiring firm and the cumulative abnormal return enjoyed by the target firm shareholders. This was

possibly another reflection of weak governance, noting from earlier in this study that the change in remuneration (REMCHG) for the CEO was also negatively correlated³⁶ with the number of board directors in the acquirer's firm.

In summary, the following are the key findings with respect to Australian acquisitions and animal spirits as 'a spontaneous urge to action' as defined by Keynes (1936, p.161):

1. Recent acquirer performance had a significant positive affect on the acquired firm's shareholder return and was higher for unsuccessful acquirers than for successful acquirers. This supports the notion of 'spontaneous urge' as defined by Keynes and coincides with the 'experimentation season' of a CEO's tenure (Hambrick & Fukutomi 1991).
2. The consideration as a percentage of the acquirer's net assets was higher for unsuccessful acquirers than for successful acquirers in the sample excluding two outliers. This supports the concept of animal spirits.
3. The size of the acquirer's board (BOARDDIRECT) was significantly negatively correlated at the 5% level with both the target shareholder's return (TGTCAR) (Table 7–13) and the consideration paid as a proportion of the acquirer's net assets (CONSIDPERACQ2) (Table 7–10), and at the 10% level with changes in CEO remuneration³⁷. This is possibly a reflection of weak governance.
4. In the reduced sample (45 acquisitions) CEO tenure was negatively correlated with CONSIDPERACQ2 (Table 7–10) at the 5% level. In unsuccessful acquisitions (CARB

³⁶ Appendix II.

³⁷ Appendix II.

negative) short tenured CEOs overpaid. Both of these outcomes provide support for the concept of animal spirits.

Hypothesis 3 is supported.

7.6. Other Deal Characteristics

In Chapter 2 a number of studies were identified that examine additional factors which influence M&A outcomes for acquiring firm shareholders, such as the form of consideration (cash or shares) (Rappaport & Sirower 1999) and the size of the premium paid by acquirers for the target firm (Tuch & O'Sullivan 2007). Sharma and Ho (2002) found that these factors did not have any relationship with performance outcomes in Australia, noting that their study uses accounting measures of performance. Tuch and O'Sullivan (2007) asserted that decision makers in acquiring firms who believed that their shares were overvalued will tend to use shares as the form of consideration and will conversely use cash when they believe that their shares are undervalued. Shares were used as a payment method when the value of the target firm was unclear so that the risk of overpayment was shared by bidder and target (Eckbo & Thorburn 2000).

In this study no correlation was found between the means of payment (equity or cash) and the return to acquirer shareholders. The only significant correlations were for the means of payment and dividend payout and means of payment and target firm cumulative abnormal return. These findings indicate that as the dividend payout ratio increases then the

propensity to pay for an acquisition with shares increases, and as the target firm CAR increases then the means of payment will be cash³⁸.

The average price premium paid for the target shares, in this study, when compared across the six months up to and including completion, was 29.6% and the CAR for the acquired firm shareholders was 19.36%. No correlation was found between the acquired shareholders return (TGTCAR) and the acquiring shareholders return (CARB), but there was a significant relationship between the TGTCAR and the CAR for the acquiring firm during the year prior to the acquisition (CARC). This implies that animal spirits may be influencing the acquirer's management during the acquisition negotiation process.

There was a negative correlation between TGTCAR and equity versus cash (EQUCASH) for the consideration. These findings are consistent with those of Bugeja and Walter (1995). The magnitude of the cumulative abnormal return to target shareholders in this study was consistent with previous Australian and international studies.

No correlation was found between board structure (number of board directors and percentage of directors who are executive) and acquiring firm performance measured through CARB and CARA. The only significant correlation involving board structure was with the consideration as a percentage of the acquirer's net assets, as shown in Table 7–14.

³⁸ Other studies referred to earlier that support this finding are those by Linn and Switzer (2001), Sudarsanam and Mahate (2006), Loughran and Vijh (1997) and Conn *et al.* (2005).

Table 7–14. Correlation of Board Structure and Consideration

Pearson Correlation (p-value)	Number of Board Directors	Number of Executive Directors	% Executive Directors
Consideration as % Acquirer' Net Assets	-0.283 (0.054)	0.114 (0.444)	0.293 (0.046)

This indicates that the relative size of the consideration paid (expressed as a percentage of the acquirer's net assets) was negatively correlated with the size of the board; that is, as the board size increased the relative size of the consideration paid decreased. At the same time, the greater the proportion of board directors who are executive directors, then the greater will be the relative size of the consideration paid. In this study the average size of the acquirer's board was 8.47 of whom 21%, on average, were executive directors.

The significance of these findings within the context of the hypotheses is as follows:

1. There was evidence of agency problems (Hypothesis 2) across the total sample of acquisitions and weak corporate governance in the unsuccessful acquirers.
2. The structure of the consideration paid (cash and/or shares) had no effect on shareholder returns for the acquirer.
3. The positive correlation between the target firm return (TGTCAR) and the acquirer's recent performance (CARC) supports the animal spirits hypothesis (Hypothesis 3).

7.7. Seemingly Unrelated Regressions

Not all sets of equations are simultaneous (a set of equations all of which are satisfied by the same set of values of the variables (Baker 1961, p.280)); some might be connected not

because they interact but because their error terms are related (Kennedy 2004, p.192; Zellner 1962). This is a form of a multivariate regression model, otherwise called a seemingly unrelated regression³⁹ estimation (SUR) (Greene 2008, p.255).

In this study three equations were selected for the SUR analysis; these equations are for CARB, TGTCAR and CONSIDPERACQ2 and are presented in tables 7–15, 7–16 and 7–17. These equations arose from the same acquisition decisions and represented the return to the acquirer’s shareholders (CARB), the return to the target shareholders (TGTCAR) and the relative size of the acquisition for the acquirer (CONSIDPERACQ2). They were also central to the earlier testing of the three hypotheses in this study.

Table 7–15. Analysis of CAR B, with Joint Tenure

Dependent Variable: CARB			
Independent Variable	Coefficient	t-Statistic	
Constant	9.973		0.623
JTENURE	5.920	***	5.336
REMCHG	-0.463	***	-5.080
CARTOTOD	0.841	***	3.406
EPS	0.601	***	4.112
NATGTACQ	-18.969	**	-2.616
DIVISHARE	-0.659	**	-2.223
R-squared	0.523	F-statistic	7.305
Adjusted R-squared	0.451	Prob (F-statistic)	0.000

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

³⁹ The process of developing a seemingly unrelated regression estimation (SUR) involves writing a set of individual equations as one large equation (Kennedy 2004, p.198), and then correlating between the error terms and developing a variance-covariance matrix of the error terms.

Table 7–16. Analysis of Target CAR

Dependent Variable: TGTCAR			
Independent Variable	Coefficient	t-Statistic	
Constant	42.159	***	4.063
CARCCARGAVE	0.616	***	4.210
BOARDDIRECT	-3.090	**	-2.580
DIVISHARE	-0.398	**	-2.390
EPS	0.337	***	5.054
R-squared	0.597	F-statistic	15.532
Adjusted R-squared	0.558	Prob (F-statistic)	0.000

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

Table 7–17. Analysis of CONSIDPERACQ2

Dependent Variable: CONSIDPERACQ2			
Independent Variable	Coefficient	t-Statistic	
Constant	133.538	**	2.489
NATGTACQ	126.094	***	7.404
BOARDDIRECT	-13.928	***	-3.120
CUMTGTPRCHG	-64.658	**	-2.132
MEDIA	0.088	***	2.970
EPS	0.540	**	2.535
R-squared	0.723	F-statistic	21.351
Adjusted R-squared	0.689	Prob (F-statistic)	0.000

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

These equations did not constitute a set of simultaneous equations because of the

differences in their specifications. However, they satisfied the requirements for a Seemingly Unrelated Regression (SUR) system in which the errors in the three equations could be correlated⁴⁰.

The errors may be correlated because they arise out of the same decision – the acquisition decision. If so, more efficient estimators and significance tests can be obtained by taking the cross-correlation into account. Tables 7–18, 7–19 and 7–20 provide the SUR estimates.

Table 7–18. SUR Estimates: CARB

Estimation method: Seemingly Unrelated Regression
Date: 11/11/10
Sample: 1 47
Included observations: 47
Total system (balanced) observations 141
Linear estimation after one-step weighting matrix

	Coefficient	Std. Error	t-Statistic	Prob.
C	10.75896	17.85341	0.602628	0.5479
JTENURE	6.083049	1.223013	4.973823	0.0000
REMCHG	-0.479683	0.111147	-4.315737	0.0000
NATGTACQ	-19.02441	6.668241	-2.852988	0.0051
DIVISHARE	-0.646221	0.290911	-2.221368	0.0282
EPS	0.595132	0.180710	3.293293	0.0013

⁴⁰ The seemingly unrelated regression ‘estimates the parameters of the system, accounting for heteroskedasticity and contemporaneous correlation in the errors across the equations. The estimates of cross-equation covariance matrix are based upon parameter estimates of the unweighted system’ (Startz 2007, p.309).

CARTOTOD	0.861620	0.347430	2.479979	0.0145
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R-Squared	0.522483	Mean dependent var.	-10.00532
Adjusted R-Squared	0.450856	S.D. dependent var.	43.41947
S.E. of regression	32.17569	Sum squared resid.	41410.99

Table 7–19. SUR Estimates: TGTCAR

	Coefficient	Std. Error	t-Statistic	Prob.
C	42.33860	8.664681	4.886343	0.0000
CARCCARGAVE	0.613402	0.089798	6.830950	0.0000
BOARDDIRECT	-3.112501	1.060920	-2.933774	0.0040
DIVISHARE	-0.397721	0.164020	-2.424829	0.0168
EPS	0.337189	0.090636	3.720242	0.0003

R-Squared	0.596638	Mean dependent var.	19.36079
Adjusted R-Squared	0.558222	S.D. dependent var.	27.14002
S.E. of regression	18.03898	Sum squared resid.	13667.01

Table 7–20. SUR Estimates: CONSIDPERACQ2

	Coefficient	Std. Error	t-Statistic	Prob.
C	131.9676	44.61990	2.957594	0.0037
NATGTACQ	126.1965	16.18343	7.797886	0.0000
BOARDIRECT	-13.79532	4.824153	-2.859635	0.0050
CUMTGTPRICECHG	-62.91239	32.92239	-1.910930	0.0583
MEDIA	0.088577	0.035005	2.530388	0.0127
EPS	0.535018	0.277749	1.926264	0.564

R-Squared	0.722491	Mean dependent var.	121.7172
Adjusted R-Squared	0.688648	S.D. dependent var.	141.5298
S.E. of regression	78.97207	Sum squared resid.	255700.1

Determinant residual covariance	1.37E + 09
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A comparison of the least squares and SUR results indicated some very small changes. However, the differences were not marked. The reason for this outcome becomes clearer when we consider the correlation matrix for the errors in the three equations, as follows in Table 7–21.

Table 7–21. Correlation Matrix for Errors

	CARB	TGTCAR	CONSIDACQNA2
CARB	1	-0.101522	0.066704
TGTCAR	-0.101522	1	-0.012860
CONSIDACQNA2	0.066704	-0.12860	1

There is very little evidence that the errors were in fact correlated across the equations. As a result, the least squares estimates, as presented earlier, were retained as the preferred estimates.

7.8. Linear Probability and Discriminant Analyses

Dummy variables are often used in order that explanatory variables, such as different periods (n) of joint tenure (JT_n) for a Chairman and CEO, can be constructed into a proxy to represent them in a regression equation (Kennedy 2004, p.248-250). This model may be written as:

$$Y = a_1JT_1 + a_2JT_2 + a_3JT_3 + \beta$$

In order to avoid perfect multicollinearity (where the intercept variable, a column of 1s, would equal the sum of the three dummy variables (Kennedy 2004, p.249)), one of the dummy variables was omitted, as follows:

$$Y = \lambda_0 + a_2JT_2 + a_3JT_3 + \beta$$

A test of linearity was conducted on a CARB regression equation with the following coding

and with each coding multiplied by the joint tenure, in years, for that acquisition. The purpose of this analysis was to examine the relevance of different periods of joint tenure on M&A outcomes, using CARB as the measure of the shareholder outcome. The periods selected were as follows:

1. JTEN03JT; Joint tenure for 0–3 years was 1, beyond 3 years it was 0.
2. JTLIN3TO6JT; Joint tenure for a period of 3.1 years to 6 years was 1, other years it was 0.
3. JTLIN6MOREJT; Joint tenure for 6.1 years and longer was 1, other years it was 0.

Table 7–22 shows the results.

Table 7–22. Linear Regression Equation for Different Periods of Joint Tenure

Dependent Variable	CARB									
	Equation 1		Equation 2		Equation 3					
Variable	Coeff.	t-Stat.	Coeff.	t-Stat.	Coeff.	t-Stat.	Coeff.	t-Stat.	Coeff.	t-Stat.
Constant	25.684	1.397	13.599	0.872	16.780	0.986				
JTEN03JT	-10.052	-1.228								
JTLIN3TO6JT	3.102	1.259	5.155	**	2.156					
JTLIN6MOREJT	4.876	***	4.025	5.818	***	5.168	5.226	***	4.825	
REMCHG	-0.472	***	-5.050	-0.452	***	-4.928	-0.412	***	-4.368	
NATGTACQ	-14.063	*	-1.922	-14.700	*	-2.010	-10.417	*	-1.708	
POR	-10.375	*	-1.801	-10.541	*	-1.810	-13.604	**	-2.121	
EPS	0.219	**	2.402	0.216	**	2.320	0.146	*	1.739	
CARTOTOD	0.861	***	3.232	0.867	***	3.600	0.913	***	3.458	
R-squared	0.569		0.544		0.502					
Adj. R-squared	0.478		0.463		0.427					
F-statistic	6.266		6.657		6.710					
Prob (F-stat.)	0.000		0.000		0.000					

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

To refine the analysis of the period of joint tenure which may be most significant in its correlation with CARB, the JTEN03JT variable (joint tenure of 0–3 years) was eliminated from the regression equation to produce Equation 2 in Table 7–22. In Equation 2 the variable for joint tenure for a period exceeding 6.1 years was more significant at the 1% level than the variable for joint tenure of 3.1 to 6 years (JTLIN3TO6JT). Therefore, in the final stage of this analysis, the JTLIN3TO6JT variable was eliminated from the regression equation producing Equation 3 in Table 7–22. This elimination process was undertaken in order to refine the findings on the optimal period of joint tenure for maximising shareholder returns in M&A.

This analysis highlighted the significance of the period of joint tenure beyond 6 years (JTLIN6MOREJT) on the outcome of M&A activity. Chairmen and CEOs who had been in situ for more than 6 years at the time of the acquisition were statistically likely to enhance shareholder returns when the firm undertook a merger or acquisition. In the analysis of CARB positive and CARB negative acquirers (Table 6–1), those acquirers who achieved a positive outcome for their shareholders (CARB positive) had an average period of joint tenure of 5.14 years, whilst those acquirers who lost shareholder value (negative CARB) had an average period of joint tenure of 2.93 years. This adds support to the notion that ‘animal spirits’ may drive the decision to make acquisitions on the part of a newly appointed CEO.

As mentioned earlier (Table 6–1 in Section 6.2), there were 19 acquirers with positive CARB (average 31.1%) and 28 acquirers with negative CARB (average –37.8%) in the sample. Similarly, there were 20 acquirers with a positive CARA (average 40.9%) and 27 with a negative CARA (average –37.0%). These figures suggest that there was a marked gap

between successful and unsuccessful acquirers. This in turn suggests that the acquisition decision can be analyzed in terms of whether it is a success or failure. In order to do this we define two binary dependent variables, LA and LB, as follows:

$$\begin{aligned} \text{LA} &= 1 \text{ if } \text{CARA} > 0 \\ &= 0 \text{ if } \text{CARA} < 0 \end{aligned}$$

$$\begin{aligned} \text{LB} &= 1 \text{ if } \text{CARB} > 0 \\ &= 0 \text{ if } \text{CARB} < 0 \end{aligned}$$

This formulation allows us to test which factors cause acquisitions to be wealth destroying or wealth creating for shareholders⁴¹.

This analysis (CARB positive and CARB negative) suggested that the acquisition decision could be examined in terms of whether it was a success or failure. In order to do this we define a binary dependent variable, LINEARB (Table 7–23), and this was represented by a dummy variable with positive CARB equal '1' and negative CARB equal to '0' (Table 6–1).

⁴¹ In initial experiments the observation for the Burns Philp acquisition of Goodman Fielder (Appendix III) seemed to be an outlier. Closer examination reveals that the benefit from the acquisition arose in the few months following the three-year window adopted in this study. As a result, this observation has been changed from a failure to a success.

Table 7–23. Linear B Regression Equation

Dependent Variable		LINEARB	
Independent Variable	Coefficient	t-Statistic	
Constant	0.460	*	1.988
JTENURE	0.048	***	3.317
REMCHG	-0.004	***	-3.613
CARTOTOD	0.011	**	2.662
EPS	0.003	**	2.445
NATGTACQ	-0.087		-1.007
POR	-0.074		-1.281
R-squared	0.361	F-statistic	3.764
Adjusted R-squared	0.265	Prob (F-statistic)	0.005

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

In this regression equation REMCHG became the most significant independent variable (t-statistic -3.61), followed by JTENURE (3.32). This implies that agency problems may be a more important influence on M&A outcomes than joint tenure, although they were both significant at the 1% level.

Table 7–24 shows the result from eliminating the independent variables with less than 5% significance (NATGTACQ and POR).

Table 7–24. Linear B Regression Equation, Excluding Non-significant Variables

Dependent Variable		LINEARB	
Independent Variable	Coefficient	t-Statistic	
Constant	0.363	*	1.701
JTENURE	0.048	***	3.362
REMCHG	-0.005	***	-4.215
CARTOTOD	0.012	***	2.745
EPS	0.003	***	3.533
R-squared	0.336	F-statistic	5.303
Adjusted R-squared	0.272	Prob (F-statistic)	0.002

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

These results show that, whilst all of the variables were significant at the 1% level, agency problems (as reflected in the change in CEO remuneration (REMCHG)) may be the most important factor as a driver of success or failure in M&A.

7.9. Linear Probability Model⁴²

This section uses a linear probability model to estimate outcomes. The estimation techniques used were:

1. Ordinary least squares.
2. The Probit model.

⁴² A linear probability model is a multiple regression model with a binary dependent variable (Wooldridge 2003, p.241). It is possible to estimate ordinary least squares regressions relating LINEARB, or LB as below, to the determining variables. In that case the predicted value of the dependent variable can be interpreted as the probability that an acquisition will be a success (that is, create value for the shareholders of the acquirer). An important disadvantage of linear probability models is that the fitted probabilities may be less than 0 or greater than 1. Also, the errors in such equations cannot be normally distributed. The problems can be addressed by using binary response models (Greene 2008, pp.772-774; Wooldridge 2003, p.554-555). Two such models are logit (use of a logistic function) and probit (use of a standard normal cumulative distribution function).

3. The Logit model.

4. The Gompit model.

The second, third and fourth techniques cited have the advantage that they take account of the non-normal nature of the distribution of the error term and ensure that the probability of a success (or a failure) always falls in the range 0–1. This final section applied discriminant analysis to the problem of predicting whether acquisitions would be successes or failures.

The following independent variables were used to explain these dependent variables. Their rationale is explained above.

The version of JTENURE adopted in this section was the nonlinear one. That is, it was assumed that the effect of an additional year of joint tenure differs according to the number of years which have already been accumulated. Specifically, it was represented as:

JTd0 = JTENURE if it was less than 3 years, 0 otherwise

JTd3 = JTENURE if it was 3 up to less than 6 years, 0 otherwise

JTd6 = JTENURE if it was 6 years or more, 0 otherwise

It should be noted that the sum of these three variables was JTENURE. It should also be noted that if joint tenure fell in the 6 years or more group, its effect continued to increase as tenure increased.

The variable JTd0 was omitted from the equations because it was insignificant. One way of looking at this result was that JTENURE reflects a selection process. A pair that had been

together for, say, more than six years had demonstrated competence and an ability to work together effectively. Pairs that had been together for only a few years had not had time for a decision to be made. The first group consists of pairs that would shortly be broken up and others that will go on for a longer period of time.

The REMCHG variable reflected the principal-agent problem. It represented the extent to which an acquisition increased the wealth of shareholders or provided a personal benefit for the CEO. If it is the latter, the acquisition was more likely to produce negative results for shareholders in the acquirer.

The MEDIA variable represented the hubris hypothesis introduced by Roll (1986). The data used here were obtained from the Factiva database⁴³ and were the sum of the mentions of the Chairman and CEO in the Australian and New Zealand media over the period one year prior to completion to one year after completion.

Rejection of the MEDIA variable is not equivalent to a rejection of the hubris hypothesis. It is possible that other variables which reflect it could be found. However, there are criticisms of the hubris hypothesis which were surveyed earlier in this study.

EC (Equity, Cash) was a binary variable which was 1 if more than 50% of the consideration was in the form of equity and 0 if more than 50% was in the form of cash.

BD was the number of board directors in the acquiring firm at the time of completion. Alternative directors and the company secretary were not included. This variable tested for the possibility that increasing the number of directors improved the quality of decisions about acquisitions.

⁴³ Factiva data sourced on August 25, 2010.

POR was the percentage of earnings paid out as a dividend in the year of completion. It was expected to have a negative coefficient because a high dividend indicated that a greater proportion of the costs of the acquisition would be funded out of borrowings than from internal funds.

EPS was the earnings per share of the acquiring firm in the year of completion. A high value of this variable indicated that the acquirer was itself profitable, which created positive conditions for the combined company.

CARTOTOD was the change in the Accumulation Index over the three years prior to completion. It was a measure of 'animal spirits' to the extent that acquisitions would be more likely to be successful when the market was booming and investors were optimistic.

CARCCARGAVE was the cumulative excess return over the two years before completion. It was an alternative measure to CARTOTOD.

Ordinary least squares regressions relating to LA and LB can be used to estimate the probability that an acquisition will be a success (that is, create value for the shareholders of the acquirer). This was conducted and the results were as follows:

$$\begin{aligned}
 \text{LA} = & 0.790 + 0.255\text{JTd3} + 0.583\text{JTd6} - 0.0044\text{REMCHG} \\
 & (3.61^{**}) \quad (1.57) \quad (3.73^{**}) \quad (3.43^{**}) \\
 & - 0.108\text{POR} + 0.0027\text{EPS} + 0.0042\text{CARCCARGAVE} \\
 & (2.21^*) \quad (3.41^{**}) \quad (2.06^*) \quad R^2 = 0.401
 \end{aligned}$$

LB =	0.511	+ 0.205JTd3	+ 0.475JTd6	– 0.0048REMCHG	
	(1.23)	(1.18)	(3.18 ^{**})	(4.07 ^{**})	
	– 0.071POR	+ 0.0023EPS	+ 0.011CARTOTOD		
	(1.23)	(3.01 ^{**})	(2.36 [*])		R ² = 0.366

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

In initial experiments the variables MEDIA, EC and BD were highly insignificant and have been omitted from the reported equations.

The equations indicated that the probability of a success in making an acquisition was significantly affected by the length of the joint tenure of the Chairman and CEO. REMCHG had a highly significant negative coefficient in both equations, suggesting the existence of principal-agent problems in acquisitions. The greater the pay increase received by the CEO, the less likely that the acquisition would be a success, adding to the notion of animal spirits. The acquisition was more likely to be a success if earnings per share for the acquirer were high and if the market was undergoing a boom.

However, as noted, there is an important problem with this approach. The significance levels were based on the assumption that the error term, and therefore the dependent variable, was normally distributed. In fact, this cannot be the case because the dependent variable could take on only two values: 0 or 1. Further, there was nothing to ensure that the predicted value of the dependent variable (which we are interpreting as a probability) fell between 0 and 1. In the equation for LA seven predicted values fell outside this range and in the equation for LB five predicted values fell outside the range.

These problems could be overcome by adopting a distribution for the error term which takes account of its binary nature. The EVIEWS program provided three ways of doing this (see EVIEWS 5 (2004, p.607-608)). In each case the probability of a success was based on the cumulative distribution function (CDF) in which the parameters depend on the independent variables. The equations required nonlinear estimation using an iterative process. The models⁴⁴ were:

1. The Probit Model which is based on the CDF of the standard normal distribution.
2. The Logit Model which is based on the CDF for the logistic distribution.
3. The Gompit (or Extreme Value) Model which is based on the CDF for the Type-I extreme value distribution.

The resulting equations are in Table 7–25. R^2 was the McFadden R-squared (see EVIEWS 5 (2004, p.610)). The numbers under the coefficients were z statistics produced by the nonlinear estimator. Once again, MEDIA, ED and BD were very insignificant and have been omitted.

Table 7–25. Probit, Logit and Gompit Equations

Probit

LA =	1.789	+ 0.908JTd3	+ 2.208JTd6	– 0.0214REMCHG	
	(1.44)	(1.56)	(2.95 ^{**})	(2.77 ^{**})	
	– 0.672POR	+ 0.0139EPS	+ 0.0196CARCCARGAVE		
	(1.06)	(1.81)	(2.04 [*])		$R^2 = 0.388$

⁴⁴ Tabachnick and Fidell (2007, pp.453–457) provide a discussion of Logistic regression and Probit Analysis.

Logit

$$\begin{aligned} \text{LA} = & 3.313 + 1.589\text{JTd3} + 3.809\text{JTd6} - 0.0377\text{REMCHG} \\ & (1.27) \quad (1.52) \quad (2.65^{**}) \quad (2.35^{**}) \\ & - 1.215\text{POR} + 0.0224\text{EPS} + 0.0335\text{CARCCARGAVE} \\ & (0.95) \quad (1.81) \quad (1.97^*) \end{aligned} \quad R^2 = 0.386$$

Gompit

$$\begin{aligned} \text{LA} = & 3.194 + 1.075\text{JTd3} + 2.767\text{JTd6} - 0.0278\text{REMCHG} \\ & (1.74) \quad (1.64) \quad (2.70^{**}) \quad (2.72^{**}) \\ & - 0.996\text{POR} + 0.0126\text{EPS} + 0.0237\text{CARCCARGAVE} \\ & (0.95) \quad (1.64) \quad (1.82) \end{aligned} \quad R^2 = 0.414$$

Probit

$$\begin{aligned} \text{LB} = & 0.841 + 0.653\text{TJd3} + 1.455\text{JTd6} - 0.0207\text{REMCHG} \\ & (0.76) \quad (1.13) \quad (2.61^{**}) \quad (3.34^{**}) \\ & - 0.850\text{POR} + 0.0113\text{EPS} + 0.0422\text{CARTOTOD} \\ & (1.51) \quad (1.62) \quad (2.34^*) \end{aligned} \quad R^2 = 0.350$$

Logit

$$\begin{aligned} \text{LB} = & 1.432 + 1.012\text{JTd3} + 2.428\text{JTd6} + 0.0345\text{REMCHG} \\ & (0.71) \quad (0.98) \quad (2.46^{**}) \quad (3.07^{**}) \\ & - 1.511\text{POR} + 0.0178\text{EPS} + 0.0725\text{CARTOTOD} \\ & (1.43^{**}) \quad (1.63) \quad (2.27^*) \end{aligned} \quad R^2 = 0.348$$

Gompit

$$\begin{array}{ccccccc} \text{LB} = & 1.364 & + 0.845\text{JTd3} & + 1.587\text{JTd6} & - 0.0224\text{REMCHG} & & \\ & (1.12) & (1.37) & (2.35^*) & (3.20^{**}) & & \\ & & & & & & \\ & - 0.721\text{POR} & + 0.0137\text{EPS} & + 0.0386\text{CARTOTOD} & & & \\ & (1.29) & (1.59) & (2.05^*) & & & R^2 = 0.338 \end{array}$$

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

In these equations REMCHG was the most significant variable, but the JTENURE variables also remained significant. Table 7–26, for the first of the dependent variables, illustrates the predicted values of the dependent variables which were produced by these models. The probability of a success was usually high in cases where LA = 1 and low in cases where LA = 0. However, there were a few contrary cases.

Table 7–26. Predicted Values of LA (Gompit Model)

Observation	Actual Value	Predicted Value
1	1	0.777
2	1	0.910
3	1	0.986
4	1	0.831
5	1	0.763
6	1	0.433
7	1	0.662
8	1	0.981
9	1	0.665
10	1	0.180
11	1	0.761
12	1	0.736
13	1	0.708
14	1	0.960
15	0	0.076
16	0	0.002
17	1	0.559
18	0	0.051
19	1	0.647
20	1	0.497
21	1	0.604
22	0	0.100
23	1	0.707
24	1	0.441
25	0	0.568
26	0	0.045
27	1	0.891
28	0	0.462
29	0	0.271
30	0	0.002
31	0	0.872
32	0	0.001
33	0	0.000
34	0	0.660
35	0	0.009
36	0	0.284
37	0	0.007
38	0	0.000
39	0	0.000
40	0	0.003
41	0	0.659
42	0	0.020
43	0	0.380
44	0	0.454
45	0	0.074
46	0	0.000
47	0	0.127

7.10. Discriminant Analysis

An alternative approach to analysing binary data is to employ discriminant analysis (Tabachnick and Fidell (2007, ch.9)) to determine which variables discriminate between two groups – in the present case, successful and unsuccessful acquisitions. The basic notion of discriminant analysis is to test whether the categories differ in terms of the mean of a candidate discriminating variable. For the two categories in the analysis, we find the point that represents the means for all variables in the model (called category centroids), then calculate the Mahalanobis distance of each observation from the centroids. We classify the observation in the group to which it is closest (that is, the Mahalanobis distance is smallest). The probability that an observation belongs to one of the categories is inversely proportional to the Mahalanobis distance from the centroids for that category. These probabilities are called posterior probabilities because they are based on our prior knowledge of the values of the variables for that observation.

The following table applies discriminant analysis for LA. The calculations were undertaken using the STATISTICA 11 program. In Table 7–27 F was the value of the F-statistic for the variable and it tested the hypothesis that the variable made no contribution to discriminating between the categories. The p-value was the level of significance.

Table 7–27. LA Calculations

Variable	F to remove	p-value
JTd3	6.64	0.01**
JTd6	18.13	0.00**
REMCHG	10.99	0.00**
POR	2.33	0.13
EPS	3.10	0.09
CARCCARGAVE	4.59	0.04*

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

These results indicated that joint tenure of 6 years or more (JTd6) was the most significant variable in discriminating between a successful and failed acquisition. However, joint tenure between 3 and 6 years (JTd3) and CEO remuneration change (REMCHG) were also highly significant. These results strengthened the conclusions reached in the previous sections. The p-values for MEDIA, EC and BD were very high but they are not reported here. This was also the case with LB.

Table 7–28 gives the probability of a successful acquisition estimated by the discriminant model. An asterisk indicates a misclassification. There were eight misclassifications: six successes classified as failures and two failures classified as successes.

Table 7–28. Probabilities of an Observation Being a Success

Observation	Probability
1	0.750
2	0.995
3	0.990
4	0.890
5	0.946
* 6	0.314
* 7	0.500
8	0.992
9	0.533
* 10	0.153
11	0.822
12	0.843
13	0.873
14	0.961
15	0.099
16	0.126
* 17	0.397
18	0.192
* 19	0.405
20	0.844
21	0.819
22	0.098
23	0.765

Observation		Probability
*	24	0.343
	25	0.448
	26	0.080
	27	0.971
	28	0.446
	29	0.207
	30	0.044
*	31	0.912
	32	0.050
	33	0.015
	34	0.481
	35	0.036
	36	0.210
	37	0.063
	38	0.002
	39	0.003
	40	0.067
*	41	0.532
	42	0.052
	43	0.363
	44	0.373
	45	0.307
	46	0.020
	47	0.119

Table 7–29 presents the significance values for LB.

Table 7–29. Significance Values for LB

Variable	F to remove	p-value
JTd3	3.29	0.08
JTd6	10.29	0.00 **
REMCHG	9.76	0.00 **
POR	1.30	0.26
EPS	1.81	0.19
CARTOTOD	2.08	0.16

*Significant at 10%; **Significant at 5%; ***Significant at 1%.

In this case joint tenure of 6 years or more (JTd6) and CEO remuneration change (REMCHG) made a highly significant contribution to the classification of the data. In this analysis 10 observations were misclassified: seven successes classified as failures and three failures classified as successes.

7.11. Conclusion

The statistical analysis reported for SUR, Linear Probability Analysis and Discriminant Function Analysis in this chapter confirmed the earlier analysis that the success or failure of an acquisition depends most importantly on two variables. The first was the joint tenure of the CEO and the Chairman of the acquiring company at the completion of the acquisition. It appears that the longer these two corporate officers have been together, the more likely that an acquisition will be successful. Furthermore, there is considerable evidence that this influence is strongest once the joint tenure exceeds six years.

The second highly significant variable was the change in the CEO's remuneration during the year of the acquisition (REMCHG). It was negatively correlated. This result has important implications for corporate governance because it suggests that the greater the reward to be received by the CEO the more likely that an acquisition will be unsuccessful. However, there is no evidence that increasing the number of directors increases the probability that an acquisition will be successful.

There is also evidence that an acquisition is more likely to be successful if the acquiring company has strong earnings per share at the time of the acquisition.

7.12. Summary of Chapter 7

- ✓ **Hypothesis 1.** The period of joint tenure, especially more than six years, of the Chairman and CEO in the acquiring firm is significantly positively correlated with the cumulative abnormal return to acquiring firm shareholders (CARA and CARB). These outcomes are consistent with Upper Echelon Theory (Hambrick & Mason 1984) and the RBV Theory (Barney 1991).

The outcome for joint tenure in this study can be examined in terms of a phase of a CEO's tenure (Hambrick & Fukutomi 1991) and is particularly important in light of the rate of senior staff turnover in the acquired firm (Krug & Shill 2008). Because of the importance of joint tenure in enhancing shareholder value in M&A, the development of an effective working relationship between a Chairman and the CEO is vital (Kakabadse, Kakabadse & Knyght 2010).

Hypothesis 1 is therefore accepted.

- ✓ **Hypothesis 2.** Remuneration change for the CEO of the acquirer at the time of an acquisition is significantly negatively correlated with CARB and CARA. The average increase in CEO remuneration was greater for those acquirers who reduced shareholder value than for those who increased shareholder value. This finding has governance implications.

Support was found for the presence of agency problems (Jensen & Meckling 1976) in M&A. This study found a significant negative correlation between dividend payout ratios and shareholder returns (CARB and CARA).

Hypothesis 2 is therefore accepted.

- ✓ **Hypothesis 3.** Two variables provided evidence of the presence of animal spirits in the context of Keynes's (1936, p.161) 'spontaneous urge to action': consideration particularly when expressed as a proportion of the acquirer's net assets during the year prior to completion (CONSIDPERACQ2) and the difference between the abnormal returns to acquirer shareholders during the year prior to completion (CARC) and the average abnormal return to acquirer shareholders during the second and third year prior to completion (CARGAVE), expressed as CARCCARGAVE. The independent variable CARCCARGAVE may be considered as the 'spontaneous urge' and the dependent variable CONSIDPERACQ2 as the 'to action' in Keynes observation.

Hypothesis 3 is therefore accepted.

Chapter 8: Conclusions and Areas for Further Research

8.1. Overview

The foundations of this study lay in two broad conclusions arising in the M&A literature:

1. M&A on average reduces shareholder value (Agrawal, A., Jaffe, J. F. & Mandelker, G. 1992; Gregory 1997; Martynova & Renneboog 2011; Sharma & Ho 2002; Tichy 2001; Tuch & O'Sullivan 2007).
2. The Hubris hypothesis (Roll 1986) which indicates that behavioural factors linked with the CEO play an important role in negative M&A outcomes.

Close review of the literature produced three areas worthy of further research in explaining M&A outcomes: behavioural characteristics of experience (tenure), motivation (agency issues), and self-belief (hubris, narcissism or animal spirits) on the part of the Chairman and CEO. Further, the research commenced at a time in Australia when corporate governance practice was being closely scrutinized (Productivity Commission 2009), with claims of agency problems and a demand for the roles of CEO and Chairman to be performed by different people.

Three areas of investigation were incorporated into hypotheses and tested. The hypotheses and the findings from a sample of 47 Australian M&A transactions were:

1. **Hypothesis 1.** *The length of time that the Chairman and CEO of the acquiring firm have been together in their respective positions at the time of the acquisition will determine the success or otherwise of the outcome of the acquisition, indicating the*

value of experience.

The finding was that the length of time that the Chairman and CEO had been together at the time of the acquisition was significantly positively correlated with the outcome of the acquisition. The longer they had been together, the more successful the acquisition, especially if their period of joint tenure was longer than six years when the acquisition is completed.

2. **Hypothesis 2.** *There is a negative correlation between the change in the remuneration of the CEO and the change in shareholder value in the period following an acquisition, indicating the conflicting nature of shareholder and management goals and the likelihood of agency problems.*

The finding was that there was a significant negative correlation between changes in CEO remuneration following the acquisition and the outcome of the acquisition for shareholders during the three years following the acquisition. This supports the notion that agency problems exist in M&A activity.

3. **Hypothesis 3:** *Animal spirits drive M&A behaviour and activity and they contribute adversely to shareholder outcomes.*

The finding was that animal spirits exist, with evidence of Keynes's 'spontaneous urge to action' (Keynes, J. M. 1936, p.161) being present in M&A. This means that short-term changes in market circumstances may lead to significant managerial reactions which are a response to feelings of optimism or pessimism rather than the consequence of rational analysis.

8.2. Chapter Synopsis

Following the first chapter, which set the context and research questions for this study, the second chapter reviewed international and Australian M&A literature. It was found that acquirers, on average, lose shareholder value following an acquisition. Three findings consistently emerge from Australian M&A studies regarding the acquirer's positive performance prior to an acquisition, negative shareholder returns following an acquisition and the positive return to the acquired firm's shareholders.

The third chapter presented the theoretical basis of the three hypotheses derived in Chapter 1 and linked each to a specific theoretical paradigm, these being Resource Based View (Barney 1991) and Upper Echelon Theory (Hambrick & Mason 1984) for Hypothesis 1, Agency Theory (Jensen & Meckling 1976) for Hypothesis 2, and the animal spirits literature, notably the work of Keynes (1936) and Akerlof and Shiller (2009), for Hypothesis 3.

The fourth chapter examined the theoretical arguments regarding hubris, the 'hubris syndrome' and narcissism. The discussion identified that narcissism may be a stronger explanation of senior management behaviour in acquisitions than hubris, and presents literature in support of this view.

The fifth chapter outlined the sample and methodology of this study.

The sixth chapter presented the findings from the analysis of cumulative abnormal returns (CARs). The CAR for acquirers three years after completion was consistent with the findings of Gregory (1997) and Agrawal *et al.* (1992). A significant negative relationship between changes in CEO remuneration and shareholder returns as a result of an acquisition highlights

the potential for agency problems in M&A. Forty per cent of the acquisitions in the study achieved a positive outcome for the acquirer's shareholders, with an average CAR for the three years following completion of 31.05%; unsuccessful acquirers experienced a decline in return of -37.8%. On average, the second year following an acquisition was the weakest performing year for both successful and unsuccessful acquirers. The finding of a significant positive correlation between shareholder returns prior to an acquisition and joint tenure suggests that joint tenure may have a positive effect on firm performance, even in circumstances when firms are not making acquisitions.

The seventh chapter analyzed the results within the context of each of the three hypotheses. In terms of Hypothesis 1, joint tenure was significantly more important in determining successful M&A outcomes than CEO tenure alone, signalling the value to shareholders of a stable CEO/Chairman partnership. This is consistent with RBV and Upper Echelon theories.

In terms of Hypothesis 2, remuneration change for the CEO of the acquirer at the time of an acquisition was significantly negatively correlated with three-year post acquisition returns. Support was found for Gregory's (2005) view of free cash flow and M&A, rather than Jensen's (1986) view on free cash flow availability, with firms with lower payout ratios (POR) performing better in M&A than firms with high payout ratios (POR).

In terms of Hypothesis 3, two variables provided evidence of the presence of animal spirits in the context of Keynes's (1936 Pg.161) 'spontaneous urge to action'. The first was the size of the acquisition relative to the size of the acquirer, with the outcome for the acquirer's shareholders being worse the larger the relative size of the acquisition. The second variable

was the performance of the acquirer during the year prior to the acquisition, with an above-average performance by the acquirer during that year being consistent with a negative shareholder outcome from the acquisition. Further evidence of animal spirits was provided with the negative correlation of CEO tenure with consideration, consistent with Hambrick and Fukutomi's (1991) 'Experimentation' season of tenure.

Several other findings emerged from the study. The form of consideration paid (cash and/or equity) was not found to be a significant factor in shareholder wealth. After allowing for two outliers, successful acquirers made smaller acquisitions than unsuccessful acquirers. Some aspects of board structure (number of board directors, proportion of the board who are executive directors) were not significant factors in terms of shareholder wealth.

Further, alternative methodologies⁴⁵ provided support for the relevance of Joint Tenure and CEO Remuneration Change in influencing acquisition outcomes. The strongest evidence for joint tenure was for the period beyond six years on M&A outcomes for acquiring firm shareholders.

8.3. Contributions to the Literature

A large body of literature (Agrawal, A., Jaffe, J. F. & Mandelker, G. 1992; Dodd 1976; Martynova & Renneboog 2011; Sharma & Ho 2002; Tuch & O'Sullivan 2007) demonstrates that acquisitions, on average, reduce shareholder value for the acquirer. There has been no single study that specifically addresses which aspects of M&A planning and implementation cause such failures for acquirers (Cartwright & Schoenberg 2006). This work represented an initial investigation into this question.

⁴⁵ SUR, Linear Probability and Discriminant Function.

8.3.1. Contribution 1: Significance of Joint Tenure

Several studies have identified the risk to an acquirer's performance of the acquired firm's senior executives leaving their firm relatively soon after being acquired (Krug & Shill 2008; Walsh 1988), but no study has been identified which examines the acquirer's Chairman and CEO together in their respective roles and the effect of their tenure on M&A outcomes and firm performance. This study found that a long period of joint tenure by the acquirer's Chairman and CEO, especially if it was longer than six years, had the potential to mitigate risk from an acquisition. This finding may be particularly important in the context of the unintended (by the acquirer) departure of the acquired firm's senior executives which has been found to occur (Krug & Shill 2008).

The theoretical basis for the positive effect of long tenure can be found in Upper Echelon Theory (Hambrick & Mason 1984) and the RBV (Barney 1991), whilst Kakabadse *et al.* (2010) have explained how this positive outcome can emerge through personal chemistry and the analytical interpretative capacity (sense making) and deep friendship which emerges over time between the Chairman and CEO from working closely together.

8.3.2. Contribution 2: Relevance of CEO Remuneration

Agency problems emerged as one of the two most significant findings from this study, with CEO remuneration negatively correlated with shareholder returns.

This result may have policy implications related to corporate governance, particularly those governance aspects concerning executive remuneration. However, the study found no evidence that board structure *per se*, in terms of number of directors or the proportion of a

board who are executive directors, had any significant correlation with firm performance in M&A. Evidence of agency problems suggests that remuneration committees may need to examine reward schemes which more effectively align shareholder interests and returns with those of the acquiring firm's managers when an acquisition has been completed. Evidence of animal spirits suggests that CEO remuneration could be more closely aligned with the previous three years' performance of the firm and not as closely correlated with the previous year. The finding on joint tenure raises the importance of senior executive experience and positive interactions with each other as significant features in value creation for consideration and reflection by the nominations committee.

8.3.3. Contribution 3: Significance of Length of Tenure

The present study makes a contribution to the current literature on Stewardship Theory. Donaldson and Davis (1991) argued that under Stewardship Theory there is no dissonance between the interests of the shareholders and the executive manager; in this scenario, they argued, the roles of Chairman and CEO should be held by one person in order to assist the CEO in achieving the goals of the business. Concentrating power and authority in one person, they continued, is the only effective means by which shareholder and management interests are effectively aligned and optimized. This study has provided a new perspective on Stewardship Theory. The study found that long tenure, especially longer than six years for the CEO and Chairman together, produced the best returns in M&A for shareholders and aligns shareholder and management returns. Long tenure produced an alignment between management and shareholders, an example of Stewardship Theory, and this study has demonstrated that shareholder returns can be optimized when the two roles of Chairman

and CEO are held by different people. The period of joint tenure was potentially a significant factor in determining whether Agency Theory or Stewardship Theory is the dominant influence on managerial behaviour and performance. This study also found that CEO tenure alone was significantly less important to M&A outcomes than joint tenure.

The findings from this study also make several contributions to the literature with the following:

1. The study supports international studies which find that M&A activity, on average, reduces value for acquiring firm shareholders (Agrawal, A., Jaffe, J. F. & Mandelker, G. 1992; Gregory 1997; Tuch & O'Sullivan 2007).
2. Using a sample of 47 recent Australian acquisitions, the study supports older Australian studies which have found that acquiring and acquired firm shareholders earned positive returns during the period prior to being acquired, but that acquiring firms then earned negative returns following an acquisition (Bishop, Dodd & Officer 1987; Dodd 1976; McDougall et al. 1986; Sharma & Ho 2002).
3. The study provides empirical evidence supporting existing behavioural theories such as Agency Theory (Eisenhardt 1989; Jensen & Meckling 1976) and Upper Echelon Theory (Hambrick & Mason 1984).
4. The study has implications for policy setters with respect to corporate governance best practice, which is designed to remove conflicts of interest and promote board accountability (Productivity Commission 2009, p.xiv).

8.4. Policy Implications

In 2009 the Australian Government requested that the Productivity Commission undertake a review of the regulatory framework around remuneration of directors and executives, in part in response to concerns that there may be a lack of alignment between their remuneration and returns to other stakeholders and that existing governance and regulatory frameworks may be ineffective in this matter.

The Productivity Commission reported that 'Australia's corporate governance rates well', citing the World Economic Forum ranking of Australia in the top three countries for corporate governance since 2002–03 (2009, p.xxiv), observing the generally smaller size of Australian boards when compared with the USA and the less frequent occurrence of dual CEO/chairs. However, concern was raised regarding the presence of agency problems affecting director and executive remuneration, identified to be greater in larger companies where share ownership is more dispersed and the potential for executive influence over assets is greater.

The Productivity Commission report also raised doubts about the adherence by firms' boards to best corporate governance practice, suggesting that it does not occur on a widespread basis, with evidence of excessive pay structures which could have weakened firm performance (2009, p.xxvi) and that there is scope for improvement.

The findings in this study have added to the findings in the Productivity Commission's report (2009), in the context of Australian M&A activity. Support was found with respect to the impact of agency problems on practices related to executive remuneration. Further, the finding on joint tenure and the benefit of firm experience in aligning managerial and

shareholder interests presents an important guideline for a board when making an acquisition decision and thereby aligning stakeholder interests. The incidence of weak corporate governance practice in unsuccessful acquirers highlights the need to reflect on the Commission's (2009) recommendations.

Taken together, the findings in this study support several of the 15 recommendations of the Commission; in particular this study adds significant support to three of the dimensions of remuneration policy and reporting (2009, p.xlii), recommended by the Commission, which require a clearer explanation of the decision-making processes to shareholders and can be pursued by the remuneration and nomination committees:

1. How the remuneration policy aligns with the company's strategic directions, its desired risk profile and with shareholder interests.
2. How incentive pay arrangements were subjected to sensitivity analysis to determine the impact of unexpected changes (for example, in the share price) and how any deferral principles and forfeiture conditions would operate.
3. Whether post-remuneration evaluations have been conducted to assess outcomes, their relationship to the remuneration policy and the integrity of any initial sensitivity analysis.

Adopting these reporting guidelines would provide greater transparency to shareholders in relation to the strategic framework within which remuneration policy is formulated and how executive performance is being assessed, particularly in M&A and when the firm's outcome has been deleterious to shareholders.

8.5. Areas for Further Research

Joint tenure emerged as a significant factor in M&A outcomes. This could be extended to examine the impact of joint tenure on firm performance in general. The positive correlation of firm performance during the three years prior to an acquisition with joint tenure suggests that the relationship of joint tenure with firm performance may extend beyond M&A activity.

In terms of research in corporate governance, the nomination committee and remuneration committee were cited for their role in regard to aspects of the findings of this study. Further research could examine the breadth and nature of adoption of both of these committees in Australia in terms of M&A outcomes and firm performance in general. The extent of the adoption of the reporting recommendations made by the Commission (Productivity Commission 2009, p.xlii) could provide an indication of the progress made by firms in improving transparency of their executive evaluation and reward processes.

Chapter 4 raised issues around the debate about hubris and narcissism in management. Despite the clear difficulties in measuring them, more research is needed to clarify the role which each might play in business activity and how they might be managed.

The mining sector was not included in the sample for this thesis. Mining is an important and growing sector in Australia. Despite some of the difficulties in analysing accounting information from mining firms, lack of understanding of the effectiveness of M&A activity in the Australian mining sector is an important gap in M&A knowledge.

This research has some limitations. The sample size in this study was quite small at 47, and

therefore a larger sample study would provide further information and insight into the analysis of all the hypotheses from this thesis. The study encompassed two wave merger periods (wave 5 from 1993 to 2001 and wave 6 from 2003); the timing of the acquisitions may have affected the outcomes and therefore a more detailed analysis and comparison within each wave period may provide new insights. This study was conducted in Australia, a relatively small market in terms of M&A. Extending the scope of the study to a larger market such as the USA or UK would potentially broaden the relevance and application of the findings from the hypotheses tested.

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Appendices

Appendix I. Research Theories

This appendix briefly explains the theories referred to in the first few chapters of the thesis.

Agency Theory

Agency theory is concerned with the potential for parties to a transaction, such as an acquisition, to have conflicting interests and goals thereby resulting in actions, most probably by management (the agent), which produce an outcome which is positive for them but deleterious to the shareholders (the principal). Imperfections in the information available to the different stakeholders tends to exacerbate the potential for conflict of interest and hence the outcome. The principals seek to limit the potential divergent interests by providing incentives which are designed to produce an alignment in interests; corporate governance processes such as remuneration and nominations committees are intended to provide transparency in the board processes to the shareholders, but at a financial cost.

Jensen and Meckling (1976) define an agency relationship as a contract under which one or more persons (the principal) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. Jensen and Meckling (1976) claim that agency problems are widespread in organisations. Eisenhardt (1989) explains that one of the problems which occurs in agency relationships is that the principal and the agent may prefer different actions because of the different risk preferences.

Free Cash Flow Theory

Free cash flow is cash flow in excess of that required to fund all projects that have positive net present values when discounted at the relevant cost of capital (Jensen 1986). The potential for conflict of interest on the use of the cash flow occurs when a firm generates substantial free cash flow; the questions then become how much of this excess cash flow should be remitted back to shareholders in order to prevent management from allocating this free cash flow inefficiently and also the importance of requiring managers to undergo a process of scrutiny on how any new funds would be utilised when they need them. 'Free cash flow theory predicts which mergers and takeovers are more likely to destroy rather than create value; the theory implies managers of firms with unused borrowing power and large free cash flows are more likely to undertake low-benefit or even value destroying mergers' (Jensen 1986). Gregory (2005) in a UK study refuted this free cash flow theory and found that high free cash flow acquirers actually do better than low free cash flow

acquirers; he explains that the likely divergence of findings is a result of the long-run nature of his study compared with Jensen.

Synergy Theory

Sirower (1997 pg. 6) defines synergy as 'increases in competitiveness and resulting cash flows beyond what two companies are expected to accomplish independently'; arithmetically that is sometimes expressed as $1 + 1 = 3$. Sirower (1997 pg. 9) expresses the expected gain from an acquisition as: $NPV = Synergy - Premium$. When acquirers pay a premium for a firm, namely a price above the level at which the market has valued the firm, then additional benefits which the market had not previously identified, must be earned by the acquirer; these are referred to as synergies. Sharma and Ho (2002) examine the 'synergy theory' claiming that a common factor in deriving synergies is an improvement in the allocation of resources between two firms involved in the acquisition; they explain that synergies can be created through economies of scale, economies of scope and market power. Bradley *et al.* (1988) offer a more detailed list of potential sources of synergistic gains, namely more efficient management, economies of scale, improved production techniques, the combination of complementary resources, the redeployment of assets to more profitable uses, the exploitation of market power and so on. They define total synergistic gain from a successful tender offer as the sum of 'change in target-firm shareholder wealth' plus 'change in acquiring-firm stockholders wealth'.

Upper Echelon Theory

The Upper Echelon Theory was developed by Hambrick and Mason (1984). An important premise in the development of their theory was that 'situations that a strategic decision maker faces are complex and made up of far more phenomena than he/she can possibly comprehend. The decision maker brings a cognitive base and values to a decision which creates a screen between the situation and his/her eventual perception of it'. Their analysis is primarily based on observable managerial characteristics. The question they sought to address was 'why do organizations act as they do?' with an emphasis on the 'dominant coalition of the organization, its top managers'. Their proposition was that 'organizational outcomes – both strategies and effectiveness – are viewed as reflections of the values and cognitive bases of powerful actors in the organization'. Their research was based on observable characteristics such as age, tenure, education and career experiences. In a subsequent paper Hambrick (2007) added two 'important moderators' – management discretion and executive job demands. Hambrick (2007) proposed that the degree of discretion will influence the managerial

characteristics and be reflected in strategy and performance and that if discretion is lacking then executive characteristics 'do not much matter'.

Stewardship Theory

Whereas Agency Theory argues that shareholder and management interests are not always aligned and that mechanisms need to be put in place to provide some protection for shareholders, Stewardship Theory holds that 'there is no inherent, general problem of executive motivation', that the interests of shareholders and managers are aligned (Donaldson & Davis 1991). Agency theorists will therefore argue for a separation of the roles of Chairman and CEO, whereas stewardship theorists argue for combining the two roles in to one person.

Hubris Hypothesis

Hubris may be considered as overconfidence, potentially manifest as pride or arrogance. In several M&A studies in which financial analysis fails to fully explain an acquisition's outcome, hubris is often considered to be the explanation. The hubris hypothesis is that 'decision makers in acquiring firms pay too much for their targets on average; if there are no gains in takeovers, hubris is necessary to explain why managers do not abandon these bids since reflection would suggest that such bids are likely to represent positive errors in valuation' (Roll 1986). Roll (1986) explains that management intentions may be 'fully consistent with honourable stewardship of corporate assets' but that mistakes can and will be made, an acknowledgement of the possibility of stewardship theory being more appropriate as an explanation of managerial behaviour than agency theory. The fundamental premise behind the hubris hypothesis is that markets (such as financial markets) are efficient and that if an offer is made to acquire a firm at above the prevailing market valuation then the bidder has more information regarding the target firm than the market, thereby justifying an above market valuation offer.

Resource Based View of the Firm (RBV)

The RBV proposes that firms have heterogeneous resources and that these resources are not easily transferred between firms (Barney 1991). The combination of these resources into core competencies (Prahalad & Hamel 1990) provides a firm with its sustainable competitive advantage. The measure of how heterogeneous or immobile the resources are is a function of four attributes: they must be valuable in exploiting opportunities or neutralising threats in a firm's environment, they must be rare in comparison with a competitor's resources, they must be inimitable and there

cannot be equivalent substitutes for these resources (Barney 1991). Resources can be physical, human and/or organizational.

Managerial Entrenchment Theory

This theory proposes that managers make investment decisions which are designed to increase their (managerial) value to the shareholders (Shleifer & Vishny 1989). A premise of this theory is that managers act as agents of shareholders and therefore have an incentive to increase their value to the shareholder even if that is at the expense of value accruing to the shareholders. For example, a manager may invest in assets in which he/she has a particularly high level of expertise, thereby making that manager even more valuable to the shareholders. Shleifer and Vishny (1989) describe some of the implications of this theory namely that managers invest in businesses or assets related to their own background, firms divesting assets always raise their market value but firms making acquisitions often reduce their market value and to limit entrenchment even firms with ample internal funds and cheap access to external capital impose binding capital constraints on their divisions and use above market discount rates in the capital budgeting process. An example of the latter point regarding restrictions on available capital is the approach which firms have to high dividend payout ratios as a means to mitigate managerial entrenchment and agency problems (Jiraporn & Chintrakarn 2009).

Corporate Control Theory

This theory proposes that there is ongoing competition within a market for control of a firm's assets and that this process results in the most efficient managers gaining control of assets which are being managed inefficiently. The market expects new management to be more efficient and effective than incumbent management (Sharma & Ho 2002).

Theories of Merger Motives

Trautwein (1990) proposes a number of theories for merger motives. These are briefly described below:

1. Efficiency theory: Mergers are planned and executed to achieve synergies.
2. Monopoly theory: Mergers are planned and executed to gain market power.
3. Valuation theory: Mergers are planned and executed by managers who have better information about a target's value than the stock market.
4. Empire-building theory: Mergers are planned and executed by managers who thereby

maximize their own utility instead of their shareholders value.

5. Process theory: Acquisitions are outcomes of processes such as organizational routines or political power.
6. Raider theory: the transfer of wealth from the shareholder to the manager.
7. Disturbance theory: Acquisitions occur in waves which are caused by economic disturbances.

Efficient Market Hypothesis

Fama *et al.* (1969) examined the market reaction to share splits and found that the market's reaction to the information implications of a split are fully reflected in the price of a share at least by the end of the split month, leading them to conclude that the stock market is "efficient" in the sense that stock prices adjust very rapidly to new information, hence the Efficient Market Hypothesis. In the case illustrated the split caused share price changes to the extent associated with expected changes in the level of future dividends.

Appendix II. Correlations of Dependent and Independent Variables

	CAR A	Linear A	CAR B
Linear A	0.756 0.000		
CAR B	0.877 0.000	0.746 0.000	
Linear B	0.653 0.000	0.694 0.000	0.787 0.000
CAR C	0.538 0.000	0.255 0.084	0.069 0.643
CAR D	0.497 0.000	0.224 0.130	0.206 0.164
CAR B1	0.667 0.000	0.567 0.000	0.684 0.000
CAR B2	0.209 0.159	0.218 0.142	0.378 0.009
CAR B3	0.661 0.000	0.536 0.000	0.721 0.000
Joint Tenure	0.526 0.000	0.394 0.006	0.422 0.003
CEO Tenure	0.416 0.004	0.501 0.000	0.404 0.005
Remun Chg %	-0.060 0.687	-0.169 0.255	-0.243 0.100
Consid.% Acq NA	-0.187 0.209	-0.169 0.255	-0.181 0.223
NA Tgt/Acq	-0.142 0.341	0.046 0.759	-0.105 0.481
Equity (1) Cas (	-0.268 0.068	-0.154 0.302	-0.180 0.226
Divi/share	0.121 0.417	0.157 0.290	0.057 0.704
EPS cents	0.274 0.063	0.304 0.038	0.202 0.172
Div Payout Ratio	-0.283 0.054	-0.277 0.060	-0.297 0.043
CAR C Toto	-0.186	-0.158	-0.074

	CAR A	Linear A	CAR B
	0.211	0.289	0.619
CAR C toto - CAR	-0.242	-0.330	-0.175
	0.101	0.023	0.239
CAR C - CAR D	-0.232	-0.094	-0.220
	0.117	0.530	0.138
CAR C - CAR D Av	0.330	0.150	-0.072
	0.023	0.314	0.633
No. Board Dir.	-0.009	0.096	-0.019
	0.954	0.522	0.897
No. Exec Dir.	0.047	0.019	-0.022
	0.756	0.899	0.886
% Exec Dir.	0.092	-0.009	0.029
	0.537	0.950	0.847
CAR Toto D	0.144	0.335	0.237
	0.336	0.021	0.109
CAR D Toto Ave	-0.035	0.146	0.082
	0.817	0.329	0.584
Beta at Compl.	0.468	0.438	0.401
	0.003	0.005	0.011
Cum Tgt Price Ch	0.284	0.136	0.021
	0.053	0.361	0.889
Tgt CAR	0.349	0.197	0.055
	0.016	0.184	0.713
Media	0.009	0.065	-0.046
	0.952	0.666	0.760
CAR G Ave	0.243	0.099	0.236
	0.099	0.509	0.110
CAR C-CAR G Ave	0.337	0.169	-0.070
	0.021	0.256	0.638
Yr. End Sh. Pric	0.072	0.088	-0.014
	0.632	0.555	0.927
P/E Ratio	0.068	0.072	0.118
	0.651	0.628	0.429
EPS (A\$)	0.274	0.304	0.202
	0.063	0.038	0.172
N.A. Acquirer	-0.092	-0.009	-0.016
	0.537	0.954	0.918

	CAR A	Linear A	CAR B
Consideration	-0.012 0.935	0.079 0.596	-0.007 0.965
N.A. Target	0.023 0.878	0.122 0.415	0.049 0.743
Consid/NA Tgt	-0.009 0.950	0.046 0.758	-0.033 0.824
Consid.% Acq NA_	-0.158 0.288	-0.057 0.706	-0.106 0.479
POR	-0.283 0.054	-0.277 0.060	-0.297 0.043

	Linear B	CAR C	CAR D
CAR C	-0.031 0.837		
CAR D	0.100 0.503	0.666 0.000	
CAR B1	0.645 0.000	0.185 0.213	0.320 0.029
CAR B2	0.228 0.123	-0.236 0.111	-0.100 0.505
CAR B3	0.517 0.000	0.109 0.466	0.108 0.471
Joint Tenure	0.299 0.042	0.343 0.018	0.569 0.000
CEO Tenure	0.339 0.020	0.160 0.281	0.321 0.028
Remun Chg %	-0.223 0.132	0.306 0.036	0.149 0.318
Consid.% Acq NA	-0.182 0.221	-0.078 0.603	0.088 0.556
NA Tgt/Acq	0.019 0.899	-0.117 0.433	0.105 0.482
Equity (1) Cas (	-0.026 0.863	-0.255 0.084	-0.153 0.303
Divi/share	0.077 0.607	0.149 0.319	0.172 0.248
EPS cents	0.255	0.208	0.289

	Linear B	CAR C	CAR D
	0.083	0.160	0.049
Div Payout Ratio	-0.253	-0.057	-0.134
	0.086	0.702	0.371
CAR C Toto	-0.095	-0.223	-0.158
	0.525	0.131	0.287
CAR C toto - CAR	-0.162	-0.168	-0.086
	0.276	0.259	0.564
CAR C - CAR D	-0.159	-0.085	-0.800
	0.287	0.569	0.000
CAR C - CAR D Av	-0.133	0.821	0.129
	0.374	0.000	0.387
No. Board Dir.	-0.015	0.018	-0.093
	0.919	0.904	0.535
No. Exec Dir.	-0.099	0.128	0.241
	0.506	0.390	0.103
% Exec Dir.	0.013	0.134	0.318
	0.933	0.371	0.029
CAR Toto D	0.261	-0.093	-0.110
	0.077	0.535	0.460
CAR D Toto Ave	0.010	-0.199	-0.194
	0.949	0.180	0.190
Beta at Compl.	0.385	0.269	0.212
	0.016	0.098	0.194
Cum Tgt Price Ch	0.048	0.553	0.250
	0.747	0.000	0.090
Tgt CAR	0.086	0.625	0.277
	0.564	0.000	0.059
Media	-0.025	0.085	-0.010
	0.870	0.569	0.947
CAR G Ave	0.173	0.081	0.795
	0.245	0.586	0.000
CAR C-CAR G Ave	-0.123	0.832	0.143
	0.409	0.000	0.339
Yr. End Sh. Pric	0.002	0.169	0.091
	0.988	0.255	0.544
P/E Ratio	0.050	-0.056	-0.071
	0.739	0.709	0.637

	Linear B	CAR C	CAR D
EPS (A\$)	0.255 0.083	0.208 0.160	0.289 0.049
N.A. Acquirer	0.006 0.968	-0.161 0.278	-0.150 0.313
Consideration	0.115 0.441	-0.015 0.921	0.055 0.712
N.A. Target	0.153 0.305	-0.037 0.803	0.036 0.808
Consid/NA Tgt	0.051 0.733	0.036 0.810	0.063 0.672
Consid.% Acq NA_	0.003 0.985	-0.152 0.309	0.081 0.590
POR	-0.253 0.086	-0.057 0.702	-0.134 0.371

	CAR B1	CAR B2	CAR B3
CAR B2	-0.114 0.446		
CAR B3	0.223 0.131	0.013 0.929	
Joint Tenure	0.429 0.003	0.097 0.517	0.217 0.142
CEO Tenure	0.382 0.008	-0.029 0.848	0.317 0.030
Remun Chg %	-0.243 0.100	-0.010 0.949	-0.160 0.282
Consid.% Acq NA	-0.194 0.191	-0.120 0.421	-0.011 0.943
NA Tgt/Acq	-0.013 0.933	-0.120 0.420	-0.070 0.638
Equity (1) Cas (	-0.244 0.098	0.066 0.661	-0.094 0.531
Divi/share	0.115 0.440	-0.007 0.963	-0.013 0.932
EPS cents	0.213 0.150	0.037 0.803	0.104 0.486
Div Payout Ratio	-0.337 0.020	-0.051 0.732	-0.131 0.382

	CAR B1	CAR B2	CAR B3
CAR C Toto	-0.098 0.512	0.007 0.962	-0.064 0.667
CAR C toto - CAR	-0.076 0.611	0.008 0.959	-0.257 0.081
CAR C - CAR D	-0.278 0.058	-0.056 0.707	-0.056 0.708
CAR C - CAR D Av	0.022 0.885	-0.238 0.107	0.033 0.828
No. Board Dir.	0.049 0.741	-0.085 0.570	-0.023 0.879
No. Exec Dir.	-0.051 0.733	-0.157 0.292	0.143 0.339
% Exec Dir.	0.022 0.883	-0.155 0.298	0.153 0.303
CAR Toto D	0.060 0.691	0.036 0.813	0.295 0.044
CAR D Toto Ave	-0.084 0.575	-0.046 0.761	0.246 0.095
Beta at Compl.	0.414 0.009	0.057 0.732	0.206 0.208
Cum Tgt Price Ch	0.056 0.709	-0.094 0.531	0.053 0.725
Tgt CAR	0.075 0.614	-0.092 0.541	0.093 0.535
Media	0.005 0.974	-0.286 0.051	0.148 0.321
CAR G Ave	0.295 0.044	0.061 0.685	0.063 0.675
CAR C-CAR G Ave	-0.002 0.989	-0.240 0.104	0.061 0.685
Yr. End Sh. Pric	0.144 0.334	-0.107 0.475	-0.088 0.557
P/E Ratio	0.203 0.171	-0.106 0.477	0.061 0.683
EPS (A\$)	0.213 0.150	0.037 0.803	0.104 0.486

	CAR B1	CAR B2	CAR B3
N.A. Acquirer	-0.001 0.996	0.017 0.908	-0.043 0.773
Consideration	-0.066 0.661	-0.093 0.535	0.129 0.388
N.A. Target	-0.041 0.783	-0.000 1.000	0.127 0.395
Consid/NA Tgt	0.007 0.965	0.188 0.206	-0.204 0.168
Consid.% Acq NA_	-0.081 0.589	-0.030 0.840	-0.068 0.651
POR	-0.337 0.020	-0.051 0.732	-0.131 0.382

	Joint Tenure	CEO Tenure	Remun Chg %
CEO Tenure	0.634 0.000		
Remun Chg %	0.245 0.097	0.046 0.758	
Consid.% Acq NA	-0.048 0.747	0.083 0.577	0.156 0.294
NA Tgt/Acq	-0.005 0.972	0.159 0.287	-0.027 0.855
Equity (1) Cas (	-0.051 0.731	-0.076 0.609	0.172 0.248
Divi/share	0.037 0.806	0.071 0.635	0.032 0.833
EPS cents	0.021 0.886	0.167 0.262	0.024 0.870
Div Payout Ratio	0.041 0.787	-0.062 0.680	0.185 0.213
CAR C Toto	-0.075 0.617	-0.041 0.783	0.180 0.225
CAR C toto - CAR	-0.079 0.597	-0.080 0.593	0.109 0.465
CAR C - CAR D	-0.484 0.001	-0.300 0.041	0.048 0.750
CAR C - CAR D Av	0.008 0.957	-0.054 0.719	0.276 0.061

	Joint Tenure	CEO Tenure	Remun Chg %
No. Board Dir.	-0.185 0.214	-0.274 0.063	-0.246 0.096
No. Exec Dir.	0.140 0.347	0.053 0.725	-0.016 0.915
% Exec Dir.	0.267 0.069	0.258 0.080	0.074 0.622
CAR Toto D	0.116 0.438	0.289 0.049	0.258 0.080
CAR D Toto Ave	-0.080 0.593	0.012 0.936	0.113 0.448
Beta at Compl.	0.141 0.392	0.171 0.299	-0.228 0.164
Cum Tgt Price Ch	0.040 0.788	-0.001 0.993	0.175 0.239
Tgt CAR	0.098 0.512	0.049 0.745	0.234 0.114
Media	-0.220 0.137	-0.012 0.938	-0.121 0.417
CAR G Ave	0.479 0.001	0.289 0.049	-0.050 0.737
CAR C-CAR G Ave	0.035 0.816	-0.020 0.895	0.297 0.043
Yr. End Sh. Pric	-0.019 0.899	0.012 0.934	0.035 0.817
P/E Ratio	-0.156 0.295	-0.062 0.678	-0.243 0.100
EPS (A\$)	0.021 0.886	0.167 0.262	0.024 0.870
N.A. Acquirer	-0.211 0.155	-0.253 0.086	-0.282 0.055
Consideration	-0.176 0.237	0.090 0.548	0.008 0.956
N.A. Target	-0.164 0.269	0.029 0.845	-0.076 0.609
Consid/NA Tgt	-0.108 0.468	-0.162 0.276	0.003 0.984
Consid.% Acq NA_	-0.119	0.080	0.105

	Joint Tenure	CEO Tenure	Remun Chg %
	0.427	0.594	0.484
POR	0.041	-0.062	0.185
	0.787	0.680	0.213

	Consid.% Acq NA	NA Tgt/Acq	Equity (1) Cas (
NA Tgt/Acq	0.546		
	0.000		
Equity (1) Cas (	0.149	0.214	
	0.317	0.149	
Divi/share	-0.112	0.143	0.332
	0.454	0.339	0.023
EPS cents	0.005	0.398	0.189
	0.971	0.006	0.203
Div Payout Ratio	-0.130	-0.201	0.286
	0.385	0.175	0.051
CAR C Toto	0.003	-0.120	0.090
	0.986	0.422	0.547
CAR C toto - CAR	-0.223	-0.182	-0.064
	0.131	0.220	0.671
CAR C - CAR D	-0.180	-0.235	-0.000
	0.225	0.112	0.998
CAR C - CAR D Av	-0.167	-0.242	-0.239
	0.261	0.102	0.105
No. Board Dir.	-0.283	-0.065	0.054
	0.054	0.666	0.717
No. Exec Dir.	0.114	0.033	0.191
	0.444	0.828	0.199
% Exec Dir.	0.293	0.075	0.124
	0.046	0.614	0.408
CAR Toto D	0.132	0.055	0.082
	0.377	0.712	0.583
CAR D Toto Ave	0.297	0.040	0.195
	0.043	0.789	0.190
Beta at Compl.	0.000	-0.083	-0.144
	0.998	0.615	0.383
Cum Tgt Price Ch	-0.158	0.020	-0.280
	0.290	0.893	0.056

	Consid.% Acq NA	NA Tgt/Acq	Equity (1) Cas (
Tgt CAR	-0.137 0.357	0.035 0.816	-0.269 0.068
Media	0.246 0.095	0.181 0.224	-0.191 0.198
CAR G Ave	0.175 0.238	0.226 0.126	-0.006 0.969
CAR C-CAR G Ave	-0.166 0.265	-0.229 0.122	-0.221 0.136
Yr. End Sh. Pric	-0.143 0.336	0.097 0.517	0.115 0.442
P/E Ratio	-0.040 0.788	0.029 0.846	-0.182 0.222
EPS (A\$)	0.005 0.971	0.398 0.006	0.189 0.203
N.A. Acquirer	-0.268 0.069	-0.249 0.092	-0.045 0.766
Consideration	0.432 0.002	0.552 0.000	0.107 0.474
N.A. Target	0.222 0.134	0.634 0.000	0.181 0.223
Consid/NA Tgt	-0.009 0.949	-0.213 0.151	-0.194 0.191
Consid.% Acq NA_	0.813 0.000	0.794 0.000	0.188 0.207
POR	-0.130 0.385	-0.201 0.175	0.286 0.051

	Divi/share	EPS cents	Div Payout Ratio
EPS cents	0.804 0.000		
Div Payout Ratio	0.077 0.607	-0.290 0.048	
CAR C Toto	-0.068 0.652	-0.072 0.629	0.179 0.229
CAR C toto - CAR	-0.017 0.908	-0.016 0.916	0.131 0.381

	Divi/share	EPS cents	Div Payout Ratio
CAR C - CAR D	-0.110 0.462	-0.218 0.141	0.132 0.375
CAR C - CAR D Av	0.067 0.656	0.041 0.783	0.033 0.827
No. Board Dir.	0.369 0.011	0.239 0.106	0.065 0.662
No. Exec Dir.	-0.043 0.773	-0.051 0.733	0.085 0.568
% Exec Dir.	-0.199 0.179	-0.123 0.410	0.026 0.861
CAR Toto D	-0.047 0.754	0.057 0.704	-0.094 0.531
CAR D Toto Ave	-0.129 0.386	-0.133 0.373	0.123 0.409
Beta at Compl.	0.010 0.952	0.125 0.448	-0.232 0.155
Cum Tgt Price Ch	-0.055 0.714	0.160 0.284	-0.176 0.238
Tgt CAR	0.006 0.967	0.234 0.114	-0.198 0.183
Media	0.341 0.019	0.324 0.026	-0.040 0.791
CAR G Ave	0.115 0.441	0.216 0.145	-0.141 0.346
CAR C-CAR G Ave	0.066 0.657	0.063 0.675	0.028 0.853
Yr. End Sh. Pric	0.850 0.000	0.681 0.000	0.009 0.954
P/E Ratio	-0.037 0.803	0.130 0.386	-0.674 0.000
EPS (A\$)	0.804 0.000	1.000 *	-0.290 0.048
N.A. Acquirer	0.136 0.361	-0.105 0.483	0.159 0.285
Consideration	0.500 0.000	0.654 0.000	-0.023 0.879
N.A. Target	0.531	0.726	-0.085

	Divi/share	EPS cents	Div Payout Ratio
	0.000	0.000	0.571
Consid/NA Tgt	-0.095	-0.038	-0.045
	0.524	0.801	0.764
Consid.% Acq NA_	0.194	0.429	-0.169
	0.190	0.003	0.256
POR	0.077	-0.290	1.000
	0.607	0.048	*

	CAR C Toto	CAR C toto - CAR	CAR C - CAR D
CAR C toto - CAR	0.783		
	0.000		
CAR C - CAR D	0.032	-0.020	
	0.831	0.895	
CAR C - CAR D Av	-0.199	-0.175	0.488
	0.179	0.241	0.001
No. Board Dir.	-0.088	-0.066	0.138
	0.555	0.658	0.354
No. Exec Dir.	0.171	0.016	-0.218
	0.250	0.915	0.140
% Exec Dir.	0.225	0.054	-0.318
	0.128	0.717	0.030
CAR Toto D	0.488	0.072	0.073
	0.000	0.633	0.626
CAR D Toto Ave	0.498	-0.083	0.100
	0.000	0.577	0.505
Beta at Compl.	-0.451	-0.410	-0.079
	0.004	0.010	0.632
Cum Tgt Price Ch	0.092	0.140	0.110
	0.538	0.350	0.460
Tgt CAR	-0.065	-0.016	0.133
	0.664	0.917	0.374
Media	0.072	-0.075	0.082
	0.633	0.615	0.584
CAR G Ave	-0.017	0.025	-0.996
	0.909	0.869	0.000
CAR C-CAR G Ave	-0.186	-0.161	0.479
	0.210	0.279	0.001

	CAR C Toto	CAR C toto - CAR	CAR C - CAR D
Yr. End Sh. Pric	-0.198 0.183	-0.019 0.900	0.015 0.921
P/E Ratio	-0.124 0.408	-0.008 0.958	0.050 0.741
EPS (A\$)	-0.072 0.629	-0.016 0.916	-0.218 0.141
N.A. Acquirer	0.096 0.520	0.004 0.981	0.071 0.636
Consideration	0.092 0.537	0.005 0.974	-0.086 0.566
N.A. Target	0.002 0.989	-0.031 0.836	-0.079 0.599
Consid/NA Tgt	0.023 0.876	0.071 0.635	-0.056 0.709
Consid.% Acq NA_	0.023 0.879	-0.127 0.395	-0.230 0.120
POR	0.179 0.229	0.131 0.381	0.132 0.375

	CAR C - CAR D Av	No. Board Dir.	No. Exec Dir.
No. Board Dir.	0.103 0.490		
No. Exec Dir.	-0.032 0.833	0.323 0.027	
% Exec Dir.	-0.083 0.580	-0.191 0.198	0.825 0.000
CAR Toto D	-0.073 0.626	-0.154 0.300	0.039 0.795
CAR D Toto Ave	-0.122 0.416	0.038 0.802	0.374 0.010
Beta at Compl.	0.216 0.187	0.253 0.120	0.057 0.732
Cum Tgt Price Ch	0.532 0.000	-0.254 0.085	-0.141 0.346
Tgt CAR	0.609 0.000	-0.238 0.107	-0.199 0.181
Media	0.131 0.380	0.276 0.061	0.163 0.273

	CAR C - CAR D Av	No. Board Dir.	No. Exec Dir.
CAR G Ave	-0.486 0.001	-0.144 0.334	0.215 0.147
CAR C-CAR G Ave	0.991 0.000	0.096 0.521	-0.007 0.964
Yr. End Sh. Pric	0.173 0.245	0.449 0.002	-0.016 0.914
P/E Ratio	-0.032 0.833	0.199 0.179	0.232 0.117
EPS (A\$)	0.041 0.783	0.239 0.106	-0.051 0.733
N.A. Acquirer	-0.051 0.735	0.446 0.002	-0.008 0.959
Consideration	-0.066 0.657	0.156 0.294	-0.005 0.975
N.A. Target	-0.088 0.554	0.280 0.057	0.096 0.523
Consid/NA Tgt	0.023 0.877	-0.142 0.343	-0.048 0.747
Consid.% Acq NA_	-0.262 0.075	-0.154 0.303	-0.056 0.706
POR	0.033 0.827	0.065 0.662	0.085 0.568

	% Exec Dir.	CAR Toto D	CAR D Toto Ave
CAR Toto D	0.173 0.245		
CAR D Toto Ave	0.361 0.013	0.668 0.000	
Beta at Compl.	0.010 0.951	-0.103 0.534	-0.094 0.568
Cum Tgt Price Ch	0.007 0.962	0.124 0.406	-0.087 0.562
Tgt CAR	-0.066 0.657	0.114 0.445	-0.144 0.333
Media	0.085 0.571	0.084 0.574	0.194 0.191
CAR G Ave	0.320	-0.053	-0.078

	% Exec Dir.	CAR Toto D	CAR D Toto Ave
	0.029	0.723	0.602
CAR C-CAR G Ave	-0.061	-0.052	-0.131
	0.686	0.730	0.380
Yr. End Sh. Pric	-0.210	-0.129	-0.158
	0.157	0.388	0.290
P/E Ratio	0.119	-0.052	0.010
	0.427	0.729	0.948
EPS (A\$)	-0.123	0.057	-0.133
	0.410	0.704	0.373
N.A. Acquirer	-0.189	0.058	0.168
	0.204	0.699	0.258
Consideration	-0.011	0.128	0.138
	0.943	0.392	0.356
N.A. Target	0.005	0.031	0.068
	0.974	0.834	0.650
Consid/NA Tgt	0.013	-0.191	-0.094
	0.932	0.199	0.532
Consid.% Acq NA_	0.085	0.116	0.189
	0.568	0.439	0.204
POR	0.026	-0.094	0.123
	0.861	0.531	0.409

	Beta at Compl.	Cum Tgt Price Ch	Tgt CAR
Cum Tgt Price Ch	-0.071		
	0.670		
Tgt CAR	0.043	0.963	
	0.794	0.000	
Media	-0.070	0.048	0.038
	0.673	0.747	0.800
CAR G Ave	0.066	-0.100	-0.125
	0.689	0.505	0.401
CAR C-CAR G Ave	0.205	0.541	0.618
	0.211	0.000	0.000
Yr. End Sh. Pric	0.007	-0.026	0.032
	0.966	0.863	0.832
P/E Ratio	0.115	0.015	-0.002
	0.484	0.918	0.989

	Beta at Compl.	Cum Tgt Price Ch	Tgt CAR
EPS (A\$)	0.125 0.448	0.160 0.284	0.234 0.114
N.A. Acquirer	0.030 0.854	-0.222 0.133	-0.280 0.056
Consideration	0.036 0.826	0.000 0.999	0.017 0.912
N.A. Target	0.023 0.889	0.016 0.916	0.026 0.865
Consid/NA Tgt	0.459 0.003	0.042 0.779	0.042 0.780
Consid.% Acq NA_	-0.042 0.800	-0.046 0.760	-0.029 0.844
POR	-0.232 0.155	-0.176 0.238	-0.198 0.183

	Media	CAR G Ave	CAR C-CAR G Ave
CAR G Ave	-0.066 0.659		
CAR C-CAR G Ave	0.112 0.455	-0.485 0.001	
Yr. End Sh. Pric	0.317 0.030	0.002 0.991	0.148 0.322
P/E Ratio	-0.041 0.784	-0.053 0.725	-0.020 0.896
EPS (A\$)	0.324 0.026	0.216 0.145	0.063 0.675
N.A. Acquirer	0.289 0.049	-0.031 0.835	-0.124 0.405
Consideration	0.662 0.000	0.091 0.543	-0.064 0.671
N.A. Target	0.505 0.000	0.083 0.577	-0.079 0.597
Consid/NA Tgt	-0.050 0.739	0.068 0.648	-0.006 0.966
Consid.% Acq NA_	0.314 0.032	0.226 0.127	-0.259 0.079
POR	-0.040 0.791	-0.141 0.346	0.028 0.853

	Yr. End Sh. Price	P/E Ratio	EPS (\$)
P/E Ratio	0.181 0.223		
EPS (A\$)	0.681 0.000	0.130 0.386	
N.A. Acquirer	0.182 0.220	-0.242 0.101	-0.105 0.483
Consideration	0.422 0.003	-0.127 0.397	0.654 0.000
N.A. Target	0.469 0.001	0.021 0.891	0.726 0.000
Consid/NA Tgt	-0.075 0.615	-0.051 0.732	-0.038 0.801
Consid.% Acq NA_	0.124 0.406	-0.048 0.747	0.429 0.003
POR	0.009 0.954	-0.674 0.000	-0.290 0.048

	N.A. Acquirer	Consideration	N.A. Target
Consideration	0.108 0.468		
N.A. Target	0.093 0.535	0.900 0.000	
Consid/NA Tgt	-0.091 0.542	-0.062 0.680	-0.150 0.313
Consid.% Acq NA_	-0.244 0.099	0.721 0.000	0.623 0.000
POR	0.159 0.285	-0.023 0.879	-0.085 0.571

	Consid/NA Tgt	Consid.% Acq NA_
Consid.% Acq NA_	-0.037 0.807	
POR	-0.045 0.764	-0.169 0.256
Cell Contents: Pearson correlation P-Value		

Appendix III. Data Set by Acquisition

Acquirer	Target	CAR A	Linear A	CAR B	Linear B	CAR C	CAR D	CAR B1	CAR B2	CAR B3	Joint Tenure	JT 0-3=1	(JT 0-3=1)/Ten	JT 3.1-6=1	(JT 3.1-6)/Ten	JT 6.1+=1	(JT 6.1+)/Ten	JT0-4=1
Jupiters	AWA Ltd	59.14	1	94.12	1	-34.99	-37.08	0.36409	0.10965	0.46749	8.75	0	0	0	0	1	8.75	0
Toll	Finemore Holdings	132.8	1	73.1	1	59.71	195.98	0.72082	-0.21043	0.22064	15	0	0	0	0	1	15	0
Lang Corp.	Holyman Ltd.	127.16	1	64.94	1	62.22	107.3	0.42912	-0.07114	0.29143	7.75	0	0	0	0	1	7.75	0
Downer	Evans Deakin	88.1	1	63.45	1	24.65	5.98	0.59452	-0.34950	0.38944	4	0	0	1	4	0	0	1
Bendigo Bank	First Australian Building Society	23.05	1	49.02	1	-25.98	3.63	0.23085	0.29474	-0.03535	12	0	0	0	0	1	12	0
Fosters Brewing	Mildara Wines	31.34	1	38.18	1	-6.84	-44.51	0.06727	0.05787	0.25668	0.4	1	0.4	0	0	0	0	1
Lion Nathan	Petaluma	47.06	1	35.07	1	11.99	-21.74	0.22393	-0.04750	0.17431	0.25	1	0.25	0	0	0	0	1
Wesfarmers	IAMA	70.59	1	34.92	1	35.67	6.47	0.50911	-0.02377	-0.13610	8.5	0	0	0	0	1	8.5	0
Westpac	Challenge Bank	45.38	1	31.59	1	13.8	19.87	0.06173	0.22511	0.02902	3	1	3	0	0	0	0	1
Argo	Bounty Investments	10.78	1	25.29	1	-14.51	-33.11	0.13436	0.11158	0.00693	2	1	2	0	0	0	0	1
Toll	Patrick	17.65	1	19.58	1	-1.93	17.82	0.20131	-0.45164	0.44611	4	0	0	1	4	0	0	1
Stockland	Advance Property Fund	10.15	1	14.98	1	-4.83	-25.47	0.13147	0.07394	-0.05563	10	0	0	0	0	1	10	0
Westpac	Bank of Melbourne	27.7	1	9.91	1	17.79	44.03	0.01868	-0.09720	0.17762	5	0	0	1	5	0	0	0
CBA	Colonial	10.13	1	9.75	1	0.38	30.39	0.13321	0.04070	-0.07640	0.66	1	0.66	0	0	0	0	1
St. George	Advance Bank	-1.64	0	7.53	1	-9.17	-14.18	0.00865	0.00225	0.06441	0.33	1	0.33	0	0	0	0	1
Tabcorp	Star City	-12.99	0	6.35	1	-19.34	22.33	-0.04676	-0.07761	0.18789	5	0	0	1	5	0	0	0
Seven Network Ltd	Sunshine Broadcasting Network Ltd.	13.63	1	5.27	1	8.36	11.99	0.01974	0.19242	-0.15944	0	1	0	0	0	0	0	1
Goodman Hardie	Capcount Property	-8.23	0	4.92	1	-13.15	-28.24	-0.14367	0.05872	0.13411	4	0	0	1	4	0	0	1
Healthscope	Gribbles	2.29	1	2.05	1	0.24	26.29	0.30948	-0.15341	-0.13553	7	0	0	0	0	1	7	0
Metcash Ltd	Foodland (FAL) Ltd	21.4	1	-1.59	0	22.99	22.98	-0.19460	-0.24140	0.42007	6	0	0	1	6	0	0	0
Australand	Walker	14.59	1	-3.73	0	18.32	-12.11	-0.25196	0.28319	-0.06850	5	0	0	1	5	0	0	0
Evans Deakin	Clyde Industries	-11.84	0	-6.19	0	-5.65	-17.18	0.11702	0.04066	-0.21958	2	1	2	0	0	0	0	1
Wesfarmers	Howard Smith	62.82	1	-9.66	0	72.48	62.3	0.04681	-0.09872	-0.04467	9	0	0	0	0	1	9	0
Sothern Cross Broad.	Telecasters Australia	1.21	1	-11.32	0	12.53	33.94	-0.21916	-0.06738	0.17335	1.4	1	1.4	0	0	0	0	1
Sothern Cross Broad.	Southern Star Group	-10.47	0	-17.9	0	7.43	-2.47	-0.08448	-0.29311	0.19858	2	1	2	0	0	0	0	1
Mirvac	J. Fielding	-28.4	0	-18.15	0	-10.25	7.82	-0.33751	0.27752	-0.12148	0	1	0	0	0	0	0	1
Burns Philp	Goodman Fielder	-10.33	0	-20.33	0	10.0	46.24	-0.23238	0.16798	-0.13887	5.75	0	0	1	5.75	0	0	0
CCA	Ardmona	-26.09	0	-22.46	0	-3.64	2.78	-0.34837	-0.04713	0.17093	3.25	0	0	1	3.25	0	0	1
Tabcorp	Jupiters	-30.51	0	-23.1	0	-7.41	3.62	0.07761	-0.13691	-0.17168	1	1	1	0	0	0	0	1
Boral	Sagasco Holdings	-33.27	0	-24.22	0	6.08	-26.18	-0.09313	-0.18971	-0.11069	0	1	0	0	0	0	0	1
Primary Health Care	H. C. N.	-12.35	0	-25.04	0	12.69	30.54	0.14197	-0.11841	-0.27397	9	0	0	0	0	1	9	0
Multiplex	Ronin	-26.52	0	-25.47	0	-1.06	-1.06	-0.23687	-0.12327	0.10545	1	1	1	0	0	0	0	1
Tattersall (Tatts Grp.)	Unitab	-32.41	0	-26.25	0	-6.16	-6.16	-0.03171	-0.03129	-0.19951	0	1	0	0	0	0	0	1
Healthscope	Nova Health Limited	-23.22	0	-28.52	0	5.3	37.08	-0.18253	0.05869	-0.16135	7.5	0	0	0	0	1	7.5	0
Fosters	Southcorp	-43.95	0	-33.4	0	-10.55	-26.2	-0.17481	-0.08522	-0.07396	1	1	1	0	0	0	0	1
Pacific Dunlop	Petersville Sleigh	-42.75	0	-37.0	0	-5.75	-5.75	-0.05313	-0.19120	-0.12566	0.8	1	0.8	0	0	0	0	1
AMP	GIO	-71.32	0	-39.15	0	-32.17	-29.39	0.15391	-0.18153	-0.36382	0.5	1	0.5	0	0	0	0	1
Ruralco	Roberts	-97.25	0	-49.8	0	-47.45	-31.56	-0.20627	0.12608	-0.41779	0	1	0	0	0	0	0	1
Transurban Group	Hills Motorway	-18.05	0	-52.76	0	34.71	31.45	-0.42298	-0.00381	-0.10079	8.5	0	0	0	0	1	8.5	0
ABC Learning Centres	Peppercorn Group	-30.65	0	-54.71	0	24.06	63.22	0.08387	-0.02949	-0.60151	4	0	0	1	4	0	0	1
Mayne Symbion	Australian Hospital Care (AHC) Group	-1.99	0	-57.19	0	53.21	-8.89	-0.00797	-0.35578	-0.18828	0.5	1	0.5	0	0	0	0	1
Mayne Symbion	Fauldings	-29.14	0	-65.45	0	36.31	11.1	-0.61276	-0.07341	0.03169	1.25	1	1.25	0	0	0	0	1
AWB	Landmark	-52.48	0	-66.52	0	13.68	6.24	-0.03731	-0.17766	-0.45021	0.5	1	0.5	0	0	0	0	1
Tabcorp	Tab	-56.48	0	-66.55	0	10.07	19.25	-0.15120	-0.24839	-0.26592	2	1	2	0	0	0	0	1
Forrester Parker	Peter Kurts Property Ltd	-84.16	0	-78.62	0	-5.54	9.78	-0.21961	-0.24093	-0.32561	5	0	0	1	5	0	0	0
Grand Hotel Group	Australian Tourism Group	-99.42	0	-83.03	0	-16.4	-26.03	-0.32334	-0.37300	-0.13394	2	1	2	0	0	0	0	1
GUD	Sunbeam	-103.9	0	-112.16	0	8.27	-2.41	0.04519	-0.58422	-0.58260	3	1	3	0	0	0	0	1
	Ave	-3.89		-10.01		6.39	10.23	0.00452	-0.06921	-0.03814	3.82							
	Standard Deviation	51.51		43.42		24.61	40.86	0.26375	0.19216	0.25214	3.68							
	Median	-10.33		-11.32		5.3	5.98	0.00865	-0.07114	-0.07396	3							

Acquirer	CEO Tenure	Remun Chg %	Consid.% Acq NA	NA Tgt/Acq	Equity (1 Cas 0)	Leverage Acq	Divi/share	FPS cents	Div Payout Ratio	CAR C Toto	CAR C toto - CAR D Toto Ave	CAR C - CAR D	CAR C - CAR D Ave	Acquirer
Jupiters	12	126.8	27.32	0.065	0	0.4146	17.0	27.9	0.609	11.026	-1.8507	2.09	-22.63	Jupiters
Toll	15	142.5	75.61	0.616	0	0.2846	33.0	77.8	0.424	4.411	-4.3917	-136.27	-5.6167	Toll
Lang Corp.	7.75	100.0	53.61	0.496	0	0.8677	14.0	40.3	0.347	15.676	2.201	-45.08	26.4533	Lang Corp.
Downer	5	111.3	68.22	0.506	0	0.8737	2.1	5.7	0.368	9.739	-1.421	18.67	22.6567	Downer
Bendigo Bank	12	100.0	46.46	0.315	1	n/a	41.0	31.4	1.306	15.884	2.3873	-29.61	-27.19	Bendigo Bank
Fosters Brewing	4	99.3	16.40	0.071	0	0.3988	11.0	15.0	0.733	22.682	5.93	37.67	7.9967	Fosters Brewing
Lion Nathan	4	102.7	12.24	0.050	0	0.5604	20.0	30.3	0.660	4.289	-6.719	33.73	19.2367	Lion Nathan
Wesfarmers	8.5	123.0	13.01	0.076	0	0.7187	87.0	92.4	0.942	9.739	-1.4223	29.2	33.5133	Wesfarmers
Westpac	3	96.9	9.02	0.043	1	n/a	33.0	57.1	0.578	19.177	2.4903	-6.07	7.1767	Westpac
Argo	18	105.8	15.27	0.137	1	0	17.0	18.7	0.909	11.207	-2.5843	18.6	-3.4733	Argo
Toll	18	108.0	515.39	1.268	0	0.3632	31.0	63.3	0.490	24.867	3.16	-19.75	-7.87	Toll
Stockland	10	155.2	44.14	0.597	1	0.2447	28.3	29.2	0.969	15.884	2.3873	20.64	3.66	Stockland
Westpac	5.5	124.6	14.25	0.076	1	n/a	43.0	64.5	0.667	8.524	-5.286	-26.24	3.113	Westpac
CBA	8	102.7	646.95	3.474	1	n/a	130.0	291.3	0.446	15.042	3.9397	-30.01	-9.75	CBA
St. George	0.33	129.9	182.55	1.088	1	n/a	52.0	51.1	1.018	10.169	3.848	5.01	-4.4433	St. George
Tabcorp	5	172.9	143.87	0.737	1	0.0606	47.0	50.1	0.938	12.851	1.334	-41.67	-26.7833	Tabcorp
Seven Network Ltd	0	100.0	17.97	0.003	0	0.1614	17.5	37.3	0.469	6.647	-1.1152	-3.63	7.365	Seven Network Ltd
Goodman Hardie	4	153.5	208.79	1.845	1	0.476	10.5	9.66	1.087	15.374	1.2563	15.09	-3.7367	Goodman Hardie
Healthscope	7	155.8	210.41	1.803	0	0.36	12.5	17.4	0.717	25.096	14.941	-26.05	-8.5233	Healthscope
Metcash Ltd	6	136.0	131.93	1.308	1	78.2179	11.5	13.52	0.851	21.368	-2.135	0.01	11.5	Metcash Ltd
Australand	10	141.8	71.38	0.683	0	0.5273	12.0	16.2	0.741	11.026	1.4725	30.43	22.3567	Australand
Evans Deakin	2	132.0	238.39	1.768	1	0.528	15.0	22.9	0.655	7.552	-2.959	11.53	7.67	Evans Deakin
Wesfarmers	9	260.8	125.05	0.586	1	0.7012	111.0	116.0	0.957	3.525	-9.937	10.18	51.7133	Wesfarmers
Sothern Cross Broad.	8	100.5	135.63	0.333	0	1.0145	57.0	58.23	0.979	3.525	-9.937	-21.41	1.2167	Sothern Cross Broad.
Sothern Cross Broad.	11	111.9	19.31	0.121	1	0.5713	60.0	75.66	0.793	16.841	11.6647	9.9	9.0767	Sothern Cross Broad.
Mirvac	0	112.1	17.18	0.162	1	0.7385	33.8	29.9	1.132	27.33	17.1163	-18.07	-12.8567	Mirvac
Burns Philp	5.75	72.2	417.10	2.284	0	3.4526	0.0	6.8	0.000	-6.542	-10.145	-36.24	-5.4133	Burns Philp
CCA	3.25	131.8	16.81	0.076	0	1.7037	31.5	43.1	0.731	26.399	15.056	-6.42	-4.5667	CCA
Tabcorp	1	115.8	83.53	0.363	1	0.5803	71.0	77.6	0.915	11.929	7.3303	-11.03	-10.35	Tabcorp
Boral	6	146.7	33.57	0.205	0	0.2364	20.0	12.3	1.626	37.773	18.8193	32.26	14.8067	Boral
Primary Health Care	9	120.0	62.87	0.027	0	0.4701	25.0	24.18	1.034	26.399	15.056	-17.85	2.51	Primary Health Care
Multiplex	1	100.0	75.69	0.668	1	0.6802	29.8	11.6	2.569	25.1724	0	0	0	Multiplex
Tattersall (Tatts Grp.)	0	174.9	427.91	0.249	1	0.1212	22.0	26.0	0.846	23.868	0	0	0	Tattersall (Tatts Grp.)
Healthscope	7.5	155.8	53.18	0.151	0	0.36	12.5	17.27	0.724	21.816	10.579	-31.78	-7.06	Healthscope
Fosters	1	173.9	69.56	0.280	0	0.5156	20.0	46.8	0.427	23.922	9.6963	15.65	-1.8167	Fosters
Pacific Dunlop	3.75	100.0	29.25	0.478	0	1.1089	21.0	25.3	0.830	-8.42	0	0	0	Pacific Dunlop
AMP	0.5	49.1	6.80	0.027	0	0.3098	41.0	-39.2	2.046	15.676	-0.0207	-2.78	-12.5767	AMP
Ruralco	0	185.9	364.01	1.544	1	1.1991	18.5	29.4	0.629	24.867	3.16	-15.89	-36.93	Ruralco
Transurban Group	8.5	243.7	108.98	0.146	1	1.2074	34.0	-6.4	5.313	20.457	10.0393	3.26	24.2267	Transurban Group
ABC Learning Centres	7.3	216.8	119.51	0.068	0	0.5086	11.0	25.5	0.431	25.096	14.9407	-39.16	2.9867	ABC Learning Centres
Mayne Symbion	0.6	162.0	22.21	0.200	0	0.9408	13.0	40.3	0.323	9.739	-1.4223	62.1	56.1733	Mayne Symbion
Mayne Symbion	1.25	196.6	167.02	0.479	0	0.7209	14.0	24.5	0.571	4.289	-6.719	25.21	32.61	Mayne Symbion
AWB	3	83.8	89.04	0.183	0	2.0742	25.0	15.9	1.572	7.38	4.0295	7.44	11.69	AWB
Tabcorp	2	102.5	108.18	0.213	1	0.9474	81.0	71.2	1.138	19.176	8.482	-9.18	3.6533	Tabcorp
Forrester Parker	13	154.5	224.56	2.251	1	0.4391	10.4	13.2	0.788	9.105	-5.5213	-15.32	-8.8	Forrester Parker
Grand Hotel Group	2	111.9	68.24	0.859	1	0.488	15.5	-10.5	2.476	3.916	-10.0155	9.63	-7.7233	Grand Hotel Group
GUD	4.25	137.2	112.34	1.190	1	0.4428	19.0	25.3	0.751	17.278	8.8323	10.68	9.0733	GUD
	5.82	132.79	63.91	0.295	0.49	2.54	31.54	38.79	0.813	14.65	2.48	-3.84	3.50	
	4.71	41.65	60.23	0.75	0.51		27.10	46.96		9.29	7.57	30.58	18.27	
	5	124.56	71.379	0.333	0		21	27.9		15.374	1.473	0	1.217	

Acquirer	No. Board Dir.	No. Exec Dir.	% Exec Dir.	CAR Toto D	CAR D Toto Ave	Beta at Compl.	AcquirerASX Code	Cum Tgt Price Chg	Tgt CAR	Media	CAR G Ave	CAR C-CAR G Ave
Jupiters	7	1	0.1429	38.63	12.8767	1.05	JUP	0.140	11.070	106	-1.05	-33.94
Toll	8	3	0.375	26.408	8.8027	1.175	TOL	0.009	6.764	233	68.14	-8.43
Lang Corp.	3	1	0.3333	40.425	13.475	??	LAC	1.561	101.439	3	24.25	37.97
Downer	11	1	0.0909	33.484	11.16	1.033	DOW	0.193	16.935	150	-9.34	33.99
Bendigo Bank	10	1	0.1	40.49	13.4967	0.653	BEN	0.145	9.544	248	14.8	-40.78
Fosters Brewing	11	1	0.0909	50.256	16.752	0.933	FGL	0.356	22.871	151	-18.84	12
Lion Nathan	8	1	0.125	33.024	11.008	0.08	LNN	0.053	7.011	674	-16.86	28.85
Wesfarmers	13	2	0.1538	33.484	11.1613	0.839	WES	0.158	22.451	411	-14.6	50.27
Westpac	10	2	0.2	50.06	16.6867	1.163	WBC	0.524	35.321	66	3.04	10.76
Argo	5	1	0.2	41.374	13.7913	0.711	ARG	0.113	2.985	11	-9.3	-5.21
Toll	6	3	0.5	65.121	21.707	0.832	TOL	0.264	16.101	1692	9.87	-11.8
Stockland	7	2	0.2857	40.49	13.4967	0.558	SGP	0.239	17.423	48	-10.33	5.5
Westpac	14	3	0.2143	41.418	13.81	1.065	WBC	0.106	12.908	88	13.12	4.67
CBA	13	1	0.0769	33.307	11.1023	0.785	CBA	0.499	38.660	946	15.01	-14.63
St. George	8	1	0.125	18.963	6.321	0.69	SGB	0.306	15.844	303	-2.5	-6.67
Tabcorp	9	2	0.2222	34.551	11.517	0.745	TAH	-0.068	-1.415	53	20.84	-40.18
Seven Network Ltd	7	1	0.1429	16.818	7.7622	1.714	SEV	0.400	31.558	226	3.11	5.25
Goodman Hardie	4	2	0.5	42.353	14.1177	??	GHP	0.082	0.858	1	-7.55	-5.6
Healthscope	6	1	0.1667	30.466	10.155	0.15	HSP	0.938	53.038	141	13.03	-12.79
Metcash Ltd	12	6	0.5	47.006	23.503	0.948	MTS	0.093	-6.055	453	-0.02	23.01
Australand	8	1	0.125	24.68	9.5535	0.924	ALZ	0.139	9.409	75	-19.22	37.54
Evans Deakin	6	1	0.1667	31.533	10.511	0.82	EDI	0.183	20.766	53	-5.76	0.11
Wesfarmers	10	2	0.2	40.386	13.462	0.766	WES	0.524	48.988	603	-5.09	77.57
Sothern Cross Broad.	6	1	0.1667	40.386	13.462	0.55	SBC	0.578	51.860	221	10.71	1.82
Sothern Cross Broad.	8	1	0.125	15.529	5.1763	0.54	SBC	0.286	20.859	207	-6.26	13.69
Mirvac	12	4	0.3333	30.641	10.2137	0.13	MGR	0.221	3.465	341	9.04	-19.29
Burns Philp	6	1	0.1667	3.986	3.603	??	BPS	0.100	11.491	85	18.12	-8.12
CCA	8	1	0.125	34.029	11.343	0.016	CCL	0.493	25.279	373	3.21	-6.85
Tabcorp	8	1	0.125	13.796	4.5987	0.602	TAH	0.052	-5.594	457	5.51	-12.92
Boral	9	1	0.1111	56.861	18.9537	n/a	BLD	0.374	18.611	1	-16.13	22.21
Primary Health Care	7	3	0.4286	34.029	11.343	0.96	PRY	0.471	25.435	102	8.92	3.77
Multiplex	10	6	0.6	20.997	25.1724	0.23	MXG	0.239	7.376	738	0	-1.06
Tattersall (Tatts Grp.)	8	1	0.125	23.868	23.868	0.808	TTS	-0.002	-4.609	188	0	-6.16
Healthscope	6	1	0.1667	33.711	11.237	0.068	HSP	0.261	19.191	229	15.89	-10.59
Fosters	7	1	0.1429	42.677	14.2257	0.386	FGL	0.184	11.930	649	-7.83	-2.72
Pacific Dunlop	12	3	0.25	8.424	8.424	n/a	PDP	0.075	2.415	50	0	-5.75
AMP	13	1	0.0769	23.545	15.6967	0.598	AMP	-0.336	-43.340	984	5.57	-37.74
Ruralco	7	1	0.1429	65.121	21.707	0.026	RHL	0.033	-5.729	50	7.94	-55.39
Transurban Group	6	1	0.1667	31.253	10.4177	0.294	TCL	0.391	32.060	74	-1.63	36.34
ABC Learning Centres	7	3	0.4286	30.466	10.1553	0.66	ABS	0.427	20.548	147	19.58	4.48
Mayne Symbion	9	1	0.1111	33.484	11.1613		MAY	1.630	126.644	733	-31.05	84.26
Mayne Symbion	9	1	0.1111	33.024	11.008		MAY	0.676	56.103	811	-12.61	48.92
AWB	13	2	0.1538	6.701	3.3505	1.144	AWB	0.271	9.422	509	-8.8	22.48
Tabcorp	8	1	0.125	32.082	10.694	0.502	TAH	0.054	-4.001	407	4.59	5.48
Forrester Parker	6	2	0.3333	43.879	14.6263	??	FRP	0.231	12.670	5	7.66	-13.2
Grand Hotel Group	9	1	0.1111	26.702	13.9315	0.72	GHG	-0.062	-3.754	51	-9.63	-6.77
GUD	8	2	0.25	25.337	8.4457	0.282	GUD	0.319	27.151	53	-5.34	13.61
	8.47	1.72	0.21	33.30	12.53		Ave:	0.296	19.36	302.13	1.75	4.64
	2.56	1.21	0.13	13.18	4.95			0.353	27.14	338.58	15.60	28.04
	8	1	0.167	33.48	11.343			0.231	15.844	188	0	0.11

Acquirer	Completion Date	Yr. End Mth	Yr. End Sh. Price	P/E Ratio	EPS (\$)	N.A. Acquirer	Consideration	N.A. Target	Consid/NA Tgt	Dividend Yield
Jupiters	January, 2000	June	3.17	11.36	0.279	534.0	145.88	34.60	4.217	5.363
Toll	March 2nd, 2001	June	2.50	3.21	0.7779	158.7	120.00	97.79	1.227	13.200
Lang Corp.	December 23rd, 1999	September	2.95	7.32	0.403	231.3	124.00	114.66	1.082	4.746
Downer	6th February, 2001	June	2.20	38.60	0.057	372.2	253.90	188.41	1.348	0.955
Bendigo Bank	October, 2000	June	6.53	20.80	0.314	288.4	134.00	90.80	1.476	6.279
Fosters Brewing	February 9th, 1996	June	2.19	14.60	0.15	2906.5	476.60	205.40	2.320	5.023
Lion Nathan	October, 2001	September	5.17	17.06	0.303	1923.7	235.50	96.86	2.431	3.868
Wesfarmers	February, 2001	June	25.13	27.20	0.924	1231.5	160.27	93.42	1.716	3.462
Westpac	December, 1995	September	6.54	11.45	0.571	7583.0	684.00	329.84	2.074	5.046
Argo	November, 2000	June	3.59	19.20	0.187	1165.0	177.85	159.36	1.116	4.735
Toll	May 10th, 2006	June	7.19	11.36	0.633	1312.2	6763.00	1664.00	4.064	4.312
Stockland	October 1st, 2000	June	3.80	13.01	0.292	1250.9	552.18	746.93	0.739	7.447
Westpac	November, 1997	September	9.29	14.40	0.645	8206.0	1169.00	626.13	1.867	4.629
CBA	June 13th, 2000	June	27.69	9.51	2.913	1409.7	9120.00	4898.00	1.862	4.695
St. George	January 29th, 1997	September	8.62	16.87	0.511	1457.1	2660.00	1585.06	1.678	6.032
Tabcorp	October 14th, 1999	June	9.60	19.16	0.501	627.2	902.33	462.55	1.951	4.896
Seven Network Ltd	October 20th, 1995	June	4.05	10.86	0.373	619.6	111.34	1.72	64.580	4.321
Goodman Hardie	June, 1999	June	1.18	12.22	0.0966	136.8	285.63	252.44	1.131	8.898
Healthscope	December 21st, 2004	June	4.62	26.51	0.1743	137.0	288.26	247.00	1.167	2.706
Metcash Ltd	November 2nd, 2005	April	4.60	34.02	0.1352	763.6	1007.39	998.80	1.009	2.500
Australand	January 13th, 2000	December	0.81	5.00	0.162	345.2	246.40	235.71	1.045	14.815
Evans Deakin	July 1st, 1996	June	4.00	17.47	0.229	76.2	181.65	134.69	1.349	3.750
Wesfarmers	August, 2001	June	25.21	21.73	1.16	1617.8	2023.00	948.77	2.132	4.403
Sothorn Cross Broad.	August 1st, 2001	June	8.97	15.40	0.5823	191.7	260.00	63.82	4.074	6.355
Sothorn Cross Broad.	April 15th, 2004	June	11.80	15.60	0.7566	490.2	94.67	59.22	1.599	5.085
Mirvac	7th January, 2005	June	3.17	10.62	0.2986	2240.1	384.90	362.38	1.062	10.662
Burns Philp	June 12th, 2003	June	0.75	11.03	0.068	479.5	2000.00	1095.40	1.826	0.000
CCA	February, 2005	December	7.71	17.89	0.431	3114.2	523.50	236.07	2.218	4.086
Tabcorp	October 31st, 2003	June	14.24	18.35	0.776	1320.0	1102.60	478.96	2.302	4.986
Boral	November, 1993	June	4.35	35.37	0.123	2441.7	819.80	501.73	1.634	4.598
Primary Health Care	February, 2005	June	6.58	27.21	0.2418	186.3	117.13	5.03	23.309	3.799
Multiplex	November, 2004	June	2.91	25.09	0.116	1552.2	1174.91	1036.17	1.134	10.241
Tattersall (Tatts Grp.)	October 12th, 2006	June	4.70	18.08	0.26	485.0	2075.35	120.93	17.162	4.681
Healthscope	May 25th, 2005	June	4.62	26.75	0.1727	137.0	72.85	20.66	3.527	2.706
Fosters	May, 2005	June	5.32	11.37	0.468	4600.2	3200.00	1288.60	2.483	3.759
Pacific Dunlop	August 31st, 1991	June	23.59	93.24	0.253	1384.6	404.97	661.37	0.612	0.890
AMP	December, 1999	December	12.39	-31.61	-0.392	16674.0	1134.00	452.50	2.506	3.309
Ruralco	May 31st, 2006	September	3.56	12.11	0.294	35.9	130.68	55.44	2.357	5.197
Transurbin Group	April 12th, 2005	June	7.54	-117.81	-0.064	1837.2	2002.23	267.46	7.486	4.509
ABC Learning Centres	December, 2004	June	5.58	21.88	0.255	202.6	242.13	13.84	17.491	1.971
Mayne Symbion	February 1st, 2001	June	6.45	16.00	0.403	892.8	198.28	178.54	1.111	2.016
Mayne Symbion	October, 2001	June	4.14	16.90	0.245	1410.0	2355.00	675.05	3.489	3.382
AWB	August, 2003	September	3.33	20.94	0.159	789.5	703.00	144.40	4.868	7.508
Tabcorp	September, 2004	June	16.40	23.03	0.712	1976.0	2137.70	421.80	5.068	4.939
Forrester Parker	May 1st, 1998	June	0.90	6.82	0.132	54.3	121.94	122.23	0.998	11.556
Grand Hotel Group	July, 1998	June	1.36	-12.95	-0.105	188.1	128.36	161.61	0.794	11.397
GUD	October, 1996	June	4.60	18.18	0.253	63.2	71.00	75.19	0.944	4.130
			7.14	14.52	0.39	1640.42	1048.45	483.22	2.170	
			6.60	25.34	0.47	2809.18	1691.94	778.72	10.02	
			4.62	16.87	0.279	789.5				

Appendix IV. Acquisitions ranked in order of CARB1

Acquirer	Target	Completion	CARB1	CARB2	CARB3
Mayne Symbion	Fauldings	01-Oct-01	-0.6128	-0.0734	0.0317
Transurban Group	Hills Motorway	12-Apr-05	-0.4230	-0.0038	-0.1008
CCA	Ardmona	01-Feb-05	-0.3484	-0.0471	0.1709
Mirvac	J. Fielding	07-Jan-05	-0.3375	0.2775	-0.1215
	Australian Tourism				
Grand Hotel Group	Group	01-Jul-98	-0.3233	-0.3730	-0.1339
Australand	Walker	13-Jan-00	-0.2520	0.2832	-0.0685
Multiplex	Ronin	01-Nov-04	-0.2369	-0.1233	0.1055
Burns Philp	Goodman Fielder	31-May-03	-0.2324	0.1680	-0.1389
Forrester Parker	Peter Kurts				
Group	Property Ltd	01-May-98	-0.2196	-0.2409	-0.3256
Sothorn Cross	Telecasters				
Broadcasting	Australia	01-Aug-01	-0.2192	-0.0674	0.1733
Ruralco	Roberts	31-May-06	-0.2063	0.1261	-0.4178
Metcash Ltd	Foodland (FAL) Ltd	02-Nov-05	-0.1946	-0.2414	0.4201
	Nova Health				
Healthscope	Limited	25-May-05	-0.1825	0.0587	-0.1614
Fosters	Southcorp	01-May-05	-0.1748	-0.0852	-0.0740
Tabcorp	Tab	01-Sep-04	-0.1512	-0.2484	-0.2659
Goodman Hardie	Capcount Property	01-Jun-99	-0.1437	0.0587	0.1341
Boral	Sagasco Holdings	01-Nov-93	-0.0931	-0.1897	-0.1107
Southern Cross	Southern Star				
Broadcasting	Group	15-Apr-04	-0.0845	-0.2931	0.1986
Pacific Dunlop	Petersville Sleigh	31-Aug-91	-0.0531	-0.1912	-0.1257
Tabcorp	Star City	14-Oct-99	-0.0468	-0.0776	0.1879
AWB	Landmark	01-Aug-03	-0.0373	-0.1777	-0.4502
Tattersall (Tatts Grp.)	Unitab	12-Oct-06	-0.0317	-0.0313	-0.1995
	Australian Hospital				
Mayne Symbion	Care (AHC) Group	01-Feb-01	-0.0080	-0.3558	-0.1883
St. George	Advance Bank	29-Jan-97	0.0087	0.0023	0.0644
Westpac	Bank of Melbourne	30-Nov-97	0.0187	-0.0972	0.1776
	Sunshine				
	Broadcasting				
Seven Network Ltd	Network Ltd.	20-Oct-95	0.0197	0.1924	-0.1594
GUD	Sunbeam	01-Oct-96	0.0452	-0.5842	-0.5826
Wesfarmers	Howard Smith	01-Aug-01	0.0468	-0.0987	-0.0447
Westpac	Challenge Bank	01-Dec-95	0.0617	0.2251	0.0290
Fosters Brewing					
Group	Mildara Wines	09-Feb-96	0.0673	0.0579	0.2567
Tabcorp	Jupiters	31-Oct-03	0.0776	-0.1369	-0.1717
ABC Learning					
Centres	Peppercorn Group	01-Dec-04	0.0839	-0.0295	-0.6015
Evans Deakin	Clyde Industries	01-Jul-96	0.1170	0.0407	-0.2196
	Advance Property				
Stockland Trust	Fund	01-Oct-00	0.1315	0.0739	-0.0556

Acquirer	Target	Completion	CARB1	CARB2	CARB3
CBA	Colonial	13-Jun-00	0.1332	0.0407	-0.0764
Argo Investments	Bounty Investments	01-Nov-00	0.1344	0.1116	0.0069
Primary Health Care	H. C. N.	01-Feb-05	0.1420	-0.1184	-0.2740
AMP Ltd	GIO	01-Dec-99	0.1539	-0.1815	-0.3638
Toll	Patrick	10-May-06	0.2013	-0.4516	0.4461
Lion Nathan	Petaluma	01-Oct-01	0.2239	-0.0475	0.1743
	First Australian				
Bendigo Bank	Building Society	01-Oct-00	0.2309	0.2947	-0.0354
Healthscope	Gribbles	21-Dec-04	0.3095	-0.1534	-0.1355
Jupiters	AWA Ltd	01-Jan-00	0.3641	0.1097	0.4675
Lang Corp.	Holyman Ltd.	23-Dec-99	0.4291	-0.0711	0.2914
Wesfarmers	IAMA	01-Feb-01	0.5091	-0.0238	-0.1361
Downer	Evans Deakin	06-Feb-01	0.5945	-0.3495	0.3894
Toll	Finemore Holdings	02-Mar-01	0.7208	-0.2104	0.2206

Appendix V. Cumulative Abnormal Return Raw Data

Downer

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
February, 1998	-36	2				11695		
March, 1998	-35	1.68		-0.16000		11961	0.02274	
April, 1998	-34	1.62		-0.03571		12058	0.00811	
May, 1998	-33	1.62		0.00000		11877	-0.01501	
June, 1998	-32	2.32		0.43210		11731	-0.01229	
July, 1998	-31	2.16		-0.06897		11894	0.01389	
August, 1998	-30	2.24		0.03704		10945	-0.07979	
September, 1998	-29	2.08		-0.07143		11491	0.04989	
October, 1998	-28	1.8		-0.13462		11798	0.02672	
November, 1998	-27	2.12	0.01	0.18333		12409	0.05179	
December, 1998	-26	2.16		0.01408		12610	0.01620	
January, 1999	-25	2.08		-0.03704		12975	0.02895	
February, 1999	-24	2.32		0.11538	0.27418	12946	-0.00224	0.10896
March, 1999	-23	2		-0.13793		13421	0.03669	
April, 1999	-22	2		0.00000		14045	0.04649	
May, 1999	-21	1.92		-0.04000		13153	-0.06351	
June, 1999	-20	2.16	0.015	0.13281		13530	0.02866	
July, 1999	-19	2		-0.08046		13770	0.01774	
August, 1999	-18	2.08		0.04000		13500	-0.01961	
September, 1999	-17	1.94		-0.06731		13265	-0.01741	
October, 1999	-16	1.92		-0.01031		13328	0.00475	
November, 1999	-15	1.8	0.013	-0.05573		14112	0.05882	
December, 1999	-14	1.82		0.00386		14640	0.03741	
January, 2000	-13	1.72		-0.05495		14383	-0.01755	
February, 2000	-12	1.8		0.04651	-0.22350	14613	0.01599	0.12849
March, 2000	-11	2.32		0.28889		14690	0.00527	
April, 2000	-10	1.78	0.005	-0.23060		14613	-0.00524	
May, 2000	-9	1.84		0.03081		14469	-0.00985	
June, 2000	-8	2.96		0.60870		15628	0.08010	
July, 2000	-7	2.32		-0.21622		15346	-0.01804	
August, 2000	-6	2.32		0.00000		15601	0.01660	
September, 2000	-5	2.4		0.03448		15714	0.00728	
October, 2000	-4	2.36		-0.01667		15527	-0.01194	
November, 2000	-3	2.16		-0.08475		15714	0.01206	
December, 2000	-2	2.12		-0.01852		15404	-0.01971	
January, 2001	-1	2.32		0.09434		16058	0.04245	
February, 2001	0	1.98		-0.14655	0.34392	16033	-0.00157	0.09739
March, 2001	1	1.68		-0.15152		15263	-0.04801	
April, 2001	2	2.16	0.005	0.28869		16156	0.05851	
May, 2001	3	2.17		0.00231		16423	0.01653	
June, 2001	4	2.2		0.01382		17045	0.03786	
July, 2001	5	2.76		0.25455		16237	-0.04737	
August, 2001	6	2.8		0.01449		16062	-0.01083	
September, 2001	7	2.44		-0.12857		15027	-0.06439	
October, 2001	8	3.24		0.32787		16040	0.06737	
November, 2001	9	3.2	0.016	-0.00741		16559	0.03234	
December, 2001	10	3		-0.06716		17000	0.02664	
January, 2002	11	3.2		0.06667		17208	0.01227	
February, 2002	12	3.36		0.05000	0.66374	17007	-0.01169	0.06922
March, 2002	13	3.56		0.05952		17117	0.00649	
April, 2002	14	3.12	0.005	-0.12219		16811	-0.01789	
May, 2002	15	3		-0.04000		16954	0.00847	
June, 2002	16	2.64		-0.12000		16245	-0.04178	
July, 2002	17	2.36		-0.10606		15591	-0.04026	
August, 2002	18	2.4		0.01695		15835	0.01563	
September, 2002	19	2.48		0.03333		15178	-0.04147	
October, 2002	20	2.2		-0.11290		15588	0.02702	
November, 2002	21	2.12	0.019	-0.02773		15764	0.01127	
December, 2002	22	2.16		0.00982		15508	-0.01625	
January, 2003	23	2.04		-0.05556		15250	-0.01665	
February, 2003	24	1.96		-0.03922	-0.50403	14501	-0.04912	-0.15453
March, 2003	25	2.24		0.14286		15075	0.03963	
April, 2003	26	2.4	0.005	0.07366		15725	0.04306	
May, 2003	27	2.88		0.19751		15779	0.00349	
June, 2003	28	3.08		0.06944		15967	0.01187	
July, 2003	29	2.96		-0.03896		16474	0.03177	
August, 2003	30	3.12		0.05405		16955	0.02918	
September, 2003	31	3.48		0.11538		16915	-0.00234	
October, 2003	32	3.52	0.024	0.01839		17480	0.03337	
November, 2003	33	3.73		0.07684		17126	-0.02022	
December, 2003	34	3.87		0.03753		17774	0.03783	
January, 2004	35	3.78		-0.02326		17626	-0.00832	
February, 2004	36	3.39		-0.10317	0.62028	18182	0.03150	0.23084

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
January, 2002	-36	3.37	0.065			17208		
February, 2002	-35	3.46		0.00728		17007	-0.01169	
March, 2002	-34	3.49		0.00867		17117	0.00649	
April, 2002	-33	3.6	0.0655	0.05029		16811	-0.01789	
May, 2002	-32	3.71		0.01214		16954	0.00847	
June, 2002	-31	3.71		0.00000		16245	-0.04178	
July, 2002	-30	3.63	0.067	-0.00350		15591	-0.04026	
August, 2002	-29	3.67		-0.00730		15835	0.01563	
September, 2002	-28	3.64		-0.00817		15178	-0.04147	
October, 2002	-27	3.67	0.0685	0.02706		15588	0.02702	
November, 2002	-26	3.7		-0.01030		15764	0.01127	
December, 2002	-25	3.68		-0.00541		15508	-0.01625	
January, 2003	-24	3.7	0.069	0.02418	0.09494	15250	-0.01665	-0.11711
February, 2003	-23	3.6		-0.04484		14501	-0.04912	
March, 2003	-22	3.68		0.02222		15075	0.03963	
April, 2003	-21	3.71	0.0695	0.02704		15725	0.04306	
May, 2003	-20	3.89		0.09928		15779	0.00349	
June, 2003	-19	3.94		0.01285		15967	0.01187	
July, 2003	-18	3.88	0.083	0.00584		16474	0.03177	
August, 2003	-17	3.93		-0.00833		16955	0.02918	
September, 2003	-16	3.73		-0.05089		16915	-0.00234	
October, 2003	-15	3.78	0.079	0.03458		17480	0.03337	
November, 2003	-14	3.88		0.00544		17126	-0.02022	
December, 2003	-13	3.84		-0.01031		17774	0.03783	
January, 2004	-12	3.86	0.08	0.02604	0.11894	17626	-0.00832	0.15022
February, 2004	-11	4.1		0.04061		18182	0.03150	
March, 2004	-10	4.13		0.00732		18604	0.02325	
April, 2004	-9	3.73	0.081	-0.07724		18549	-0.00299	
May, 2004	-8	3.78		0.07269		18910	0.01946	
June, 2004	-7	3.82		0.01058		19417	0.02682	
July, 2004	-6	4.04	0.082	0.07906		19453	0.00188	
August, 2004	-5	4.02		-0.02475		19673	0.01129	
September, 2004	-4	3.86		-0.03980		20418	0.03787	
October, 2004	-3	4.02	0.083	0.06295		21065	0.03169	
November, 2004	-2	4.2		0.02364		22036	0.04610	
December, 2004	-1	4.35		0.03571		22750	0.03240	
January, 2005	0	4.18	0.083	-0.02000	0.17078	23069	0.01402	0.27330
February, 2005	1	4.02		-0.05700		23581	0.02219	
March, 2005	2	3.92		-0.02488		23373	-0.00882	
April, 2005	3	3.72	0.086	-0.02908		22664	-0.03033	
May, 2005	4	2.97		-0.21965		23413	0.03305	
June, 2005	5	3.17		0.06734		24534	0.04788	
July, 2005	6	3.38	0.086	0.09338		25173	0.02605	
August, 2005	7	3.39		-0.02193		25678	0.02006	
September, 2005	8	3.59		0.05900		26982	0.05078	
October, 2005	9	3.39	0.0775	-0.03412		25943	-0.03851	
November, 2005	10	3.6		0.03821		27108	0.04491	
December, 2005	11	3.66		0.01667		27943	0.03080	
January, 2006	12	3.61	0.0775	0.00751	-0.10456	28918	0.03489	0.23295
February, 2006	13	3.74		0.09204		29087	0.00584	
March, 2006	14	3.78		0.01070		30467	0.04744	
April, 2006	15	3.76	0.0775	0.01521		31246	0.02557	
May, 2006	16	3.8		-0.00977		29776	-0.04705	
June, 2006	17	3.86		0.01579		30405	0.02112	
July, 2006	18	3.79	0.0775	0.00194		29882	-0.01720	
August, 2006	19	4.06		0.12829		30878	0.03333	
September, 2006	20	4.21		0.03695		31288	0.01328	
October, 2006	21	4.35	0.07975	0.05220		32719	0.04574	
November, 2006	22	4.71		0.06327		33476	0.02314	
December, 2006	23	4.97		0.05520		34711	0.03689	
January, 2007	24	5	0.07975	0.02208	0.48389	35345	0.01827	0.20637
February, 2007	25	5.03		-0.00979		35920	0.01627	
March, 2007	26	4.65		-0.07555		37104	0.03296	
April, 2007	27	4.67	0.07975	0.02145		38177	0.02892	
May, 2007	28	5.11		0.07585		39185	0.02640	
June, 2007	29	5.06		-0.00978		39119	-0.00168	
July, 2007	30	4.57	0.07975	-0.08108		38304	-0.02083	
August, 2007	31	4.78		0.02801		39241	0.02446	
September, 2007	32	4.84		0.01255		41424	0.05563	
October, 2007	33	5.13	0.08225	0.07691		41624	0.00483	
November, 2007	34	5.11		-0.01962		41417	-0.00497	
December, 2007	35	5.33		0.04305		40291	-0.02719	
January, 2008	36	4.41	0.08225	-0.15718	-0.09517	35920	-0.10849	0.02631

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
October, 1993	-36	3.37				7736		
November, 1993	-35	3.26	0.065	-0.01335		7372	-0.04705	
December, 1993	-34	3.23		-0.02857		8002	0.08546	
January, 1994	-33	3.33		0.03096		8508	0.06323	
February, 1994	-32	3.23		-0.03003		8038	-0.05524	
March, 1994	-31	3.28		0.01548		7615	-0.05263	
April, 1994	-30	3.34	0.075	0.04116		7672	0.00749	
May, 1994	-29	3.43		0.00439		7760	0.01147	
June, 1994	-28	3.47		0.01166		7448	-0.04021	
July, 1994	-27	3.47		0.00000		7725	0.03719	
August, 1994	-26	3.28		-0.05476		7959	0.03029	
September, 1994	-25	3.37		0.02744		7650	-0.03882	
October, 1994	-24	2.93		-0.13056	-0.12618	7749	0.01294	0.01412
November, 1994	-23	2.91	0.075	0.01877		7189	-0.07227	
December, 1994	-22	2.83		-0.05193		7308	0.01655	
January, 1995	-21	2.73		-0.03534		6997	-0.04256	
February, 1995	-20	3.18		0.16484		7352	0.05074	
March, 1995	-19	2.81		-0.11635		7356	0.00054	
April, 1995	-18	3.1	0.09	0.13523		7929	0.07790	
May, 1995	-17	3.1		-0.02821		7835	-0.01186	
June, 1995	-16	3.05		-0.01613		7873	0.00485	
July, 1995	-15	3.07		0.00656		8259	0.04903	
August, 1995	-14	2.95		-0.03909		8337	0.00944	
September, 1995	-13	3.25		0.10169		8399	0.00744	
October, 1995	-12	3.12		-0.04000	0.10005	8203	-0.02334	0.06647
November, 1995	-11	3.2	0.09	0.05449		8566	0.04425	
December, 1995	-10	3.2		-0.02736		8783	0.02533	
January, 1996	-9	3.2		0.00000		9129	0.03939	
February, 1996	-8	3.15		-0.01563		9164	0.00383	
March, 1996	-7	3.14		-0.00317		8955	-0.02281	
April, 1996	-6	2.99	0.09	-0.01911		9348	0.04389	
May, 1996	-5	2.85		-0.07468		9173	-0.01872	
June, 1996	-4	2.86		0.00351		9119	-0.00589	
July, 1996	-3	2.77		-0.03147		8870	-0.02731	
August, 1996	-2	3.07		0.10830		9260	0.04397	
September, 1996	-1	3.21		0.04560		9394	0.01447	
October, 1996	0	3.9		0.21495	0.25545	9698	0.03236	0.17278
November, 1996	1	3.85	0.095	0.01154		9867	0.01743	
December, 1996	2	4.05		0.02662		10065	0.02007	
January, 1997	3	3.78		-0.06667		10069	0.00040	
February, 1997	4	3.98		0.05291		10218	0.01480	
March, 1997	5	4.05		0.01759		10151	-0.00656	
April, 1997	6	3.82	0.095	-0.03333		10455	0.02995	
May, 1997	7	3.85		-0.01660		10993	0.05146	
June, 1997	8	4.6		0.19481		11541	0.04985	
July, 1997	9	4.4		-0.04348		11583	0.00364	
August, 1997	10	4.56		0.03636		11016	-0.04895	
September, 1997	11	4.65		0.01974		11818	0.07280	
October, 1997	12	4.3	0.095	-0.05484	0.14464	10572	-0.10543	0.09945
November, 1997	13	3.89		-0.11490		10606	0.00322	
December, 1997	14	3.6		-0.07455		11296	0.06506	
January, 1998	15	3.3		-0.08333		11472	0.01558	
February, 1998	16	3.45		0.04545		11695	0.01944	
March, 1998	17	2.64		-0.23478		11961	0.02274	
April, 1998	18	2.76	0.095	0.08144		12058	0.00811	
May, 1998	19	2.78		-0.02627		11877	-0.01501	
June, 1998	20	2.17		-0.21942		11731	-0.01229	
July, 1998	21	2.32		0.06912		11894	0.01389	
August, 1998	22	2.1		-0.09483		10945	-0.07979	
September, 1998	23	2.17		0.03333		11491	0.04989	
October, 1998	24	2.4	0.1	0.15207	-0.46667	11798	0.02672	0.11755
November, 1998	25	2.45		-0.02000		12409	0.05179	
December, 1998	26	2.52		0.02857		12610	0.01620	
January, 1999	27	2.6		0.03175		12975	0.02895	
February, 1999	28	2.29		-0.11923		12946	-0.00224	
March, 1999	29	2.29		0.00000		13421	0.03669	
April, 1999	30	2.29		0.00000		14045	0.04649	
May, 1999	31	2.09		-0.08734		13153	-0.06351	
June, 1999	32	1.89		-0.09569		13530	0.02866	
July, 1999	33	1.88	0.095	0.04497		13770	0.01774	
August, 1999	34	1.73		-0.12405		13500	-0.01961	
September, 1999	35	1.54		-0.10983		13265	-0.01741	
October, 1999	36	1.48	0.055	-0.00325	-0.45409	13328	0.00475	0.12851

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
January, 1997	-36							
February, 1997	-35							
March, 1997	-34							
April, 1997	-33							
May, 1997	-32							
June, 1997	-31	0.91				11541		
July, 1997	-30	0.94		0.03297		11583	0.00364	
August, 1997	-29	0.97		0.03191		11016	-0.04895	
September, 1997	-28	1.01		0.04124		11818	0.07280	
October, 1997	-27	0.79		-0.21782		10572	-0.10543	
November, 1997	-26	0.78		-0.01266		10606	0.00322	
December, 1997	-25	0.87		0.11538		11296	0.06506	
January, 1998	-24	0.84	0.032	0.00230	-0.00668	11472	0.01558	0.00591
February, 1998	-23	0.9		0.03211		11695	0.01944	
March, 1998	-22	0.87	0.032	0.00222		11961	0.02274	
April, 1998	-21	0.82		-0.09091		12058	0.00811	
May, 1998	-20	0.7		-0.14634		11877	-0.01501	
June, 1998	-19	0.62		-0.11429		11731	-0.01229	
July, 1998	-18	0.69		0.11290		11894	0.01389	
August, 1998	-17	0.64		-0.07246		10945	-0.07979	
September, 1998	-16	0.64	0.05	0.07813		11491	0.04989	
October, 1998	-15	0.63		-0.08696		11798	0.02672	
November, 1998	-14	0.62		-0.01587		12409	0.05179	
December, 1998	-13	0.67		0.08065		12610	0.01620	
January, 1999	-12	0.71		0.05970	-0.16112	12975	0.02895	0.13063
February, 1999	-11	0.79		0.11268		12946	-0.00224	
March, 1999	-10	0.73	0.05	-0.01266		13421	0.03669	
April, 1999	-9	0.76		-0.02564		14045	0.04649	
May, 1999	-8	0.78		0.02632		13153	-0.06351	
June, 1999	-7	0.85	0.03	0.12821		13530	0.02866	
July, 1999	-6	0.84		-0.04545		13770	0.01774	
August, 1999	-5	0.83	0.03	0.02381		13500	-0.01961	
September, 1999	-4	0.87		0.01163		13265	-0.01741	
October, 1999	-3	0.82		-0.05747		13328	0.00475	
November, 1999	-2	0.94	0.03	0.18293		14112	0.05882	
December, 1999	-1	0.91		-0.06186		14640	0.03741	
January, 2000	0	0.92		0.01099	0.29347	14383	-0.01755	0.11026
February, 2000	1	0.92		0.00000		14613	0.01599	
March, 2000	2	0.86	0.03	-0.03261		14690	0.00527	
April, 2000	3	0.84		-0.05618		14613	-0.00524	
May, 2000	4	0.82		-0.02381		14469	-0.00985	
June, 2000	5	0.9	0.03	0.13415		15628	0.08010	
July, 2000	6	0.91		-0.02151		15346	-0.01804	
August, 2000	7	0.92		0.01099		15601	0.01660	
September, 2000	8	0.91	0.03	0.02174		15714	0.00728	
October, 2000	9	0.86		-0.08511		15527	-0.01194	
November, 2000	10	0.93		0.08140		15714	0.01206	
December, 2000	11	0.78	0.03	-0.12903		15404	-0.01971	
January, 2001	12	0.78		-0.03704	-0.13701	16058	0.04245	0.11495
February, 2001	13	0.83		0.06410		16033	-0.00157	
March, 2001	14	0.79	0.03	-0.01205		15263	-0.04801	
April, 2001	15	0.86		0.04878		16156	0.05851	
May, 2001	16	0.91		0.05814		16423	0.01653	
June, 2001	17	0.99	0.03	0.12088		17045	0.03786	
July, 2001	18	1.01		-0.00980		16237	-0.04737	
August, 2001	19	1		-0.00990		16062	-0.01083	
September, 2001	20	0.97	0.03	0.00000		15027	-0.06439	
October, 2001	21	1.01		0.01000		16040	0.06737	
November, 2001	22	1.17		0.15842		16559	0.03234	
December, 2001	23	1.17	0.03	0.02564		17000	0.02664	
January, 2002	24	1.09		-0.09167	0.36254	17208	0.01227	0.07934
February, 2002	25	1.01	0.03	-0.04587		17007	-0.01169	
March, 2002	26	1.01		-0.02885		17117	0.00649	
April, 2002	27	1.01		0.00000		16811	-0.01789	
May, 2002	28	1		-0.00990		16954	0.00847	
June, 2002	29	0.93		-0.07000		16245	-0.04178	
July, 2002	30	0.9		-0.03226		15591	-0.04026	
August, 2002	31	0.87	0.03	0.00000		15835	0.01563	
September, 2002	32	0.9		0.00000		15178	-0.04147	
October, 2002	33	0.87		-0.03333		15588	0.02702	
November, 2002	34	0.87	0.03	0.03448		15764	0.01127	
December, 2002	35	0.91		0.01111		15508	-0.01625	
January, 2003	36	0.9		-0.01099	-0.18561	15250	-0.01665	-0.11711

CCA

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
February, 2002	-36	5.84				17007		
March, 2002	-35	5.81	0.07	0.00685		17117	0.00649	
April, 2002	-34	6		0.02041		16811	-0.01789	
May, 2002	-33	6.05		0.00833		16954	0.00847	
June, 2002	-32	6.38		0.05455		16245	-0.04178	
July, 2002	-31	6.3		-0.01254		15591	-0.04026	
August, 2002	-30	6.33		0.00476		15835	0.01563	
September, 2002	-29	5.9	0.08	-0.05529		15178	-0.04147	
October, 2002	-28	5.28		-0.11706		15588	0.02702	
November, 2002	-27	5.36		0.01515		15764	0.01127	
December, 2002	-26	5.27		-0.01679		15508	-0.01625	
January, 2003	-25	5.73		0.08729		15250	-0.01665	
February, 2003	-24	5.69		-0.00698	-0.01132	14501	-0.04912	-0.15453
March, 2003	-23	5.65	0.105	0.01142		15075	0.03963	
April, 2003	-22	5.69		-0.01129		15725	0.04306	
May, 2003	-21	5.47		-0.03866		15779	0.00349	
June, 2003	-20	5.71		0.04388		15967	0.01187	
July, 2003	-19	5.86		0.02627		16474	0.03177	
August, 2003	-18	5.66		-0.03413		16955	0.02918	
September, 2003	-17	5.72	0.1	0.02827		16915	-0.00234	
October, 2003	-16	5.89		0.01203		17480	0.03337	
November, 2003	-15	6.09		0.03396		17126	-0.02022	
December, 2003	-14	6.23		0.02299		17774	0.03783	
January, 2004	-13	6.35		0.01926		17626	-0.00832	
February, 2004	-12	6.59		0.03780	0.15178	18182	0.03150	0.23084
March, 2004	-11	6.82	0.13	0.05463		18604	0.02325	
April, 2004	-10	6.89		-0.00863		18549	-0.00299	
May, 2004	-9	7.18		0.04209		18910	0.01946	
June, 2004	-8	6.93		-0.03482		19417	0.02682	
July, 2004	-7	7.02		0.01299		19453	0.00188	
August, 2004	-6	7.24		0.03134		19673	0.01129	
September, 2004	-5	7.02		-0.03039		20418	0.03787	
October, 2004	-4	7.36	0.125	0.06624		21065	0.03169	
November, 2004	-3	7.45		-0.00468		22036	0.04610	
December, 2004	-2	8.13		0.09128		22750	0.03240	
January, 2005	-1	7.85		-0.03444		23069	0.01402	
February, 2005	0	8.18		0.04204	0.22764	23581	0.02219	0.26399
March, 2005	1	8.58		0.04890		23373	-0.00882	
April, 2005	2	8.28	0.155	-0.01690		22664	-0.03033	
May, 2005	3	7.85		-0.06935		23413	0.03305	
June, 2005	4	7.89		0.00510		24534	0.04788	
July, 2005	5	7.81		-0.01014		25173	0.02605	
August, 2005	6	8.64		0.10627		25678	0.02006	
September, 2005	7	7.91		-0.08449		26982	0.05078	
October, 2005	8	7.62	0.14	-0.01896		25943	-0.03851	
November, 2005	9	7.63		-0.01675		27108	0.04491	
December, 2005	10	7.71		0.01048		27943	0.03080	
January, 2006	11	7.68		-0.00389		28918	0.03489	
February, 2006	12	7.05		-0.08203	-0.13177	29087	0.00584	0.21660
March, 2006	13	7.23		0.02553		30467	0.04744	
April, 2006	14	7.28	0.175	0.03112		31246	0.02557	
May, 2006	15	7		-0.06103		29776	-0.04705	
June, 2006	16	7.09		0.01286		30405	0.02112	
July, 2006	17	6.85		-0.03385		29882	-0.01720	
August, 2006	18	6.55		-0.04380		30878	0.03333	
September, 2006	19	6.69		0.02137		31288	0.01328	
October, 2006	20	6.96	0.145	0.06203		32719	0.04574	
November, 2006	21	7.48		0.05278		33476	0.02314	
December, 2006	22	7.76		0.03743		34711	0.03689	
January, 2007	23	7.83		0.00902		35345	0.01827	
February, 2007	24	8.27		0.05619	0.16966	35920	0.01627	0.21680
March, 2007	25	8.8		0.06409		37104	0.03296	
April, 2007	26	9.51	0.18	0.10114		38177	0.02892	
May, 2007	27	9.45		-0.02477		39185	0.02640	
June, 2007	28	9.54		0.00952		39119	-0.00168	
July, 2007	29	9.16		-0.03983		38304	-0.02083	
August, 2007	30	9.51		0.03821		39241	0.02446	
September, 2007	31	9		-0.05363		41424	0.05563	
October, 2007	32	10.2	0.155	0.15056		41624	0.00483	
November, 2007	33	10		-0.03428		41417	-0.00497	
December, 2007	34	9.48		-0.05200		40291	-0.02719	
January, 2008	35	9.36		-0.01266		35920	-0.10849	
February, 2008	36	9.62		0.02778	0.17412	35674	-0.00685	0.00319

AWB

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
August, 2000	-36							
September, 2000	-35							
October, 2000	-34							
November, 2000	-33							
December, 2000	-32							
January, 2001	-31							
February, 2001	-30							
March, 2001	-29							
April, 2001	-28							
May, 2001	-27							
June, 2001	-26							
July, 2001	-25							
August, 2001	-24	3.15	0.14			16062		
September, 2001	-23	2.83		-0.13982		15027	-0.06439	
October, 2001	-22	3.12		0.10247		16040	0.06737	
November, 2001	-21	3.6		0.15385		16559	0.03234	
December, 2001	-20	3.49		-0.03056		17000	0.02664	
January, 2002	-19	3.41	0.08	0.00000		17208	0.01227	
February, 2002	-18	3.57		0.02292		17007	-0.01169	
March, 2002	-17	3.72		0.04202		17117	0.00649	
April, 2002	-16	3.26		-0.12366		16811	-0.01789	
May, 2002	-15	3.64		0.11656		16954	0.00847	
June, 2002	-14	3.4		-0.06593		16245	-0.04178	
July, 2002	-13	2.94	0.14	-0.09412		15591	-0.04026	
August, 2002	-12	2.88		-0.06494	-0.08119	15835	0.01563	-0.00680
September, 2002	-11	3.02		0.04861		15178	-0.04147	
October, 2002	-10	3.02		0.00000		15588	0.02702	
November, 2002	-9	3.17		0.04967		15764	0.01127	
December, 2002	-8	3.33	0.11	0.08517		15508	-0.01625	
January, 2003	-7	3.2		-0.06977		15250	-0.01665	
February, 2003	-6	3.11		-0.02813		14501	-0.04912	
March, 2003	-5	3		-0.03537		15075	0.03963	
April, 2003	-4	3.1		0.03333		15725	0.04306	
May, 2003	-3	3.28		0.05806		15779	0.00349	
June, 2003	-2	3.28		0.00000		15967	0.01187	
July, 2003	-1	3.28	0.14	0.04268		16474	0.03177	
August, 2003	0	3.51		0.02632	0.21059	16955	0.02918	0.07380
September, 2003	1	3.33		-0.05128		16915	-0.00234	
October, 2003	2	3.54		0.06306		17480	0.03337	
November, 2003	3	3.71		0.04802		17126	-0.02022	
December, 2003	4	3.78	0.11	0.04852		17774	0.03783	
January, 2004	5	3.84		-0.01285		17626	-0.00832	
February, 2004	6	4.13		0.07552		18182	0.03150	
March, 2004	7	4.29		0.03874		18604	0.02325	
April, 2004	8	4.06		-0.05361		18549	-0.00299	
May, 2004	9	4.14		0.01970		18910	0.01946	
June, 2004	10	3.91		-0.05556		19417	0.02682	
July, 2004	11	4.08	0.14	0.07928		19453	0.00188	
August, 2004	12	3.86		-0.08531	0.11424	19673	0.01129	0.15155
September, 2004	13	3.83		-0.00777		20418	0.03787	
October, 2004	14	3.94		0.02872		21065	0.03169	
November, 2004	15	4.03		0.02284		22036	0.04610	
December, 2004	16	3.85	0.11	-0.01737		22750	0.03240	
January, 2005	17	3.91		-0.01263		23069	0.01402	
February, 2005	18	3.75		-0.04092		23581	0.02219	
March, 2005	19	3.89		0.03733		23373	-0.00882	
April, 2005	20	3.77		-0.03085		22664	-0.03033	
May, 2005	21	3.76		-0.00265		23413	0.03305	
June, 2005	22	3.92		0.04255		24534	0.04788	
July, 2005	23	4.11	0.16	0.08929		25173	0.02605	
August, 2005	24	4.21		-0.01405	0.09449	25678	0.02006	0.27215
September, 2005	25	4.32		0.02613		26982	0.05078	
October, 2005	26	4.55		0.05324		25943	-0.03851	
November, 2005	27	4.8		0.05495		27108	0.04491	
December, 2005	28	5.2	0.13	0.11042		27943	0.03080	
January, 2006	29	4.27		-0.19887		28918	0.03489	
February, 2006	30	3.19		-0.25293		29087	0.00584	
March, 2006	31	3.28		0.02821		30467	0.04744	
April, 2006	32	3.76		0.14634		31246	0.02557	
May, 2006	33	3.6		-0.04255		29776	-0.04705	
June, 2006	34	3.66		0.01667		30405	0.02112	
July, 2006	35	3.27	0.16	-0.06284		29882	-0.01720	
August, 2006	36	2.96		-0.13703	-0.25827	30878	0.03333	0.19194

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
May, 2003	-36	3.64				15779		
June, 2003	-35	3.62		-0.00549		15967	0.01187	
July, 2003	-34	3.76		0.03867		16474	0.03177	
August, 2003	-33	3.69		-0.01862		16955	0.02918	
September, 2003	-32	3.88		0.05149		16915	-0.00234	
October, 2003	-31	4.28	0.08	0.12371		17480	0.03337	
November, 2003	-30	4.36		0.00000		17126	-0.02022	
December, 2003	-29	4.22		-0.03211		17774	0.03783	
January, 2004	-28	4.5		0.06635		17626	-0.00832	
February, 2004	-27	4.97		0.10444		18182	0.03150	
March, 2004	-26	4.98	0.085	0.01911		18604	0.02325	
April, 2004	-25	5.32		0.05035		18549	-0.00299	
May, 2004	-24	5.47		0.02820	0.42611	18910	0.01946	0.18438
June, 2004	-23	5.49		0.00366		19417	0.02682	
July, 2004	-22	5.38		-0.02004		19453	0.00188	
August, 2004	-21	5.61		0.04275		19673	0.01129	
September, 2004	-20	5.92	0.12	0.07665		20418	0.03787	
October, 2004	-19	6.05		0.00166		21065	0.03169	
November, 2004	-18	6.16		0.01818		22036	0.04610	
December, 2004	-17	6.55		0.06331		22750	0.03240	
January, 2005	-16	6.76		0.03206		23069	0.01402	
February, 2005	-15	6.65		-0.01627		23581	0.02219	
March, 2005	-14	7.16	0.11	0.09323		23373	-0.00882	
April, 2005	-13	6.5		-0.10591		22664	-0.03033	
May, 2005	-12	6.4		-0.01538	0.17389	23413	0.03305	0.21816
June, 2005	-11	6.69		0.04531		24534	0.04788	
July, 2005	-10	6.92		0.03438		25173	0.02605	
August, 2005	-9	7.21		0.04191		25678	0.02006	
September, 2005	-8	7.12	0.155	0.00902		26982	0.05078	
October, 2005	-7	6.4		-0.12027		25943	-0.03851	
November, 2005	-6	7.11		0.11094		27108	0.04491	
December, 2005	-5	7.63		0.07314		27943	0.03080	
January, 2006	-4	5.8		-0.23984		28918	0.03489	
February, 2006	-3	5.98		0.03103		29087	0.00584	
March, 2006	-2	6.71	0.14	0.14548		30467	0.04744	
April, 2006	-1	7.16		0.04526		31246	0.02557	
May, 2006	0	7.54		0.05307	0.22942	29776	-0.04705	0.24867
June, 2006	1	7.19		-0.04642		30405	0.02112	
July, 2006	2	7.3		0.01530		29882	-0.01720	
August, 2006	3	7.32		0.00274		30878	0.03333	
September, 2006	4	7.88	0.17	0.09973		31288	0.01328	
October, 2006	5	7.93		-0.01491		32719	0.04574	
November, 2006	6	8.61		0.08575		33476	0.02314	
December, 2006	7	9.39		0.09059		34711	0.03689	
January, 2007	8	10.72		0.14164		35345	0.01827	
February, 2007	9	9.92		-0.07463		35920	0.01627	
March, 2007	10	10.49	0.16	0.07359		37104	0.03296	
April, 2007	11	11.29		0.06009		38177	0.02892	
May, 2007	12	11.82		0.04694	0.48042	39185	0.02640	0.27911
June, 2007	13	12.99		0.09898		39119	-0.00168	
July, 2007	14	12.76		-0.01771		38304	-0.02083	
August, 2007	15	12.2		-0.04389		39241	0.02446	
September, 2007	16	11.76		-0.03607		41424	0.05563	
October, 2007	17	11.94	0.16	0.02891		41624	0.00483	
November, 2007	18	12.29		0.01570		41417	-0.00497	
December, 2007	19	10.27		-0.16436		40291	-0.02719	
January, 2008	20	9.86		-0.03992		35920	-0.10849	
February, 2008	21	9.19		-0.06795		35674	-0.00685	
March, 2008	22	8.98		-0.02285		34492	-0.03313	
April, 2008	23	7.11	0.135	-0.19321		36055	0.04531	
May, 2008	24	6.76		-0.06694	-0.50930	36605	0.01525	-0.05766
June, 2008	25	5.4		-0.20118		33875	-0.07458	
July, 2008	26	6.58		0.21852		32330	-0.04561	
August, 2008	27	6.96		0.05775		33652	0.04089	
September, 2008	28	6.94		-0.00287		30339	-0.09845	
October, 2008	29	5.98	0.115	-0.12176		26515	-0.12604	
November, 2008	30	5.77		-0.05332		24870	-0.06204	
December, 2008	31	6.17		0.06932		24801	-0.00277	
January, 2009	32	5.47		-0.11345		23592	-0.04875	
February, 2009	33	5.35		-0.02194		22513	-0.04574	
March, 2009	34	6.25		0.16822		24310	0.07982	
April, 2009	35	5.9	0.115	-0.03760		25664	0.05570	
May, 2009	36	7.04		0.17041	0.13210	26012	0.01356	-0.31401

Tabcorp

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
October, 1996	-36	5.95	0.1			9698		
November, 1996	-35	5.66		-0.06446		9867	0.01743	
December, 1996	-34	6		0.06007		10065	0.02007	
January, 1997	-33	5.76		-0.04000		10069	0.00040	
February, 1997	-32	5.91		0.02604		10218	0.01480	
March, 1997	-31	5.83		-0.01354		10151	-0.00656	
April, 1997	-30	6.34	0.11	0.10635		10455	0.02995	
May, 1997	-29	6.49		0.00620		10993	0.05146	
June, 1997	-28	7.2		0.10940		11541	0.04985	
July, 1997	-27	6.75		-0.06250		11583	0.00364	
August, 1997	-26	6.78		0.00444		11016	-0.04895	
September, 1997	-25	7		0.03245		11818	0.07280	
October, 1997	-24	6.52	0.24	-0.03429	0.13017	10572	-0.10543	0.09945
November, 1997	-23	6.8		0.00592		10606	0.00322	
December, 1997	-22	7.2		0.05882		11296	0.06506	
January, 1998	-21	7.4		0.02778		11472	0.01558	
February, 1998	-20	7.81		0.05541		11695	0.01944	
March, 1998	-19	8.11		0.03841		11961	0.02274	
April, 1998	-18	8.3	0.13	0.03946		12058	0.00811	
May, 1998	-17	8.95		0.06168		11877	-0.01501	
June, 1998	-16	8.2		-0.08380		11731	-0.01229	
July, 1998	-15	9.1		0.10976		11894	0.01389	
August, 1998	-14	8.92		-0.01978		10945	-0.07979	
September, 1998	-13	9.8		0.09865		11491	0.04989	
October, 1998	-12	10.64	0.25	0.11122	0.50353	11798	0.02672	0.11755
November, 1998	-11	10.68		-0.01928		12409	0.05179	
December, 1998	-10	10		-0.06367		12610	0.01620	
January, 1999	-9	11.31		0.13100		12975	0.02895	
February, 1999	-8	11.3		-0.00088		12946	-0.00224	
March, 1999	-7	12	0.15	0.07522		13421	0.03669	
April, 1999	-6	12.28		0.01070		14045	0.04649	
May, 1999	-5	10.7		-0.12866		13153	-0.06351	
June, 1999	-4	10.18		-0.04860		13530	0.02866	
July, 1999	-3	10.5		0.03143		13770	0.01774	
August, 1999	-2	10.7		0.01905		13500	-0.01961	
September, 1999	-1	10.4	0.28	-0.00187		13265	-0.01741	
October, 1999	0	9.94		-0.06929	-0.06486	13328	0.00475	0.12851
November, 1999	1	10.75		0.08149		14112	0.05882	
December, 1999	2	10.31		-0.04093		14640	0.03741	
January, 2000	3	8.54		-0.17168		14383	-0.01755	
February, 2000	4	9.7		0.13583		14613	0.01599	
March, 2000	5	9.25	0.23	-0.02268		14690	0.00527	
April, 2000	6	9.17		-0.00865		14613	-0.00524	
May, 2000	7	9.3		0.01418		14469	-0.00985	
June, 2000	8	9.6		0.03226		15628	0.08010	
July, 2000	9	9.5		-0.01042		15346	-0.01804	
August, 2000	10	9.85		0.03684		15601	0.01660	
September, 2000	11	9.5	0.24	-0.01117		15714	0.00728	
October, 2000	12	10.49		0.07700	0.11208	15527	-0.01194	0.15884
November, 2000	13	11.22		0.06959		15714	0.01206	
December, 2000	14	10.97		-0.02228		15404	-0.01971	
January, 2001	15	10.76		-0.01914		16058	0.04245	
February, 2001	16	9.72		-0.09665		16033	-0.00157	
March, 2001	17	9.26	0.25	-0.02160		15263	-0.04801	
April, 2001	18	9.41		-0.01052		16156	0.05851	
May, 2001	19	9.24		-0.01807		16423	0.01653	
June, 2001	20	9.5		0.02814		17045	0.03786	
July, 2001	21	8.75		-0.07895		16237	-0.04737	
August, 2001	22	8.99		0.02743		16062	-0.01083	
September, 2001	23	9.3	0.26	0.06340		15027	-0.06439	
October, 2001	24	9.98		0.04393	-0.03472	16040	0.06737	0.04289
November, 2001	25	10.31		0.03307		16559	0.03234	
December, 2001	26	9.84		-0.04559		17000	0.02664	
January, 2002	27	10.09		0.02541		17208	0.01227	
February, 2002	28	11.2		0.11001		17007	-0.01169	
March, 2002	29	11.28	0.31	0.03482		17117	0.00649	
April, 2002	30	12.05		0.03969		16811	-0.01789	
May, 2002	31	12.14		0.00747		16954	0.00847	
June, 2002	32	12.5		0.02965		16245	-0.04178	
July, 2002	33	11.99		-0.04080		15591	-0.04026	
August, 2002	34	12.8		0.06756		15835	0.01563	
September, 2002	35	11.75	0.32	-0.05703		15178	-0.04147	
October, 2002	36	11.58		-0.04060	0.16366	15588	0.02702	-0.02423

Jupiter

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
January, 1997	-36	2.92				10069		
February, 1997	-35	2.78		-0.04795		10218	0.01480	
March, 1997	-34	2.68	0.06	-0.01439		10151	-0.00656	
April, 1997	-33	2.87		0.04745		10455	0.02995	
May, 1997	-32	3		0.04530		10993	0.05146	
June, 1997	-31	3.3		0.10000		11541	0.04985	
July, 1997	-30	3.45		0.04545		11583	0.00364	
August, 1997	-29	3.18		-0.07826		11016	-0.04895	
September, 1997	-28	3.4		0.06918		11818	0.07280	
October, 1997	-27	2.62	0.07	-0.20882		10572	-0.10543	
November, 1997	-26	2.6		-0.03346		10606	0.00322	
December, 1997	-25	2.8		0.07692		11296	0.06506	
January, 1998	-24	2.69		-0.03929	-0.03786	11472	0.01558	0.14541
February, 1998	-23	2.88		0.07063		11695	0.01944	
March, 1998	-22	2.57	0.06	-0.08681		11961	0.02274	
April, 1998	-21	2.68		0.01901		12058	0.00811	
May, 1998	-20	2.69		0.00373		11877	-0.01501	
June, 1998	-19	2.34		-0.13011		11731	-0.01229	
July, 1998	-18	2.5		0.06838		11894	0.01389	
August, 1998	-17	2.45		-0.02000		10945	-0.07979	
September, 1998	-16	2.5		0.02041		11491	0.04989	
October, 1998	-15	2.72	0.07	0.11600		11798	0.02672	
November, 1998	-14	2.95		0.05735		12409	0.05179	
December, 1998	-13	3.35		0.13559		12610	0.01620	
January, 1999	-12	3.48		0.03881	0.29299	12975	0.02895	0.13063
February, 1999	-11	4.2		0.20690		12946	-0.00224	
March, 1999	-10	3.79	0.07	-0.08095		13421	0.03669	
April, 1999	-9	3.77		-0.02332		14045	0.04649	
May, 1999	-8	3.71		-0.01592		13153	-0.06351	
June, 1999	-7	3.48		-0.06199		13530	0.02866	
July, 1999	-6	3.9		0.12069		13770	0.01774	
August, 1999	-5	3.65		-0.06410		13500	-0.01961	
September, 1999	-4	3.41		-0.06575		13265	-0.01741	
October, 1999	-3	3.24	0.07	-0.02933		13328	0.00475	
November, 1999	-2	3.3		-0.00302		14112	0.05882	
December, 1999	-1	3.07		-0.06970		14640	0.03741	
January, 2000	0	2.6		-0.15309	-0.23959	14383	-0.01755	0.11026
February, 2000	1	2.6		0.00000		14613	0.01599	
March, 2000	2	2.58	0.08	0.02308		14690	0.00527	
April, 2000	3	2.72		0.02256		14613	-0.00524	
May, 2000	4	2.8		0.02941		14469	-0.00985	
June, 2000	5	3.17		0.13214		15628	0.08010	
July, 2000	6	3.13		-0.01262		15346	-0.01804	
August, 2000	7	3.38		0.07987		15601	0.01660	
September, 2000	8	3.18		-0.05917		15714	0.00728	
October, 2000	9	3.4	0.09	0.09748		15527	-0.01194	
November, 2000	10	4.05		0.16046		15714	0.01206	
December, 2000	11	3.94		-0.02716		15404	-0.01971	
January, 2001	12	4.07		0.03299	0.47905	16058	0.04245	0.11495
February, 2001	13	4.04		-0.00737		16033	-0.00157	
March, 2001	14	3.91	0.09	-0.00990		15263	-0.04801	
April, 2001	15	3.95		-0.01250		16156	0.05851	
May, 2001	16	3.72		-0.05823		16423	0.01653	
June, 2001	17	4.25		0.14247		17045	0.03786	
July, 2001	18	4.1		-0.03529		16237	-0.04737	
August, 2001	19	4.48		0.09268		16062	-0.01083	
September, 2001	20	3.97		-0.11384		15027	-0.06439	
October, 2001	21	4.33	0.1	0.11587		16040	0.06737	
November, 2001	22	4.79		0.08126		16559	0.03234	
December, 2001	23	5		0.04384		17000	0.02664	
January, 2002	24	4.75		-0.05000	0.18900	17208	0.01227	0.07934
February, 2002	25	5.22		0.09895		17007	-0.01169	
March, 2002	26	5.17	0.1	0.00958		17117	0.00649	
April, 2002	27	5.2		0.00580		16811	-0.01789	
May, 2002	28	5.25		0.00962		16954	0.00847	
June, 2002	29	5.4		0.02857		16245	-0.04178	
July, 2002	30	5.4		0.00000		15591	-0.04026	
August, 2002	31	5.61		0.03889		15835	0.01563	
September, 2002	32	5.6	0.11	0.01783		15178	-0.04147	
October, 2002	33	4.75		-0.16813		15588	0.02702	
November, 2002	34	4.86		0.02316		15764	0.01127	
December, 2002	35	5.56		0.14403		15508	-0.01625	
January, 2003	36	6.35		0.14209	0.35038	15250	-0.01665	-0.11711

Grand Hotel Group

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
July, 1995	-36							
August, 1995	-35							
September, 1995	-34							
October, 1995	-33							
November, 1995	-32							
December, 1995	-31							
January, 1996	-30							
February, 1996	-29							
March, 1996	-28							
April, 1996	-27							
May, 1996	-26							
June, 1996	-25							
July, 1996	-24	n/a						
August, 1996	-23	1.87				9260		
September, 1996	-22	1.86		-0.00535		9394	0.01447	
October, 1996	-21	1.8		-0.03226		9698	0.03236	
November, 1996	-20	1.95		0.08333		9867	0.01743	
December, 1996	-19	1.84		-0.05641		10065	0.02007	
January, 1997	-18	1.85		0.00543		10069	0.00040	
February, 1997	-17	1.96	0.07	0.09730		10218	0.01480	
March, 1997	-16	1.99		-0.01970		10151	-0.00656	
April, 1997	-15	1.99		0.00000		10455	0.02995	
May, 1997	-14	2.02		0.01508		10993	0.05146	
June, 1997	-13	2.08		0.02970		11541	0.04985	
July, 1997	-12	2.11		0.01442	0.13155	11583	0.00364	0.22786
August, 1997	-11	1.98	0.089	-0.01943		11016	-0.04895	
September, 1997	-10	2.14		0.03432		11818	0.07280	
October, 1997	-9	1.91		-0.10748		10572	-0.10543	
November, 1997	-8	2		0.04712		10606	0.00322	
December, 1997	-7	1.94		-0.03000		11296	0.06506	
January, 1998	-6	1.85		-0.04639		11472	0.01558	
February, 1998	-5	1.85	0.085	0.04595		11695	0.01944	
March, 1998	-4	1.8		-0.06977		11961	0.02274	
April, 1998	-3	1.68		-0.06667		12058	0.00811	
May, 1998	-2	1.75		0.04167		11877	-0.01501	
June, 1998	-1	1.65		-0.05714		11731	-0.01229	
July, 1998	0	1.82		0.10303	-0.12480	11894	0.01389	0.03916
August, 1998	1	1.78	0.085	0.02473		10945	-0.07979	
September, 1998	2	1.7		-0.08847		11491	0.04989	
October, 1998	3	1.6		-0.05882		11798	0.02672	
November, 1998	4	1.57		-0.01875		12409	0.05179	
December, 1998	5	1.55		-0.01274		12610	0.01620	
January, 1999	6	1.56		0.00645		12975	0.02895	
February, 1999	7	1.64		0.05128		12946	-0.00224	
March, 1999	8	1.67	0.08	0.06707		13421	0.03669	
April, 1999	9	1.57		-0.10286		14045	0.04649	
May, 1999	10	1.53		-0.02548		13153	-0.06351	
June, 1999	11	1.36		-0.11111		13530	0.02866	
July, 1999	12	1.5		0.10294	-0.16576	13770	0.01774	0.15759
August, 1999	13	1.38	0.075	-0.03000		13500	-0.01961	
September, 1999	14	1.3		-0.10653		13265	-0.01741	
October, 1999	15	1.27		-0.02308		13328	0.00475	
November, 1999	16	1.23		-0.03150		14112	0.05882	
December, 1999	17	1.24		0.00813		14640	0.03741	
January, 2000	18	1.4		0.12903		14383	-0.01755	
February, 2000	19	1.34	0.076	0.01143		14613	0.01599	
March, 2000	20	1.31		-0.07486		14690	0.00527	
April, 2000	21	1.27		-0.03053		14613	-0.00524	
May, 2000	22	1.22		-0.03937		14469	-0.00985	
June, 2000	23	1.1		-0.09836		15628	0.08010	
July, 2000	24	1.13		0.02727	-0.25836	15346	-0.01804	0.11464
August, 2000	25	1.16	0.08	0.09735		15601	0.01660	
September, 2000	26	1.15		-0.07258		15714	0.00728	
October, 2000	27	1.23		0.06957		15527	-0.01194	
November, 2000	28	1.16		-0.05691		15714	0.01206	
December, 2000	29	1.11		-0.04310		15404	-0.01971	
January, 2001	30	1.16		0.04505		16058	0.04245	
February, 2001	31	1.14		-0.01724		16033	-0.00157	
March, 2001	32	1.08	0.065	0.00439		15263	-0.04801	
April, 2001	33	1.11		-0.03057		16156	0.05851	
May, 2001	34	1.14		0.02703		16423	0.01653	
June, 2001	35	1.01		-0.11404		17045	0.03786	
July, 2001	36	1.03		0.01980	-0.07127	16237	-0.04737	0.06267

Southern Cross

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
August, 1998	-36	6.1				10945		
September, 1998	-35	6.9		0.13115		11491	0.04989	
October, 1998	-34	6.59		-0.04493		11798	0.02672	
November, 1998	-33	7.12	0.18	0.10774		12409	0.05179	
December, 1998	-32	7.35		0.00685		12610	0.01620	
January, 1999	-31	7.73		0.05170		12975	0.02895	
February, 1999	-30	8.66		0.12031		12946	-0.00224	
March, 1999	-29	8.5	0.19	0.00346		13421	0.03669	
April, 1999	-28	8.55		-0.01611		14045	0.04649	
May, 1999	-27	8.39		-0.01871		13153	-0.06351	
June, 1999	-26	8.45		0.00715		13530	0.02866	
July, 1999	-25	8.45		0.00000		13770	0.01774	
August, 1999	-24	7.7		-0.08876	0.25985	13500	-0.01961	0.21777
September, 1999	-23	8.21		0.06623		13265	-0.01741	
October, 1999	-22	8		-0.02558		13328	0.00475	
November, 1999	-21	8.05	0.19	0.03000		14112	0.05882	
December, 1999	-20	8.15		-0.01092		14640	0.03741	
January, 2000	-19	8.25		0.01227		14383	-0.01755	
February, 2000	-18	9		0.09091		14613	0.01599	
March, 2000	-17	8.1	0.22	-0.07556		14690	0.00527	
April, 2000	-16	8.7		0.04567		14613	-0.00524	
May, 2000	-15	8.1		-0.06897		14469	-0.00985	
June, 2000	-14	8.9		0.09877		15628	0.08010	
July, 2000	-13	9.5		0.06742		15346	-0.01804	
August, 2000	-12	10.38		0.09263	0.32288	15601	0.01660	0.15085
September, 2000	-11	10		-0.03661		15714	0.00728	
October, 2000	-10	10.89		0.08900		15527	-0.01194	
November, 2000	-9	10.45	0.25	-0.01745		15714	0.01206	
December, 2000	-8	10		-0.06542		15404	-0.01971	
January, 2001	-7	10.45		0.04500		16058	0.04245	
February, 2001	-6	10.5		0.00478		16033	-0.00157	
March, 2001	-5	10.2	0.27	-0.00286		15263	-0.04801	
April, 2001	-4	10.5		0.00287		16156	0.05851	
May, 2001	-3	12.89		0.22762		16423	0.01653	
June, 2001	-2	12.2		-0.05353		17045	0.03786	
July, 2001	-1	12.8		0.04918		16237	-0.04737	
August, 2001	0	11.75		-0.08203	0.16055	16062	-0.01083	0.03525
September, 2001	1	10.9		-0.07234		15027	-0.06439	
October, 2001	2	11.13		0.02110		16040	0.06737	
November, 2001	3	10.84	0.27	-0.00180		16559	0.03234	
December, 2001	4	11.1		-0.00090		17000	0.02664	
January, 2002	5	11.68		0.05225		17208	0.01227	
February, 2002	6	11.45		-0.01969		17007	-0.01169	
March, 2002	7	12.03	0.3	0.07686		17117	0.00649	
April, 2002	8	9.95		-0.19303		16811	-0.01789	
May, 2002	9	8.73		-0.12261		16954	0.00847	
June, 2002	10	8.97		0.02749		16245	-0.04178	
July, 2002	11	8.95		-0.00223		15591	-0.04026	
August, 2002	12	9.03		0.00894	-0.22596	15835	0.01563	-0.00680
September, 2002	13	9.1		0.00775		15178	-0.04147	
October, 2002	14	8.95		-0.01648		15588	0.02702	
November, 2002	15	8.7	0.27	0.00223		15764	0.01127	
December, 2002	16	9.3		0.03679		15508	-0.01625	
January, 2003	17	9.1		-0.02151		15250	-0.01665	
February, 2003	18	8.1		-0.10989		14501	-0.04912	
March, 2003	19	7.94	0.3	0.01728		15075	0.03963	
April, 2003	20	8.44		0.02427		15725	0.04306	
May, 2003	21	8.61		0.02014		15779	0.00349	
June, 2003	22	8.7		0.01045		15967	0.01187	
July, 2003	23	8.92		0.02529		16474	0.03177	
August, 2003	24	9.01		0.01009	0.00642	16955	0.02918	0.07380
September, 2003	25	9.49		0.05327		16915	-0.00234	
October, 2003	26	10.27	0.27	0.11064		17480	0.03337	
November, 2003	27	10.9		0.03416		17126	-0.02022	
December, 2003	28	10.67		-0.02110		17774	0.03783	
January, 2004	29	11.13		0.04311		17626	-0.00832	
February, 2004	30	10.99		-0.01258		18182	0.03150	
March, 2004	31	10.74	0.3	0.00455		18604	0.02325	
April, 2004	32	10.65		-0.03533		18549	-0.00299	
May, 2004	33	10.95		0.02817		18910	0.01946	
June, 2004	34	11.8		0.07763		19417	0.02682	
July, 2004	35	11.8		0.00000		19453	0.00188	
August, 2004	36	12.3		0.04237	0.32490	19673	0.01129	0.15155

Tabcorp

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
October, 2000	-36	10.49				15527		
November, 2000	-35	11.22		0.06959		15714	0.01206	
December, 2000	-34	10.97		-0.02228		15404	-0.01971	
January, 2001	-33	10.76		-0.01914		16058	0.04245	
February, 2001	-32	9.72		-0.09665		16033	-0.00157	
March, 2001	-31	9.26	0.25	-0.02160		15263	-0.04801	
April, 2001	-30	9.41		-0.01052		16156	0.05851	
May, 2001	-29	9.24		-0.01807		16423	0.01653	
June, 2001	-28	9.5		0.02814		17045	0.03786	
July, 2001	-27	8.75		-0.07895		16237	-0.04737	
August, 2001	-26	8.99		0.02743		16062	-0.01083	
September, 2001	-25	9.3	0.26	0.06340		15027	-0.06439	
October, 2001	-24	9.98		0.04393	-0.03472	16040	0.06737	0.04289
November, 2001	-23	10.31		0.03307		16559	0.03234	
December, 2001	-22	9.84		-0.04559		17000	0.02664	
January, 2002	-21	10.09		0.02541		17208	0.01227	
February, 2002	-20	11.2		0.11001		17007	-0.01169	
March, 2002	-19	11.28	0.31	0.03482		17117	0.00649	
April, 2002	-18	12.05		0.03969		16811	-0.01789	
May, 2002	-17	12.14		0.00747		16954	0.00847	
June, 2002	-16	12.5		0.02965		16245	-0.04178	
July, 2002	-15	11.99		-0.04080		15591	-0.04026	
August, 2002	-14	12.8		0.06756		15835	0.01563	
September, 2002	-13	11.75	0.32	-0.05703		15178	-0.04147	
October, 2002	-12	11.58		-0.04060	0.16366	15588	0.02702	-0.02423
November, 2002	-11	11.01		-0.04922		15764	0.01127	
December, 2002	-10	10.65		-0.03270		15508	-0.01625	
January, 2003	-9	10.05		-0.05634		15250	-0.01665	
February, 2003	-8	10		-0.00498		14501	-0.04912	
March, 2003	-7	10		0.00000		15075	0.03963	
April, 2003	-6	10.6	0.33	0.09300		15725	0.04306	
May, 2003	-5	10.28		-0.05947		15779	0.00349	
June, 2003	-4	10.77		0.04767		15967	0.01187	
July, 2003	-3	10.52		-0.02321		16474	0.03177	
August, 2003	-2	11.51		0.09411		16955	0.02918	
September, 2003	-1	11.56		0.00434		16915	-0.00234	
October, 2003	0	11.59	0.34	0.03201	0.04521	17480	0.03337	0.11929
November, 2003	1	11.18		-0.06287		17126	-0.02022	
December, 2003	2	11.23		0.00447		17774	0.03783	
January, 2004	3	11.22		-0.00089		17626	-0.00832	
February, 2004	4	11.32		0.00891		18182	0.03150	
March, 2004	5	12.27		0.08392		18604	0.02325	
April, 2004	6	13.19	0.35	0.10350		18549	-0.00299	
May, 2004	7	13.5		-0.00295		18910	0.01946	
June, 2004	8	14.24		0.05481		19417	0.02682	
July, 2004	9	13.97		-0.01896		19453	0.00188	
August, 2004	10	15.03		0.07588		19673	0.01129	
September, 2004	11	15.25		0.01464		20418	0.03787	
October, 2004	12	15	0.36	0.00721	0.26768	21065	0.03169	0.19007
November, 2004	13	16.87		0.09831		22036	0.04610	
December, 2004	14	17.29		0.02490		22750	0.03240	
January, 2005	15	17.72		0.02487		23069	0.01402	
February, 2005	16	17.32		-0.02257		23581	0.02219	
March, 2005	17	16.83		-0.02829		23373	-0.00882	
April, 2005	18	15.5	0.4	-0.05526		22664	-0.03033	
May, 2005	19	15.68		-0.01384		23413	0.03305	
June, 2005	20	16.4		0.04592		24534	0.04788	
July, 2005	21	15.92		-0.02927		25173	0.02605	
August, 2005	22	16.5		0.03643		25678	0.02006	
September, 2005	23	17.25		0.04545		26982	0.05078	
October, 2005	24	16	0.41	-0.04870	0.07796	25943	-0.03851	0.21487
November, 2005	25	15.5		-0.05545		27108	0.04491	
December, 2005	26	15.57		0.00452		27943	0.03080	
January, 2006	27	15.19		-0.02441		28918	0.03489	
February, 2006	28	15.19		0.00000		29087	0.00584	
March, 2006	29	15.47		0.01843		30467	0.04744	
April, 2006	30	15.3	0.44	0.01745		31246	0.02557	
May, 2006	31	15.22		-0.00523		29776	-0.04705	
June, 2006	32	15.2		-0.00131		30405	0.02112	
July, 2006	33	15.35		0.00987		29882	-0.01720	
August, 2006	34	15.14		-0.01368		30878	0.03333	
September, 2006	35	15.63		0.03236		31288	0.01328	
October, 2006	36	16.5	0.45	0.08445	0.06700	32719	0.04574	0.23868

Tabcorp

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
September, 2001	-36	9.3	0.26			15027		
October, 2001	-35	9.98		0.04393		16040	0.06737	
November, 2001	-34	10.31		0.03307		16559	0.03234	
December, 2001	-33	9.84		-0.04559		17000	0.02664	
January, 2002	-32	10.09		0.02541		17208	0.01227	
February, 2002	-31	11.2		0.11001		17007	-0.01169	
March, 2002	-30	11.28	0.31	0.03482		17117	0.00649	
April, 2002	-29	12.05		0.03969		16811	-0.01789	
May, 2002	-28	12.14		0.00747		16954	0.00847	
June, 2002	-27	12.5		0.02965		16245	-0.04178	
July, 2002	-26	11.99		-0.04080		15591	-0.04026	
August, 2002	-25	12.8		0.06756		15835	0.01563	
September, 2002	-24	11.75	0.32	-0.05703	0.24819	15178	-0.04147	0.01612
October, 2002	-23	11.58		-0.04060		15588	0.02702	
November, 2002	-22	11.01		-0.04922		15764	0.01127	
December, 2002	-21	10.65		-0.03270		15508	-0.01625	
January, 2003	-20	10.05		-0.05634		15250	-0.01665	
February, 2003	-19	10		-0.00498		14501	-0.04912	
March, 2003	-18	10		0.00000		15075	0.03963	
April, 2003	-17	10.6	0.33	0.09300		15725	0.04306	
May, 2003	-16	10.28		-0.05947		15779	0.00349	
June, 2003	-15	10.77		0.04767		15967	0.01187	
July, 2003	-14	10.52		-0.02321		16474	0.03177	
August, 2003	-13	11.51		0.09411		16955	0.02918	
September, 2003	-12	11.56		0.00434	-0.02740	16915	-0.00234	0.11294
October, 2003	-11	11.59	0.34	0.03201		17480	0.03337	
November, 2003	-10	11.18		-0.06287		17126	-0.02022	
December, 2003	-9	11.23		0.00447		17774	0.03783	
January, 2004	-8	11.22		-0.00089		17626	-0.00832	
February, 2004	-7	11.32		0.00891		18182	0.03150	
March, 2004	-6	12.27		0.08392		18604	0.02325	
April, 2004	-5	13.19	0.35	0.10350		18549	-0.00299	
May, 2004	-4	13.5		-0.00295		18910	0.01946	
June, 2004	-3	14.24		0.05481		19417	0.02682	
July, 2004	-2	13.97		-0.01896		19453	0.00188	
August, 2004	-1	15.03		0.07588		19673	0.01129	
September, 2004	0	15.25		0.01464	0.29248	20418	0.03787	0.19176
October, 2004	1	15	0.36	0.00721		21065	0.03169	
November, 2004	2	16.87		0.09831		22036	0.04610	
December, 2004	3	17.29		0.02490		22750	0.03240	
January, 2005	4	17.72		0.02487		23069	0.01402	
February, 2005	5	17.32		-0.02257		23581	0.02219	
March, 2005	6	16.83		-0.02829		23373	-0.00882	
April, 2005	7	15.5	0.4	-0.05526		22664	-0.03033	
May, 2005	8	15.68		-0.01384		23413	0.03305	
June, 2005	9	16.4		0.04592		24534	0.04788	
July, 2005	10	15.92		-0.02927		25173	0.02605	
August, 2005	11	16.5		0.03643		25678	0.02006	
September, 2005	12	17.25		0.04545	0.13386	26982	0.05078	0.28506
October, 2005	13	16	0.41	-0.04870		25943	-0.03851	
November, 2005	14	15.5		-0.05545		27108	0.04491	
December, 2005	15	15.57		0.00452		27943	0.03080	
January, 2006	16	15.19		-0.02441		28918	0.03489	
February, 2006	17	15.19		0.00000		29087	0.00584	
March, 2006	18	15.47		0.01843		30467	0.04744	
April, 2006	19	15.3	0.44	0.01745		31246	0.02557	
May, 2006	20	15.22		-0.03304		29776	-0.04705	
June, 2006	21	15.2		-0.00131		30405	0.02112	
July, 2006	22	15.35		0.00987		29882	-0.01720	
August, 2006	23	15.14		-0.01368		30878	0.03333	
September, 2006	24	15.63		0.03236	-0.09395	31288	0.01328	0.15444
October, 2006	25	16.5	0.45	0.08445		32719	0.04574	
November, 2006	26	16.31		-0.03776		33476	0.02314	
December, 2006	27	16.9		0.03617		34711	0.03689	
January, 2007	28	17.46		0.03314		35345	0.01827	
February, 2007	29	16.15		-0.07503		35920	0.01627	
March, 2007	30	16.49		0.02105		37104	0.03296	
April, 2007	31	18.1	0.47	0.12614		38177	0.02892	
May, 2007	32	17.75		-0.04416		39185	0.02640	
June, 2007	33	17.15		-0.03380		39119	-0.00168	
July, 2007	34	16.25		-0.05248		38304	-0.02083	
August, 2007	35	15.29		-0.05908		39241	0.02446	
September, 2007	36	15.15	0.47	0.02158	0.02023	41424	0.05563	0.28616

Healthscope

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
May, 2002	-36	2.46				16954		
June, 2002	-35	2.46		0.00000		16245	-0.04178	
July, 2002	-34	2.41		-0.02033		15591	-0.04026	
August, 2002	-33	2.24		-0.07054		15835	0.01563	
September, 2002	-32	2	0.035	-0.09152		15178	-0.04147	
October, 2002	-31	2.2		0.08108		15588	0.02702	
November, 2002	-30	2.13		-0.03182		15764	0.01127	
December, 2002	-29	2.31		0.08451		15508	-0.01625	
January, 2003	-28	2.12		-0.08225		15250	-0.01665	
February, 2003	-27	2.14		0.00943		14501	-0.04912	
March, 2003	-26	2.22	0.04	0.05607		15075	0.03963	
April, 2003	-25	2.3		0.01770		15725	0.04306	
May, 2003	-24	2.42		0.05217	0.00452	15779	0.00349	-0.06542
June, 2003	-23	2.44		0.00826		15967	0.01187	
July, 2003	-22	2.41		-0.01230		16474	0.03177	
August, 2003	-21	2.88		0.19502		16955	0.02918	
September, 2003	-20	2.99	0.045	0.05382		16915	-0.00234	
October, 2003	-19	2.9		-0.04448		17480	0.03337	
November, 2003	-18	2.96		0.02069		17126	-0.02022	
December, 2003	-17	2.9		-0.02027		17774	0.03783	
January, 2004	-16	3.05		0.05172		17626	-0.00832	
February, 2004	-15	3.64		0.19344		18182	0.03150	
March, 2004	-14	3.41		-0.06319		18604	0.02325	
April, 2004	-13	3.5	0.050	0.04106		18549	-0.00299	
May, 2004	-12	3.58		0.00845	0.43223	18910	0.01946	0.18438
June, 2004	-11	3.59		0.00279		19417	0.02682	
July, 2004	-10	3.68		0.02507		19453	0.00188	
August, 2004	-9	3.39		-0.07880		19673	0.01129	
September, 2004	-8	3.59	0.550	0.22124		20418	0.03787	
October, 2004	-7	3.59		-0.13285		21065	0.03169	
November, 2004	-6	3.96		0.10306		22036	0.04610	
December, 2004	-5	3.49		-0.11869		22750	0.03240	
January, 2005	-4	4.13		0.18338		23069	0.01402	
February, 2005	-3	4.09		-0.00969		23581	0.02219	
March, 2005	-2	4.44	0.060	0.10024		23373	-0.00882	
April, 2005	-1	4.42		-0.01778		22664	-0.03033	
May, 2005	0	4.39		-0.00679	0.27120	23413	0.03305	0.21816
June, 2005	1	4.62		0.05239		24534	0.04788	
July, 2005	2	4.9		0.06061		25173	0.02605	
August, 2005	3	5.53		0.12857		25678	0.02006	
September, 2005	4	6.19	0.065	0.13110		26982	0.05078	
October, 2005	5	5.7		-0.08873		25943	-0.03851	
November, 2005	6	6.03		0.05789		27108	0.04491	
December, 2005	7	5.61		-0.06965		27943	0.03080	
January, 2006	8	4.27		-0.23886		28918	0.03489	
February, 2006	9	3.85		-0.09836		29087	0.00584	
March, 2006	10	3.9		0.01299		30467	0.04744	
April, 2006	11	4.37	0.070	0.13846		31246	0.02557	
May, 2006	12	4.35		-0.02027	0.06614	29776	-0.04705	0.24867
June, 2006	13	3.9		-0.10345		30405	0.02112	
July, 2006	14	3.9		0.00000		29882	-0.01720	
August, 2006	15	4.84		0.24103		30878	0.03333	
September, 2006	16	4.73		-0.02273		31288	0.01328	
October, 2006	17	5	0.075	0.07294		32719	0.04574	
November, 2006	18	5.43		0.06995		33476	0.02314	
December, 2006	19	5.44		0.00184		34711	0.03689	
January, 2007	20	6.15		0.13051		35345	0.01827	
February, 2007	21	5.95		-0.03252		35920	0.01627	
March, 2007	22	5.5		-0.07563		37104	0.03296	
April, 2007	23	5.66	0.085	0.04455		38177	0.02892	
May, 2007	24	5.81		0.01131	0.33780	39185	0.02640	0.27911
June, 2007	25	5.23		-0.09983		39119	-0.00168	
July, 2007	26	5.5		0.05163		38304	-0.02083	
August, 2007	27	5.49		-0.00182		39241	0.02446	
September, 2007	28	5.76		0.04918		41424	0.05563	
October, 2007	29	5.43	0.090	-0.04167		41624	0.00483	
November, 2007	30	5.45		-0.01268		41417	-0.00497	
December, 2007	31	5.42		-0.00550		40291	-0.02719	
January, 2008	32	5.26		-0.02952		35920	-0.10849	
February, 2008	33	5.15		-0.02091		35674	-0.00685	
March, 2008	34	5.2		0.00971		34492	-0.03313	
April, 2008	35	5.43	0.095	0.06250		36055	0.04531	
May, 2008	36	4.53		-0.18009	-0.21901	36605	0.01525	-0.05766

Primary Health

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
February, 2002	-36	3.43				17007		
March, 2002	-35	3.25		-0.05248		17117	0.00649	
April, 2002	-34	2.91		-0.10462		16811	-0.01789	
May, 2002	-33	2.89	0.035	0.00515		16954	0.00847	
June, 2002	-32	2.9		-0.00855		16245	-0.04178	
July, 2002	-31	2.75		-0.05172		15591	-0.04026	
August, 2002	-30	2.93		0.06545		15835	0.01563	
September, 2002	-29	2.39		-0.18430		15178	-0.04147	
October, 2002	-28	2.35		-0.01674		15588	0.02702	
November, 2002	-27	2.13	0.04	-0.07660		15764	0.01127	
December, 2002	-26	2.28		0.05069		15508	-0.01625	
January, 2003	-25	2.5		0.09649		15250	-0.01665	
February, 2003	-24	2.39		-0.04400	-0.32121	14501	-0.04912	-0.15453
March, 2003	-23	2.62		0.09623		15075	0.03963	
April, 2003	-22	2.82		0.07634		15725	0.04306	
May, 2003	-21	2.82	0.05	0.01773		15779	0.00349	
June, 2003	-20	3		0.04530		15967	0.01187	
July, 2003	-19	3.11		0.03667		16474	0.03177	
August, 2003	-18	3.4		0.09325		16955	0.02918	
September, 2003	-17	3.29		-0.03235		16915	-0.00234	
October, 2003	-16	3.41		0.03647		17480	0.03337	
November, 2003	-15	3.62	0.075	0.08358		17126	-0.02022	
December, 2003	-14	3.69		-0.00135		17774	0.03783	
January, 2004	-13	3.83		0.03794		17626	-0.00832	
February, 2004	-12	4.16		0.08616	0.57596	18182	0.03150	0.23084
March, 2004	-11	3.93		-0.05529		18604	0.02325	
April, 2004	-10	3.9		-0.00763		18549	-0.00299	
May, 2004	-9	4.11	0.075	0.07308		18910	0.01946	
June, 2004	-8	4.11		-0.01792		19417	0.02682	
July, 2004	-7	4.32		0.05109		19453	0.00188	
August, 2004	-6	4.22		-0.02315		19673	0.01129	
September, 2004	-5	5.02		0.18957		20418	0.03787	
October, 2004	-4	4.92		-0.01992		21065	0.03169	
November, 2004	-3	5.78	0.1	0.19512		22036	0.04610	
December, 2004	-2	5.79		0.00173		22750	0.03240	
January, 2005	-1	6.25		0.07945		23069	0.01402	
February, 2005	0	5.78		-0.07520	0.39093	23581	0.02219	0.26399
March, 2005	1	5.89	0.12	0.03979		23373	-0.00882	
April, 2005	2	5.93		-0.01331		22664	-0.03033	
May, 2005	3	5.95		0.00337		23413	0.03305	
June, 2005	4	6.58		0.10588		24534	0.04788	
July, 2005	5	6.74		0.02432		25173	0.02605	
August, 2005	6	7.62		0.13056		25678	0.02006	
September, 2005	7	7.52	0.13	0.00394		26982	0.05078	
October, 2005	8	7.59		-0.00784		25943	-0.03851	
November, 2005	9	8		0.05402		27108	0.04491	
December, 2005	10	8.39		0.04875		27943	0.03080	
January, 2006	11	8.11		-0.03337		28918	0.03489	
February, 2006	12	8.13		0.00247	0.35857	29087	0.00584	0.21660
March, 2006	13	8.71	0.2	0.09594		30467	0.04744	
April, 2006	14	8.55		-0.04040		31246	0.02557	
May, 2006	15	8.46		-0.01053		29776	-0.04705	
June, 2006	16	8.6		0.01655		30405	0.02112	
July, 2006	17	8.3		-0.03488		29882	-0.01720	
August, 2006	18	8.5		0.02410		30878	0.03333	
September, 2006	19	8.78	0.22	0.05882		31288	0.01328	
October, 2006	20	9.22	0.08	0.03333		32719	0.04574	
November, 2006	21	9.23		-0.00753		33476	0.02314	
December, 2006	22	9.7		0.05092		34711	0.03689	
January, 2007	23	9.94		0.02474		35345	0.01827	
February, 2007	24	8.82		-0.11268	0.09839	35920	0.01627	0.21680
March, 2007	25	8.82		0.00000		37104	0.03296	
April, 2007	26	8.76	0.21	0.01701		38177	0.02892	
May, 2007	27	8.97		0.00000		39185	0.02640	
June, 2007	28	9.18		0.02341		39119	-0.00168	
July, 2007	29	8.89		-0.03159		38304	-0.02083	
August, 2007	30	7.9		-0.11136		39241	0.02446	
September, 2007	31	8.81	0.24	0.14557		41424	0.05563	
October, 2007	32	8.57		-0.05304		41624	0.00483	
November, 2007	33	8.97		0.04667		41417	-0.00497	
December, 2007	34	8.6		-0.04125		40291	-0.02719	
January, 2008	35	7.9		-0.08140		35920	-0.10849	
February, 2008	36	6.44		-0.18481	-0.27078	35674	-0.00685	0.00319

Wesfarmers

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
February, 1998	-36	12.6				11695		
March, 1998	-35	12.08		-0.04127		11961	0.02274	
April, 1998	-34	11.71	0.23	-0.01159		12058	0.00811	
May, 1998	-33	11.49		-0.03769		11877	-0.01501	
June, 1998	-32	10.66		-0.07224		11731	-0.01229	
July, 1998	-31	10.66		0.00000		11894	0.01389	
August, 1998	-30	10.61		-0.00469		10945	-0.07979	
September, 1998	-29	11.18		0.05372		11491	0.04989	
October, 1998	-28	10.96	0.43	0.01878		11798	0.02672	
November, 1998	-27	11.62		0.02019		12409	0.05179	
December, 1998	-26	12.33		0.06110		12610	0.01620	
January, 1999	-25	13.15		0.06650		12975	0.02895	
February, 1999	-24	14.55		0.10646	0.15929	12946	-0.00224	0.10896
March, 1999	-23	13.7		-0.05842		13421	0.03669	
April, 1999	-22	14.51	0.25	0.07737		14045	0.04649	
May, 1999	-21	13.16		-0.10840		13153	-0.06351	
June, 1999	-20	12.61		-0.04179		13530	0.02866	
July, 1999	-19	12.88		0.02141		13770	0.01774	
August, 1999	-18	13.07		0.01475		13500	-0.01961	
September, 1999	-17	12.49		-0.04438		13265	-0.01741	
October, 1999	-16	10.76	0.42	-0.10488		13328	0.00475	
November, 1999	-15	10.84		-0.03041		14112	0.05882	
December, 1999	-14	11.65		0.07472		14640	0.03741	
January, 2000	-13	11.54		-0.00944		14383	-0.01755	
February, 2000	-12	11.49		-0.00433	-0.21380	14613	0.01599	0.12849
March, 2000	-11	10.81		-0.05918		14690	0.00527	
April, 2000	-10	11.05	0.25	0.04533		14613	-0.00524	
May, 2000	-9	10.57		-0.06460		14469	-0.00985	
June, 2000	-8	12.33		0.16651		15628	0.08010	
July, 2000	-7	11.91		-0.03406		15346	-0.01804	
August, 2000	-6	13.1		0.09992		15601	0.01660	
September, 2000	-5	12.37		-0.05573		15714	0.00728	
October, 2000	-4	13.65	0.48	0.14228		15527	-0.01194	
November, 2000	-3	15.11		0.06936		15714	0.01206	
December, 2000	-2	15		-0.00728		15404	-0.01971	
January, 2001	-1	16.9		0.12667		16058	0.04245	
February, 2001	0	17.32		0.02485	0.45406	16033	-0.00157	0.09739
March, 2001	1	18.49		0.06755		15263	-0.04801	
April, 2001	2	21.18	0.27	0.16009		16156	0.05851	
May, 2001	3	20.95		-0.02331		16423	0.01653	
June, 2001	4	25.13		0.19952		17045	0.03786	
July, 2001	5	26.28		0.04576		16237	-0.04737	
August, 2001	6	26.78		0.01903		16062	-0.01083	
September, 2001	7	27.49		0.02651		15027	-0.06439	
October, 2001	8	27.62	0.6	0.02656		16040	0.06737	
November, 2001	9	29.57		0.04784		16559	0.03234	
December, 2001	10	28.72		-0.02875		17000	0.02664	
January, 2002	11	28.36		-0.01253		17208	0.01227	
February, 2002	12	29.78		0.05007	0.57834	17007	-0.01169	0.06922
March, 2002	13	29.57	0.34	0.00437		17117	0.00649	
April, 2002	14	26.38		-0.11802		16811	-0.01789	
May, 2002	15	26.69		0.01175		16954	0.00847	
June, 2002	16	25.21		-0.05545		16245	-0.04178	
July, 2002	17	26.14		0.03689		15591	-0.04026	
August, 2002	18	27.53		0.05318		15835	0.01563	
September, 2002	19	25.07	0.77	-0.06139		15178	-0.04147	
October, 2002	20	24.42		-0.02593		15588	0.02702	
November, 2002	21	25.98		0.06388		15764	0.01127	
December, 2002	22	24.66		-0.05081		15508	-0.01625	
January, 2003	23	26.14		0.06002		15250	-0.01665	
February, 2003	24	23.61		-0.09679	-0.17830	14501	-0.04912	-0.15453
March, 2003	25	20.59	0.42	-0.11012		15075	0.03963	
April, 2003	26	22.71		0.08091		15725	0.04306	
May, 2003	27	23.26		0.02422		15779	0.00349	
June, 2003	28	23.45		0.00817		15967	0.01187	
July, 2003	29	24.72		0.05416		16474	0.03177	
August, 2003	30	26.13		0.05704		16955	0.02918	
September, 2003	31	25.14	0.85	-0.00536		16915	-0.00234	
October, 2003	32	26.88		0.03424		17480	0.03337	
November, 2003	33	26.14		-0.02753		17126	-0.02022	
December, 2003	34	24.55		-0.06083		17774	0.03783	
January, 2004	35	26.12		0.06395		17626	-0.00832	
February, 2004	36	25.49		-0.02412	0.09474	18182	0.03150	0.23084

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
February, 1998	-36	5.17				11695		
March, 1998	-35	4.98		-0.03675		11961	0.02274	
April, 1998	-34	5.28	0.05	0.07028		12058	0.00811	
May, 1998	-33	5.63		0.05629		11877	-0.01501	
June, 1998	-32	5.47		-0.02842		11731	-0.01229	
July, 1998	-31	6.16		0.12614		11894	0.01389	
August, 1998	-30	5.8		-0.05844		10945	-0.07979	
September, 1998	-29	5.78		-0.00345		11491	0.04989	
October, 1998	-28	5.42	0.15	-0.03633		11798	0.02672	
November, 1998	-27	5		-0.07749		12409	0.05179	
December, 1998	-26	6.05		0.21000		12610	0.01620	
January, 1999	-25	6.18		0.02149		12975	0.02895	
February, 1999	-24	5.25		-0.15049	0.09283	12946	-0.00224	0.10896
March, 1999	-23	5.2		-0.00952		13421	0.03669	
April, 1999	-22	5.26	0.15	0.04038		14045	0.04649	
May, 1999	-21	5.35		-0.01109		13153	-0.06351	
June, 1999	-20	5.17		-0.03364		13530	0.02866	
July, 1999	-19	5.22		0.00967		13770	0.01774	
August, 1999	-18	5.09		-0.02490		13500	-0.01961	
September, 1999	-17	4.1	0.15	-0.16503		13265	-0.01741	
October, 1999	-16	4.25		0.00000		13328	0.00475	
November, 1999	-15	4.1		-0.03529		14112	0.05882	
December, 1999	-14	3.93		-0.04146		14640	0.03741	
January, 2000	-13	3.65		-0.07125		14383	-0.01755	
February, 2000	-12	3.16		-0.13425	-0.47639	14613	0.01599	0.12849
March, 2000	-11	3.36	0.12	0.10127		14690	0.00527	
April, 2000	-10	3.45		-0.00862		14613	-0.00524	
May, 2000	-9	3.02		-0.12464		14469	-0.00985	
June, 2000	-8	3.43		0.13576		15628	0.08010	
July, 2000	-7	3.71		0.08163		15346	-0.01804	
August, 2000	-6	3.98		0.07278		15601	0.01660	
September, 2000	-5	4.14	0.05	0.05276		15714	0.00728	
October, 2000	-4	5.12		0.22196		15527	-0.01194	
November, 2000	-3	5.39		0.05273		15714	0.01206	
December, 2000	-2	5.84		0.08349		15404	-0.01971	
January, 2001	-1	5.65		-0.03253		16058	0.04245	
February, 2001	0	5.61		-0.00708	0.62951	16033	-0.00157	0.09739
March, 2001	1	6.43	0.06	0.15686		15263	-0.04801	
April, 2001	2	6.4		-0.01387		16156	0.05851	
May, 2001	3	6.03		-0.05781		16423	0.01653	
June, 2001	4	6.45		0.06965		17045	0.03786	
July, 2001	5	6.38		-0.01085		16237	-0.04737	
August, 2001	6	6.25		-0.02038		16062	-0.01083	
September, 2001	7	7.07	0.07	0.14240		15027	-0.06439	
October, 2001	8	7.45		0.04342		16040	0.06737	
November, 2001	9	7.23		-0.02953		16559	0.03234	
December, 2001	10	6.88		-0.04841		17000	0.02664	
January, 2002	11	6.81		-0.01017		17208	0.01227	
February, 2002	12	5.72		-0.16006	0.06125	17007	-0.01169	0.06922
March, 2002	13	5.16	0.06	-0.08741		17117	0.00649	
April, 2002	14	3.68		-0.29502		16811	-0.01789	
May, 2002	15	4.27		0.16033		16954	0.00847	
June, 2002	16	4.14		-0.03044		16245	-0.04178	
July, 2002	17	3.91		-0.05556		15591	-0.04026	
August, 2002	18	3.71		-0.05115		15835	0.01563	
September, 2002	19	3.51	0.08	-0.03235		15178	-0.04147	
October, 2002	20	3.6		0.00279		15588	0.02702	
November, 2002	21	3.16		-0.12222		15764	0.01127	
December, 2002	22	3.26		0.03165		15508	-0.01625	
January, 2003	23	3.21		-0.01534		15250	-0.01665	
February, 2003	24	3.16		-0.01558	-0.51031	14501	-0.04912	-0.15453
March, 2003	25	2.99	0.04	-0.04114		15075	0.03963	
April, 2003	26	2.96		-0.02310		15725	0.04306	
May, 2003	27	2.58		-0.12838		15779	0.00349	
June, 2003	28	2.74		0.06202		15967	0.01187	
July, 2003	29	3.02		0.10219		16474	0.03177	
August, 2003	30	3.29		0.08940		16955	0.02918	
September, 2003	31	3.29		0.00000		16915	-0.00234	
October, 2003	32	3.64		0.10638		17480	0.03337	
November, 2003	33	3.55		-0.02473		17126	-0.02022	
December, 2003	34	3.26		-0.08169		17774	0.03783	
January, 2004	35	3.2		-0.01840		17626	-0.00832	
February, 2004	36	3.2		0.00000	0.04255	18182	0.03150	0.23084

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
March, 1998	-36	0.29	0.06			11961		
April, 1998	-35	0.28		-0.20000		12058	0.00811	
May, 1998	-34	0.26		-0.07143		11877	-0.01501	
June, 1998	-33	0.28		0.07692		11731	-0.01229	
July, 1998	-32	0.29		0.03571		11894	0.01389	
August, 1998	-31	0.28		-0.03448		10945	-0.07979	
September, 1998	-30	0.31	0.08	0.39286		11491	0.04989	
October, 1998	-29	0.31		-0.20513		11798	0.02672	
November, 1998	-28	0.36		0.16129		12409	0.05179	
December, 1998	-27	0.44		0.22222		12610	0.01620	
January, 1999	-26	0.49		0.11364		12975	0.02895	
February, 1999	-25	0.66		0.34694		12946	-0.00224	
March, 1999	-24	0.63	0.1	0.10606	0.94460	13421	0.03669	0.12290
April, 1999	-23	0.74		0.01370		14045	0.04649	
May, 1999	-22	0.71		-0.04054		13153	-0.06351	
June, 1999	-21	0.72		0.01408		13530	0.02866	
July, 1999	-20	0.72		0.00000		13770	0.01774	
August, 1999	-19	0.72		0.00000		13500	-0.01961	
September, 1999	-18	0.67	0.12	0.09722		13265	-0.01741	
October, 1999	-17	0.67		-0.15190		13328	0.00475	
November, 1999	-16	0.7		0.04478		14112	0.05882	
December, 1999	-15	0.72		0.02857		14640	0.03741	
January, 2000	-14	0.77		0.06944		14383	-0.01755	
February, 2000	-13	0.85		0.10390		14613	0.01599	
March, 2000	-12	1.11	0.13	0.45882	0.63808	14690	0.00527	0.09706
April, 2000	-11	1.04		-0.16129		14613	-0.00524	
May, 2000	-10	1.04		0.00000		14469	-0.00985	
June, 2000	-9	1.25		0.20192		15628	0.08010	
July, 2000	-8	1.22		-0.02400		15346	-0.01804	
August, 2000	-7	1.3		0.06557		15601	0.01660	
September, 2000	-6	1.35	0.15	0.15385		15714	0.00728	
October, 2000	-5	1.48		-0.01333		15527	-0.01194	
November, 2000	-4	1.49		0.00676		15714	0.01206	
December, 2000	-3	1.46		-0.02013		15404	-0.01971	
January, 2001	-2	1.7		0.16438		16058	0.04245	
February, 2001	-1	2.02		0.18824		16033	-0.00157	
March, 2001	0	2.03	0.15	0.07921	0.64117	15263	-0.04801	0.04411
April, 2001	1	2.12		-0.02752		16156	0.05851	
May, 2001	2	2.14		0.00943		16423	0.01653	
June, 2001	3	2.5		0.16822		17045	0.03786	
July, 2001	4	2.64		0.05600		16237	-0.04737	
August, 2001	5	3.01		0.14015		16062	-0.01083	
September, 2001	6	2.97	0.18	0.04651		15027	-0.06439	
October, 2001	7	3.46		0.09841		16040	0.06737	
November, 2001	8	3.7		0.06936		16559	0.03234	
December, 2001	9	3.56		-0.03784		17000	0.02664	
January, 2002	10	3.84		0.07865		17208	0.01227	
February, 2002	11	4.35		0.13281		17007	-0.01169	
March, 2002	12	4.65	0.18	0.11034	0.84455	17117	0.00649	0.12373
April, 2002	13	4.64		-0.03934		16811	-0.01789	
May, 2002	14	4.35		-0.06250		16954	0.00847	
June, 2002	15	4.06		-0.06667		16245	-0.04178	
July, 2002	16	3.9		-0.03941		15591	-0.04026	
August, 2002	17	4.35		0.11538		15835	0.01563	
September, 2002	18	3.52	0.22	-0.14023		15178	-0.04147	
October, 2002	19	3.34		-0.10695		15588	0.02702	
November, 2002	20	3.2		-0.04192		15764	0.01127	
December, 2002	21	3.25		0.01562		15508	-0.01625	
January, 2003	22	3.39		0.04308		15250	-0.01665	
February, 2003	23	3.15		-0.07080		14501	-0.04912	
March, 2003	24	3.28	0.065	0.06190	-0.33182	15075	0.03963	-0.12139
April, 2003	25	3.61		0.07922		15725	0.04306	
May, 2003	26	3.64		0.00831		15779	0.00349	
June, 2003	27	3.62		-0.00549		15967	0.01187	
July, 2003	28	3.76		0.03867		16474	0.03177	
August, 2003	29	3.69		-0.01862		16955	0.02918	
September, 2003	30	3.88		0.05149		16915	-0.00234	
October, 2003	31	4.28	0.08	0.12371		17480	0.03337	
November, 2003	32	4.36		0.00000		17126	-0.02022	
December, 2003	33	4.22		-0.03211		17774	0.03783	
January, 2004	34	4.5		0.06635		17626	-0.00832	
February, 2004	35	4.97		0.10444		18182	0.03150	
March, 2004	36	4.98	0.085	0.01911	0.43510	18604	0.02325	0.21445

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
April, 2001	-36	10.5				16156		
May, 2001	-35	12.89		0.22762		16423	0.01653	
June, 2001	-34	12.2		-0.05353		17045	0.03786	
July, 2001	-33	12.8		0.04918		16237	-0.04737	
August, 2001	-32	11.75		-0.08203		16062	-0.01083	
September, 2001	-31	10.9		-0.07234		15027	-0.06439	
October, 2001	-30	11.13		0.02110		16040	0.06737	
November, 2001	-29	10.84	0.27	-0.00180		16559	0.03234	
December, 2001	-28	11.1		-0.00090		17000	0.02664	
January, 2002	-27	11.68		0.05225		17208	0.01227	
February, 2002	-26	11.45		-0.01969		17007	-0.01169	
March, 2002	-25	12.03	0.3	0.07686		17117	0.00649	
April, 2002	-24	9.95		-0.19303	0.00369	16811	-0.01789	0.04733
May, 2002	-23	8.73		-0.12261		16954	0.00847	
June, 2002	-22	8.97		0.02749		16245	-0.04178	
July, 2002	-21	8.95		-0.00223		15591	-0.04026	
August, 2002	-20	9.03		0.00894		15835	0.01563	
September, 2002	-19	9.1		0.00775		15178	-0.04147	
October, 2002	-18	8.95		-0.01648		15588	0.02702	
November, 2002	-17	8.7	0.27	0.00223		15764	0.01127	
December, 2002	-16	9.3		0.06897		15508	-0.01625	
January, 2003	-15	9.1		-0.02151		15250	-0.01665	
February, 2003	-14	8.1		-0.10989		14501	-0.04912	
March, 2003	-13	7.94	0.3	0.01728		15075	0.03963	
April, 2003	-12	8.44		0.02427	-0.11578	15725	0.04306	-0.06044
May, 2003	-11	8.61		0.02014		15779	0.00349	
June, 2003	-10	8.7		0.01045		15967	0.01187	
July, 2003	-9	8.92		0.02529		16474	0.03177	
August, 2003	-8	9.01		0.01009		16955	0.02918	
September, 2003	-7	9.49		0.05327		16915	-0.00234	
October, 2003	-6	10.27	0.27	0.11064		17480	0.03337	
November, 2003	-5	10.9		0.03416		17126	-0.02022	
December, 2003	-4	10.67		-0.02110		17774	0.03783	
January, 2004	-3	11.13		0.04311		17626	-0.00832	
February, 2004	-2	10.99		-0.01258		18182	0.03150	
March, 2004	-1	10.74	0.3	0.00455		18604	0.02325	
April, 2004	0	10.65		-0.03533	0.24270	18549	-0.00299	0.16841
May, 2004	1	10.95		0.02817		18910	0.01946	
June, 2004	2	11.8		0.07763		19417	0.02682	
July, 2004	3	11.8		0.00000		19453	0.00188	
August, 2004	4	12.3		0.04237		19673	0.01129	
September, 2004	5	12.45		0.01220		20418	0.03787	
October, 2004	6	14.03	0.3	0.15100		21065	0.03169	
November, 2004	7	15.5		0.08165		22036	0.04610	
December, 2004	8	15.41		-0.00581		22750	0.03240	
January, 2005	9	15.74		0.02141		23069	0.01402	
February, 2005	10	14.09		-0.10483		23581	0.02219	
March, 2005	11	13.31	0.33	-0.03194		23373	-0.00882	
April, 2005	12	11.57		-0.15176	0.12010	22664	-0.03033	0.20457
May, 2005	13	12.2		0.05445		23413	0.03305	
June, 2005	14	12.1		-0.00820		24534	0.04788	
July, 2005	15	12.79		0.05702		25173	0.02605	
August, 2005	16	14.15		0.10633		25678	0.02006	
September, 2005	17	14.7		0.03887		26982	0.05078	
October, 2005	18	14.48	0.33	0.00748		25943	-0.03851	
November, 2005	19	13.15		-0.11209		27108	0.04491	
December, 2005	20	13.18		0.00228		27943	0.03080	
January, 2006	21	12.17		-0.07663		28918	0.03489	
February, 2006	22	12.09		-0.00657		29087	0.00584	
March, 2006	23	11.97	0.34	0.01820		30467	0.04744	
April, 2006	24	11.75		-0.04549	0.03566	31246	0.02557	0.32877
May, 2006	25	11.39		-0.03064		29776	-0.04705	
June, 2006	26	10.5		-0.07814		30405	0.02112	
July, 2006	27	11.54		0.09905		29882	-0.01720	
August, 2006	28	11.6		0.00520		30878	0.03333	
September, 2006	29	12.9		0.11207		31288	0.01328	
October, 2006	30	15.02	0.34	0.19070		32719	0.04574	
November, 2006	31	16		0.06525		33476	0.02314	
December, 2006	32	15.98		-0.00125		34711	0.03689	
January, 2007	33	15.7		-0.01752		35345	0.01827	
February, 2007	34	16.07		0.02357		35920	0.01627	
March, 2007	35	16.6	0.37	0.05600		37104	0.03296	
April, 2007	36	16.63		-0.02004	0.40425	38177	0.02892	0.20567

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
November, 2002	-36							
December, 2002	-35							
January, 2003	-34							
February, 2003	-33							
March, 2003	-32							
April, 2003	-31							
May, 2003	-30							
June, 2003	-29							
July, 2003	-28							
August, 2003	-27							
September, 2003	-26							
October, 2003	-25	n/a						
November, 2003	-24	2.45				17126		0.00000
December, 2003	-23	2.7	0.05	0.12245		17774	0.03783	
January, 2004	-22	2.46		-0.10545		17626	-0.00832	
February, 2004	-21	2.42		-0.01626		18182	0.03150	
March, 2004	-20	2.5		0.03306		18604	0.02325	
April, 2004	-19	2.48		-0.00800		18549	-0.00299	
May, 2004	-18	2.61		0.05242		18910	0.01946	
June, 2004	-17	2.69		0.03065		19417	0.02682	
July, 2004	-16	2.82	0.06	0.07063		19453	0.00188	
August, 2004	-15	2.7		-0.04255		19673	0.01129	
September, 2004	-14	2.78		0.02963		20418	0.03787	
October, 2004	-13	3.02		0.08633		21065	0.03169	
November, 2004	-12	3.03		0.00331	0.25621	22036	0.04610	0.25638
December, 2004	-11	3.35	0.055	0.12376		22750	0.03240	
January, 2005	-10	3.38		-0.00734		23069	0.01402	
February, 2005	-9	2.95		-0.12722		23581	0.02219	
March, 2005	-8	3.01	0.04	0.03390		23373	-0.00882	
April, 2005	-7	3.19		0.04590		22664	-0.03033	
May, 2005	-6	3.75		0.17555		23413	0.03305	
June, 2005	-5	3.92		0.04533		24534	0.04788	
July, 2005	-4	4.1		0.04592		25173	0.02605	
August, 2005	-3	4.07		-0.00732		25678	0.02006	
September, 2005	-2	4.2		0.03194		26982	0.05078	
October, 2005	-1	4.04		-0.03810		25943	-0.03851	
November, 2005	0	4.53		0.12129	0.44362	27108	0.04491	0.21368
December, 2005	1	4.5	0.055	0.00552		27943	0.03080	
January, 2006	2	4.64		0.01866		28918	0.03489	
February, 2006	3	4.52		-0.02586		29087	0.00584	
March, 2006	4	4.46		-0.01327		30467	0.04744	
April, 2006	5	4.6		0.03139		31246	0.02557	
May, 2006	6	4.18		-0.09130		29776	-0.04705	
June, 2006	7	3.74		-0.10526		30405	0.02112	
July, 2006	8	3.92	0.06	0.06417		29882	-0.01720	
August, 2006	9	4.25		0.06784		30878	0.03333	
September, 2006	10	4.34		0.02118		31288	0.01328	
October, 2006	11	4.28		-0.01382		32719	0.04574	
November, 2006	12	4.55		0.06308	0.02231	33476	0.02314	0.21691
December, 2006	13	4.7		0.03297		34711	0.03689	
January, 2007	14	4.61	0.07	-0.00426		35345	0.01827	
February, 2007	15	4.7		0.00427		35920	0.01627	
March, 2007	16	4.93		0.04894		37104	0.03296	
April, 2007	17	5.24		0.06288		38177	0.02892	
May, 2007	18	5.17		-0.01336		39185	0.02640	
June, 2007	19	4.5		-0.12959		39119	-0.00168	
July, 2007	20	4.47	0.1	0.01556		38304	-0.02083	
August, 2007	21	4.76		0.04158		39241	0.02446	
September, 2007	22	4.72		-0.00840		41424	0.05563	
October, 2007	23	4.67		-0.01059		41624	0.00483	
November, 2007	24	4.37		-0.06424	-0.02426	41417	-0.00497	0.21714
December, 2007	25	4.35		-0.00458		40291	-0.02719	
January, 2008	26	4.15	0.09	-0.02529		35920	-0.10849	
February, 2008	27	4.17		0.00482		35674	-0.00685	
March, 2008	28	4.08		-0.02158		34492	-0.03313	
April, 2008	29	4.22		0.03431		36055	0.04531	
May, 2008	30	4.11		-0.02607		36605	0.01525	
June, 2008	31	3.7		-0.09976		33875	-0.07458	
July, 2008	32	3.99	0.12	0.11081		32330	-0.04561	
August, 2008	33	3.94		-0.04136		33652	0.04089	
September, 2008	34	3.97		0.00761		30339	-0.09845	
October, 2008	35	4.03		0.01511		26515	-0.12604	
November, 2008	36	3.97		-0.01489	-0.06085	24870	-0.06204	-0.48091

Ruralco

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
May, 2003	-36	3.08				15779		
June, 2003	-35	3.31	0.04	0.08766		15967	0.01187	
July, 2003	-34	3.65		0.08955		16474	0.03177	
August, 2003	-33	3.36		-0.07945		16955	0.02918	
September, 2003	-32	3.55		0.05655		16915	-0.00234	
October, 2003	-31	3.9		0.09859		17480	0.03337	
November, 2003	-30	3.51		-0.10000		17126	-0.02022	
December, 2003	-29	3.51		0.00000		17774	0.03783	
January, 2004	-28	3.6	0.1	0.05413		17626	-0.00832	
February, 2004	-27	4.09		0.10541		18182	0.03150	
March, 2004	-26	3.99		-0.02445		18604	0.02325	
April, 2004	-25	3.99		0.00000		18549	-0.00299	
May, 2004	-24	3.9		-0.02256	0.26543	18910	0.01946	0.18438
June, 2004	-23	3.9	0.04	0.01026		19417	0.02682	
July, 2004	-22	3.7		-0.06091		19453	0.00188	
August, 2004	-21	3.7		0.00000		19673	0.01129	
September, 2004	-20	3.8		0.02703		20418	0.03787	
October, 2004	-19	3.75		-0.01316		21065	0.03169	
November, 2004	-18	3.9		0.04000		22036	0.04610	
December, 2004	-17	3.99		0.02308		22750	0.03240	
January, 2005	-16	4.14	0.11	0.06516		23069	0.01402	
February, 2005	-15	4.21		-0.00941		23581	0.02219	
March, 2005	-14	4.04		-0.04038		23373	-0.00882	
April, 2005	-13	4.05		0.00248		22664	-0.03033	
May, 2005	-12	5.07		0.25185	0.29599	23413	0.03305	0.21816
June, 2005	-11	4.09	0.05	-0.18343		24534	0.04788	
July, 2005	-10	3.91		-0.05556		25173	0.02605	
August, 2005	-9	4.01		0.02558		25678	0.02006	
September, 2005	-8	4.38		0.09227		26982	0.05078	
October, 2005	-7	4.33		-0.01142		25943	-0.03851	
November, 2005	-6	4.19		-0.03233		27108	0.04491	
December, 2005	-5	4.09	0.36	0.06205		27943	0.03080	
January, 2006	-4	3.95		-0.11236		28918	0.03489	
February, 2006	-3	3.9		-0.01266		29087	0.00584	
March, 2006	-2	4.08		0.04615		30467	0.04744	
April, 2006	-1	3.9		-0.04412		31246	0.02557	
May, 2006	0	3.9		0.00000	-0.22582	29776	-0.04705	0.24867
June, 2006	1	3.75	0.055	-0.02436		30405	0.02112	
July, 2006	2	3.75		-0.01445		29882	-0.01720	
August, 2006	3	3.7		-0.01333		30878	0.03333	
September, 2006	4	3.56		-0.03784		31288	0.01328	
October, 2006	5	3.02		-0.15169		32719	0.04574	
November, 2006	6	3.36		0.11258		33476	0.02314	
December, 2006	7	3.36		0.00000		34711	0.03689	
January, 2007	8	3.41	0.13	0.05357		35345	0.01827	
February, 2007	9	3.44		-0.02825		35920	0.01627	
March, 2007	10	3.51		0.02035		37104	0.03296	
April, 2007	11	3.41		-0.02849		38177	0.02892	
May, 2007	12	4.04		0.18475	0.07284	39185	0.02640	0.27911
June, 2007	13	3.91	0.07	-0.01485		39119	-0.00168	
July, 2007	14	3.99		0.00251		38304	-0.02083	
August, 2007	15	3.9		-0.02256		39241	0.02446	
September, 2007	16	3.88		-0.00513		41424	0.05563	
October, 2007	17	3.99		0.02835		41624	0.00483	
November, 2007	18	3.99		0.00000		41417	-0.00497	
December, 2007	19	3.9		-0.02256		40291	-0.02719	
January, 2008	20	3.75	0.13	-0.00513		35920	-0.10849	
February, 2008	21	3.85		-0.00773		35674	-0.00685	
March, 2008	22	3.9		0.01299		34492	-0.03313	
April, 2008	23	4.38		0.12308		36055	0.04531	
May, 2008	24	4.29		-0.02055	0.06843	36605	0.01525	-0.05766
June, 2008	25	4.04	0.09	-0.03730		33875	-0.07458	
July, 2008	26	4.09		0.01238		32330	-0.04561	
August, 2008	27	4.33		0.05868		33652	0.04089	
September, 2008	28	4.09		-0.05543		30339	-0.09845	
October, 2008	29	3.6		-0.11980		26515	-0.12604	
November, 2008	30	3.1		-0.13889		24870	-0.06204	
December, 2008	31	2.99	0.13	0.00645		24801	-0.00277	
January, 2009	32	3.05		-0.02244		23592	-0.04875	
February, 2009	33	2.75		-0.09836		22513	-0.04574	
March, 2009	34	2.08		-0.24364		24310	0.07982	
April, 2009	35	2		-0.03846		25664	0.05570	
May, 2009	36	1.89		-0.05500	-0.73180	26012	0.01356	-0.31401

Transurban

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
April, 2002	-36	4.3				16811		
May, 2002	-35	4.42		0.02791		16954	0.00847	
June, 2002	-34	4.2		-0.04977		16245	-0.04178	
July, 2002	-33	3.8		-0.09524		15591	-0.04026	
August, 2002	-32	4.04		0.06316		15835	0.01563	
September, 2002	-31	3.86		-0.04455		15178	-0.04147	
October, 2002	-30	3.95	0.03	0.03109		15588	0.02702	
November, 2002	-29	4.1		0.03015		15764	0.01127	
December, 2002	-28	4.02		-0.01951		15508	-0.01625	
January, 2003	-27	4.12		0.02488		15250	-0.01665	
February, 2003	-26	4.25		0.03155		14501	-0.04912	
March, 2003	-25	4.37	0.1	0.05176		15075	0.03963	
April, 2003	-24	4.72		0.05593	0.10735	15725	0.04306	-0.06044
May, 2003	-23	4.82		0.02119		15779	0.00349	
June, 2003	-22	4.77		-0.01037		15967	0.01187	
July, 2003	-21	4.55		-0.04612		16474	0.03177	
August, 2003	-20	4.38		-0.03736		16955	0.02918	
September, 2003	-19	4.27		-0.02511		16915	-0.00234	
October, 2003	-18	4.16	0.1	-0.00234		17480	0.03337	
November, 2003	-17	4.2		-0.01408		17126	-0.02022	
December, 2003	-16	4.46		0.06190		17774	0.03783	
January, 2004	-15	4.45		-0.00224		17626	-0.00832	
February, 2004	-14	4.5		0.01124		18182	0.03150	
March, 2004	-13	4.63	0.12	0.05556		18604	0.02325	
April, 2004	-12	4.54		-0.04421	-0.03197	18549	-0.00299	0.16841
May, 2004	-11	4.52		-0.00441		18910	0.01946	
June, 2004	-10	4.87		0.07743		19417	0.02682	
July, 2004	-9	5.08		0.04312		19453	0.00188	
August, 2004	-8	5.6		0.10236		19673	0.01129	
September, 2004	-7	5.43		-0.03036		20418	0.03787	
October, 2004	-6	6.35	0.135	0.19429		21065	0.03169	
November, 2004	-5	6.42		-0.01002		22036	0.04610	
December, 2004	-4	6.7		0.04361		22750	0.03240	
January, 2005	-3	8.25		0.23134		23069	0.01402	
February, 2005	-2	7.08		-0.14182		23581	0.02219	
March, 2005	-1	7.06	0.17	0.02119		23373	-0.00882	
April, 2005	0	7.41		0.02490	0.55164	22664	-0.03033	0.20457
May, 2005	1	7.27		-0.01889		23413	0.03305	
June, 2005	2	7.45		0.02476		24534	0.04788	
July, 2005	3	7.16		-0.03893		25173	0.02605	
August, 2005	4	7.15		-0.00140		25678	0.02006	
September, 2005	5	7.2	0.18	0.03217		26982	0.05078	
October, 2005	6	6.4		-0.13279		25943	-0.03851	
November, 2005	7	6.77		0.05781		27108	0.04491	
December, 2005	8	6.6		-0.02511		27943	0.03080	
January, 2006	9	7.16		0.08485		28918	0.03489	
February, 2006	10	7.14	0.245	0.03142		29087	0.00584	
March, 2006	11	6.74		-0.08734		30467	0.04744	
April, 2006	12	6.6		-0.02077	-0.09422	31246	0.02557	0.32877
May, 2006	13	6.68		0.01212		29776	-0.04705	
June, 2006	14	6.95		0.04042		30405	0.02112	
July, 2006	15	7.08		0.01871		29882	-0.01720	
August, 2006	16	6.99	0.255	0.02331		30878	0.03333	
September, 2006	17	7.3		0.00759		31288	0.01328	
October, 2006	18	7.22		-0.01096		32719	0.04574	
November, 2006	19	7.32		0.01385		33476	0.02314	
December, 2006	20	7.64		0.04372		34711	0.03689	
January, 2007	21	7.73		0.01178		35345	0.01827	
February, 2007	22	7.55	0.265	0.01100		35920	0.01627	
March, 2007	23	7.76		-0.00704		37104	0.03296	
April, 2007	24	8.05		0.03737	0.20186	38177	0.02892	0.20567
May, 2007	25	8.39		0.04224		39185	0.02640	
June, 2007	26	8.01		-0.04529		39119	-0.00168	
July, 2007	27	7.18		-0.10362		38304	-0.02083	
August, 2007	28	7.16	0.275	0.03552		39241	0.02446	
September, 2007	29	7.3		-0.01816		41424	0.05563	
October, 2007	30	7.27		-0.00411		41624	0.00483	
November, 2007	31	7.19		-0.01100		41417	-0.00497	
December, 2007	32	6.84		-0.04868		40291	-0.02719	
January, 2008	33	6.6		-0.03509		35920	-0.10849	
February, 2008	34	6.45	0.28	0.01970		35674	-0.00685	
March, 2008	35	6.5		-0.03418		34492	-0.03313	
April, 2008	36	6.86		0.05538	-0.14729	36055	0.04531	-0.04651

Goodman Hardie

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
June, 1996	-36	1.04				9119		
July, 1996	-35	1.03		-0.00962		8870	-0.02731	
August, 1996	-34	1.06		0.02913		9260	0.04397	
September, 1996	-33	1.08		0.01887		9394	0.01447	
October, 1996	-32	1.14		0.05556		9698	0.03236	
November, 1996	-31	1.16		0.01754		9867	0.01743	
December, 1996	-30	1.13		-0.02586		10065	0.02007	
January, 1997	-29	1.13		0.00000		10069	0.00040	
February, 1997	-28	1.18		0.04425		10218	0.01480	
March, 1997	-27	1.16		-0.01695		10151	-0.00656	
April, 1997	-26	1.18		0.01724		10455	0.02995	
May, 1997	-25	1.19		0.00847		10993	0.05146	
June, 1997	-24	1.25		0.05042	0.18905	11541	0.04985	0.24088
July, 1997	-23	1.24		-0.00800		11583	0.00364	
August, 1997	-22	1.2		-0.03226		11016	-0.04895	
September, 1997	-21	1.22		0.01667		11818	0.07280	
October, 1997	-20	1.18		-0.03279		10572	-0.10543	
November, 1997	-19	1.23		0.04237		10606	0.00322	
December, 1997	-18	1.22		-0.00813		11296	0.06506	
January, 1998	-17	1.26		0.03279		11472	0.01558	
February, 1998	-16	1.25		-0.00794		11695	0.01944	
March, 1998	-15	1.22		-0.02400		11961	0.02274	
April, 1998	-14	1.2		-0.01639		12058	0.00811	
May, 1998	-13	1.22		0.01667		11877	-0.01501	
June, 1998	-12	1.16		-0.04918	-0.07019	11731	-0.01229	0.02890
July, 1998	-11	1.21		0.04310		11894	0.01389	
August, 1998	-10	1.22		0.00826		10945	-0.07979	
September, 1998	-9	1.17		-0.04098		11491	0.04989	
October, 1998	-8	1.17	0.02625	0.02244		11798	0.02672	
November, 1998	-7	1.18		-0.01358		12409	0.05179	
December, 1998	-6	1.17		-0.00847		12610	0.01620	
January, 1999	-5	1.2	0.02625	0.04808		12975	0.02895	
February, 1999	-4	1.2		-0.02141		12946	-0.00224	
March, 1999	-3	1.25		0.04167		13421	0.03669	
April, 1999	-2	1.22	0.02625	-0.00300		14045	0.04649	
May, 1999	-1	1.22		-0.02106		13153	-0.06351	
June, 1999	0	1.18		-0.03279	0.02225	13530	0.02866	0.15374
July, 1999	1	1.25	0.02625	0.08157		13770	0.01774	
August, 1999	2	1.24		-0.02840		13500	-0.01961	
September, 1999	3	1.22		-0.01613		13265	-0.01741	
October, 1999	4	1.19	0.02625	-0.00307		13328	0.00475	
November, 1999	5	1.19		-0.02158		14112	0.05882	
December, 1999	6	1.19		0.00000		14640	0.03741	
January, 2000	7	1.19	0.02625	0.02206		14383	-0.01755	
February, 2000	8	1.22		0.00308		14613	0.01599	
March, 2000	9	1.19		-0.02459		14690	0.00527	
April, 2000	10	1.21	0.02625	0.03887		14613	-0.00524	
May, 2000	11	1.17		-0.05359		14469	-0.00985	
June, 2000	12	1.18		0.00855	0.00675	15628	0.08010	0.15042
July, 2000	13	1.23	0.02625	0.06462		15346	-0.01804	
August, 2000	14	1.33		0.08130		15601	0.01660	
September, 2000	15	1.31		-0.01504		15714	0.00728	
October, 2000	16	1.34	0.02675	0.04332		15527	-0.01194	
November, 2000	17	1.32		-0.03421		15714	0.01206	
December, 2000	18	1.34		0.01515		15404	-0.01971	
January, 2001	19	1.33	0.028666	0.01393		16058	0.04245	
February, 2001	20	1.33		-0.02110		16033	-0.00157	
March, 2001	21	1.26		-0.05263		15263	-0.04801	
April, 2001	22	1.3		0.03175		16156	0.05851	
May, 2001	23	1.32	0.0295	0.03808		16423	0.01653	
June, 2001	24	1.33		-0.01445	0.15072	17045	0.03786	0.09200
July, 2001	25	1.34		0.00752		16237	-0.04737	
August, 2001	26	1.42	0.0295	0.08172		16062	-0.01083	
September, 2001	27	1.38		-0.04795		15027	-0.06439	
October, 2001	28	1.39		0.00725		16040	0.06737	
November, 2001	29	1.44	0.0295	0.05719		16559	0.03234	
December, 2001	30	1.44		0.00000		17000	0.02664	
January, 2002	31	1.43		-0.00694		17208	0.01227	
February, 2002	32	1.42	0.0295	0.01364		17007	-0.01169	
March, 2002	33	1.44		-0.00655		17117	0.00649	
April, 2002	34	1.47		0.02083		16811	-0.01789	
May, 2002	35	1.47	0.0295	0.02007		16954	0.00847	
June, 2002	36	1.42		-0.05302	0.09375	16245	-0.04178	-0.04036

Forrester Parker

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
May, 1995	-36	0.67				7835		
June, 1995	-35	0.67		0.00000		7873	0.00485	
July, 1995	-34	0.67		0.00000		8259	0.04903	
August, 1995	-33	0.74		0.10448		8337	0.00944	
September, 1995	-32	0.72		-0.02703		8399	0.00744	
October, 1995	-31	0.72		0.00000		8203	-0.02334	
November, 1995	-30	0.72	0.05	0.06944		8566	0.04425	
December, 1995	-29	0.74		-0.03896		8783	0.02533	
January, 1996	-28	0.86		0.16216		9129	0.03939	
February, 1996	-27	0.85		-0.01163		9164	0.00383	
March, 1996	-26	0.79		-0.07059		8955	-0.02281	
April, 1996	-25	0.79	0.05	0.06329		9348	0.04389	
May, 1996	-24	0.8		-0.04762	0.20355	9173	-0.01872	0.16260
June, 1996	-23	0.81		0.01250		9119	-0.00589	
July, 1996	-22	0.81		0.00000		8870	-0.02731	
August, 1996	-21	0.9		0.11111		9260	0.04397	
September, 1996	-20	0.91		0.01111		9394	0.01447	
October, 1996	-19	0.95	0.05	0.09890		9698	0.03236	
November, 1996	-18	1.06		0.06000		9867	0.01743	
December, 1996	-17	1.08		0.01887		10065	0.02007	
January, 1997	-16	1.02		-0.05556		10069	0.00040	
February, 1997	-15	1.07		0.04902		10218	0.01480	
March, 1997	-14	1.04		-0.02804		10151	-0.00656	
April, 1997	-13	1.02	0.05	0.02885		10455	0.02995	
May, 1997	-12	1.06		-0.00935	0.29742	10993	0.05146	0.18515
June, 1997	-11	1.14		0.07547		11541	0.04985	
July, 1997	-10	1.17		0.02632		11583	0.00364	
August, 1997	-9	1.13		-0.03419		11016	-0.04895	
September, 1997	-8	1.28		0.13274		11818	0.07280	
October, 1997	-7	1.11	0.05	-0.09375		10572	-0.10543	
November, 1997	-6	1.14		-0.01724		10606	0.00322	
December, 1997	-5	1.22		0.07018		11296	0.06506	
January, 1998	-4	1.18		-0.03279		11472	0.01558	
February, 1998	-3	1.1		-0.06780		11695	0.01944	
March, 1998	-2	1.1		0.00000		11961	0.02274	
April, 1998	-1	1.15	0.0635	0.10318		12058	0.00811	
May, 1998	0	1.06		-0.12649	0.03563	11877	-0.01501	0.09105
June, 1998	1	0.9		-0.15094		11731	-0.01229	
July, 1998	2	0.9		0.00000		11894	0.01389	
August, 1998	3	0.77		-0.14444		10945	-0.07979	
September, 1998	4	0.81		0.05195		11491	0.04989	
October, 1998	5	0.81	0.04	0.04938		11798	0.02672	
November, 1998	6	0.83		-0.02353		12409	0.05179	
December, 1998	7	0.91		0.09639		12610	0.01620	
January, 1999	8	0.94		0.03297		12975	0.02895	
February, 1999	9	0.94		0.00000		12946	-0.00224	
March, 1999	10	0.94	0.05	0.05319		13421	0.03669	
April, 1999	11	0.94		-0.05051		14045	0.04649	
May, 1999	12	0.92		-0.02128	-0.10682	13153	-0.06351	0.11279
June, 1999	13	0.86		-0.06522		13530	0.02866	
July, 1999	14	0.88		0.02326		13770	0.01774	
August, 1999	15	0.88		0.00000		13500	-0.01961	
September, 1999	16	0.99		0.12500		13265	-0.01741	
October, 1999	17	0.93	0.05	-0.01010		13328	0.00475	
November, 1999	18	0.92		-0.06122		14112	0.05882	
December, 1999	19	0.98		0.06522		14640	0.03741	
January, 2000	20	0.94		-0.04082		14383	-0.01755	
February, 2000	21	0.89		-0.05319		14613	0.01599	
March, 2000	22	0.88		-0.01124		14690	0.00527	
April, 2000	23	0.83	0.05	0.00000		14613	-0.00524	
May, 2000	24	0.78		-0.11364	-0.14195	14469	-0.00985	0.09898
June, 2000	25	0.75		-0.03846		15628	0.08010	
July, 2000	26	0.82		0.09333		15346	-0.01804	
August, 2000	27	0.81		-0.01220		15601	0.01660	
September, 2000	28	0.74		-0.08642		15714	0.00728	
October, 2000	29	0.71	0.05	0.02703		15527	-0.01194	
November, 2000	30	0.69		-0.09211		15714	0.01206	
December, 2000	31	0.68		-0.01449		15404	-0.01971	
January, 2001	32	0.65		-0.04412		16058	0.04245	
February, 2001	33	0.65		0.00000		16033	-0.00157	
March, 2001	34	0.63		-0.03077		15263	-0.04801	
April, 2001	35	0.57	0.01	-0.07937		16156	0.05851	
May, 2001	36	0.63		0.08621	-0.19136	16423	0.01653	0.13425

Fosters

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
February, 1993	-36	2.27				5728		
March, 1993	-35	2.05		-0.09692		5968	0.04190	
April, 1993	-34	2	0.0275	-0.01098		6036	0.01139	
May, 1993	-33	1.97		-0.02836		6254	0.03612	
June, 1993	-32	1.93		-0.02030		6287	0.00528	
July, 1993	-31	2.03		0.05181		6675	0.06171	
August, 1993	-30	2.1		0.03448		7110	0.06517	
September, 1993	-29	2.22		0.05714		7150	0.00563	
October, 1993	-28	2.38	0.0325	0.08671		7736	0.08196	
November, 1993	-27	2.33		-0.03420		7372	-0.04705	
December, 1993	-26	2.43		0.04292		8002	0.08546	
January, 1994	-25	2.27		-0.06584		8508	0.06323	
February, 1994	-24	2.12		-0.06608	-0.04961	8038	-0.05524	0.35555
March, 1994	-23	2		-0.05660		7615	-0.05263	
April, 1994	-22	2.07	0.0275	0.04875		7672	0.00749	
May, 1994	-21	1.95		-0.07032		7760	0.01147	
June, 1994	-20	1.77		-0.09231		7448	-0.04021	
July, 1994	-19	1.87		0.05650		7725	0.03719	
August, 1994	-18	1.93		0.03209		7959	0.03029	
September, 1994	-17	1.9		-0.01554		7650	-0.03882	
October, 1994	-16	1.98	0.0325	0.05921		7749	0.01294	
November, 1994	-15	1.83		-0.09068		7189	-0.07227	
December, 1994	-14	1.87		0.02186		7308	0.01655	
January, 1995	-13	1.82		-0.02674		6997	-0.04256	
February, 1995	-12	1.97		0.08242	-0.05138	7352	0.05074	-0.07981
March, 1995	-11	1.88	0.0275	-0.03173		7356	0.00054	
April, 1995	-10	2.17		0.13761		7929	0.07790	
May, 1995	-9	2.05		-0.05530		7835	-0.01186	
June, 1995	-8	2.08		0.01463		7873	0.00485	
July, 1995	-7	2.08		0.00000		8259	0.04903	
August, 1995	-6	2.07		-0.00481		8337	0.00944	
September, 1995	-5	2.08		0.00483		8399	0.00744	
October, 1995	-4	2.08	0.035	0.01683		8203	-0.02334	
November, 1995	-3	2.21		0.04492		8566	0.04425	
December, 1995	-2	2.21		0.00000		8783	0.02533	
January, 1996	-1	2.25		0.01810		9129	0.03939	
February, 1996	0	2.28		0.01333	0.15842	9164	0.00383	0.22682
March, 1996	1	2.21	0.05	-0.00877		8955	-0.02281	
April, 1996	2	2.33		0.03097		9348	0.04389	
May, 1996	3	2.28		-0.02146		9173	-0.01872	
June, 1996	4	2.19		-0.03947		9119	-0.00589	
July, 1996	5	2.12		-0.03196		8870	-0.02731	
August, 1996	6	2.32		0.09434		9260	0.04397	
September, 1996	7	2.27		-0.02155		9394	0.01447	
October, 1996	8	2.3	0.06	0.03965		9698	0.03236	
November, 1996	9	2.29		-0.02966		9867	0.01743	
December, 1996	10	2.55		0.11354		10065	0.02007	
January, 1997	11	2.65		0.03922		10069	0.00040	
February, 1997	12	2.69		0.01509	0.17993	10218	0.01480	0.11266
March, 1997	13	2.64	0.05	0.00000		10151	-0.00656	
April, 1997	14	2.64		-0.01859		10455	0.02995	
May, 1997	15	2.57		-0.02652		10993	0.05146	
June, 1997	16	2.46		-0.04280		11541	0.04985	
July, 1997	17	2.63		0.06911		11583	0.00364	
August, 1997	18	2.57		-0.02281		11016	-0.04895	
September, 1997	19	2.9		0.12840		11818	0.07280	
October, 1997	20	2.7	0.06	-0.04828		10572	-0.10543	
November, 1997	21	2.71		-0.01812		10606	0.00322	
December, 1997	22	2.92		0.07749		11296	0.06506	
January, 1998	23	3.1		0.06164		11472	0.01558	
February, 1998	24	3.25		0.04839	0.20792	11695	0.01944	0.15005
March, 1998	25	3.29	0.05	0.02769		11961	0.02274	
April, 1998	26	3.34		0.00000		12058	0.00811	
May, 1998	27	3.47		0.03892		11877	-0.01501	
June, 1998	28	3.8		0.09510		11731	-0.01229	
July, 1998	29	3.69		-0.02895		11894	0.01389	
August, 1998	30	3.61		-0.02168		10945	-0.07979	
September, 1998	31	3.68		0.01939		11491	0.04989	
October, 1998	32	3.93	0.06	0.08424		11798	0.02672	
November, 1998	33	4.17		0.04511		12409	0.05179	
December, 1998	34	4.42		0.05995		12610	0.01620	
January, 1999	35	4.67		0.05656		12975	0.02895	
February, 1999	36	4.62		-0.01071	0.36564	12946	-0.00224	0.10896

Evans Deakin

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
July, 1993	-36	2.58				6675		
August, 1993	-35	2.55		-0.01163		7110	0.06517	
September, 1993	-34	2.35		-0.07843		7150	0.00563	
October, 1993	-33	2.75		0.17021		7736	0.08196	
November, 1993	-32	2.6	0.045	-0.03818		7372	-0.04705	
December, 1993	-31	2.9		0.09641		8002	0.08546	
January, 1994	-30	3.5		0.20690		8508	0.06323	
February, 1994	-29	3.38		-0.03429		8038	-0.05524	
March, 1994	-28	3.12	0.05	-0.06213		7615	-0.05263	
April, 1994	-27	3.25		0.02524		7672	0.00749	
May, 1994	-26	3.1		-0.04615		7760	0.01147	
June, 1994	-25	2.94		-0.05161		7448	-0.04021	
July, 1994	-24	2.85		-0.03061	0.14572	7725	0.03719	0.16247
August, 1994	-23	2.89		0.01404		7959	0.03029	
September, 1994	-22	2.7		-0.06574		7650	-0.03882	
October, 1994	-21	2.7		0.00000		7749	0.01294	
November, 1994	-20	2.6	0.07	-0.01111		7189	-0.07227	
December, 1994	-19	2.46		-0.07865		7308	0.01655	
January, 1995	-18	2.5		0.01626		6997	-0.04256	
February, 1995	-17	2.5		0.00000		7352	0.05074	
March, 1995	-16	2.34	0.07	-0.03600		7356	0.00054	
April, 1995	-15	2.4		-0.00415		7929	0.07790	
May, 1995	-14	2.7		0.12500		7835	-0.01186	
June, 1995	-13	2.65		-0.01852		7873	0.00485	
July, 1995	-12	2.75		0.03774	-0.02114	8259	0.04903	0.07734
August, 1995	-11	2.9		0.05455		8337	0.00944	
September, 1995	-10	3.15		0.08621		8399	0.00744	
October, 1995	-9	3		-0.04762		8203	-0.02334	
November, 1995	-8	3.01	0.07	0.02667		8566	0.04425	
December, 1995	-7	3.3		0.09635		8783	0.02533	
January, 1996	-6	3.25		-0.01515		9129	0.03939	
February, 1996	-5	3.01		-0.07385		9164	0.00383	
March, 1996	-4	3.08	0.07	0.04651		8955	-0.02281	
April, 1996	-3	3		-0.04762		9348	0.04389	
May, 1996	-2	3.06		0.02000		9173	-0.01872	
June, 1996	-1	2.97		-0.02941		9119	-0.00589	
July, 1996	0	2.68		-0.09764	0.01899	8870	-0.02731	0.07552
August, 1996	1	3.04		0.13433		9260	0.04397	
September, 1996	2	3.07		0.00987		9394	0.01447	
October, 1996	3	3.28		0.06840		9698	0.03236	
November, 1996	4	3.42	0.07	0.06402		9867	0.01743	
December, 1996	5	3.4		-0.02579		10065	0.02007	
January, 1997	6	3.34		-0.01765		10069	0.00040	
February, 1997	7	3.44		0.02994		10218	0.01480	
March, 1997	8	3.33	0.07	-0.01163		10151	-0.00656	
April, 1997	9	3.25		-0.04412		10455	0.02995	
May, 1997	10	3.65		0.12308		10993	0.05146	
June, 1997	11	4		0.09589		11541	0.04985	
July, 1997	12	3.85		-0.03750	0.38885	11583	0.00364	0.27183
August, 1997	13	4.09		0.06234		11016	-0.04895	
September, 1997	14	4.25		0.03912		11818	0.07280	
October, 1997	15	3.74	0.08	-0.10118		10572	-0.10543	
November, 1997	16	3.85		0.02941		10606	0.00322	
December, 1997	17	4.1		0.06494		11296	0.06506	
January, 1998	18	3.9		-0.04878		11472	0.01558	
February, 1998	19	4.35		0.11538		11695	0.01944	
March, 1998	20	4.42	0.08	0.03448		11961	0.02274	
April, 1998	21	4.3		-0.04444		12058	0.00811	
May, 1998	22	4.2		-0.02326		11877	-0.01501	
June, 1998	23	4.1		-0.02381		11731	-0.01229	
July, 1998	24	4		-0.02439	0.07981	11894	0.01389	0.03916
August, 1998	25	3.85		-0.03750		10945	-0.07979	
September, 1998	26	4.2		0.09091		11491	0.04989	
October, 1998	27	3.94	0.095	-0.03929		11798	0.02672	
November, 1998	28	3.59		-0.11029		12409	0.05179	
December, 1998	29	3.99		0.11142		12610	0.01620	
January, 1999	30	4.14		0.03759		12975	0.02895	
February, 1999	31	4		-0.03382		12946	-0.00224	
March, 1999	32	3.89	0.115	0.00125		13421	0.03669	
April, 1999	33	3.95		-0.01373		14045	0.04649	
May, 1999	34	4.03		0.02025		13153	-0.06351	
June, 1999	35	3.87		-0.03970		13530	0.02866	
July, 1999	36	3.68		-0.04910	-0.06199	13770	0.01774	0.15759

Multiplex

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
October, 2001	-36					16040		
November, 2001	-35					16559		
December, 2001	-34					17000		
January, 2002	-33					17208		
February, 2002	-32					17007		
March, 2002	-31					17117		
April, 2002	-30					16811		
May, 2002	-29					16954		
June, 2002	-28					16245		
July, 2002	-27					15591		
August, 2002	-26					15835		
September, 2002	-25					15178		
October, 2002	-24					15588		
November, 2002	-23					15764		
December, 2002	-22					15508		
January, 2003	-21					15250		
February, 2003	-20					14501		
March, 2003	-19					15075		
April, 2003	-18					15725		
May, 2003	-17					15779		
June, 2003	-16					15967		
July, 2003	-15					16474		
August, 2003	-14					16955		
September, 2003	-13					16915		
October, 2003	-12					17480		
November, 2003	-11	n/a				17126		
December, 2003	-10	3.36				17774		
January, 2004	-9	3.8		0.13095		17626	0.02920	
February, 2004	-8	3.55		-0.06579		18182	0.03150	
March, 2004	-7	3.74	0.02	0.05915		18604	0.02325	
April, 2004	-6	3.49		-0.07181		18549	-0.00299	
May, 2004	-5	3.45		-0.01146		18910	0.01946	
June, 2004	-4	3.44		-0.00290		19417	0.02682	
July, 2004	-3	3.65		0.06105		19453	0.00188	
August, 2004	-2	3.73	0.1263	0.05652		19673	0.01129	
September, 2004	-1	3.78		-0.01979		20418	0.03787	
October, 2004	0	4.02		0.06349	0.19942	21065	0.03169	0.20997
November, 2004	1	4.51		0.12189		22036	0.04610	
December, 2004	2	5.44		0.20621		22750	0.03240	
January, 2005	3	5.84		0.07353		23069	0.01402	
February, 2005	4	4.61	0.1581	-0.18354		23581	0.02219	
March, 2005	5	4.32		-0.09398		23373	-0.00882	
April, 2005	6	3.98		-0.07870		22664	-0.03033	
May, 2005	7	2.56		-0.35678		23413	0.03305	
June, 2005	8	2.91		0.13672		24534	0.04788	
July, 2005	9	3.04		0.04467		25173	0.02605	
August, 2005	10	3.36	0.14	0.15132		25678	0.02006	
September, 2005	11	3.05		-0.12857		26982	0.05078	
October, 2005	12	3.31		0.08525	-0.02200	25943	-0.03851	0.21487
November, 2005	13	3.3		-0.00302		27108	0.04491	
December, 2005	14	3.15		-0.04545		27943	0.03080	
January, 2006	15	3.27		0.03810		28918	0.03489	
February, 2006	16	3.16	0.08	-0.00917		29087	0.00584	
March, 2006	17	3.07		-0.05247		30467	0.04744	
April, 2006	18	3.06		-0.00326		31246	0.02557	
May, 2006	19	3.14		0.02614		29776	-0.04705	
June, 2006	20	3.27		0.04140		30405	0.02112	
July, 2006	21	3.57		0.09174		29882	-0.01720	
August, 2006	22	3.38	0.175	-0.00420		30878	0.03333	
September, 2006	23	3.52		-0.00985		31288	0.01328	
October, 2006	24	3.68		0.04545	0.11541	32719	0.04574	0.23868
November, 2006	25	3.9		0.05978		33476	0.02314	
December, 2006	26	4		0.02564		34711	0.03689	
January, 2007	27	4.45		0.11250		35345	0.01827	
February, 2007	28	4.41	0.85	0.18202		35920	0.01627	
March, 2007	29	4.47		-0.15019		37104	0.03296	
April, 2007	30	4.65		0.04027		38177	0.02892	
May, 2007	31	4.92		0.05806		39185	0.02640	
June, 2007	32	4.92		0.00000		39119	-0.00168	
July, 2007	33	4.96		0.00813		38304	-0.02083	
August, 2007	34	4.99	0.1	0.02621		39241	0.02446	
September, 2007	35	5.01		-0.01572		41424	0.05563	
October, 2007	36	5.03		0.00399	0.35070	41624	0.00483	0.24525

Lang Corp.

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
December, 1996	-36	0.7				10065		
January, 1997	-35	0.71		0.01429		10069	0.00040	
February, 1997	-34	0.71		0.00000		10218	0.01480	
March, 1997	-33	0.66		-0.07042		10151	-0.00656	
April, 1997	-32	0.64		-0.03030		10455	0.02995	
May, 1997	-31	0.64		0.00000		10993	0.05146	
June, 1997	-30	0.66		0.03125		11541	0.04985	
July, 1997	-29	0.61		-0.07576		11583	0.00364	
August, 1997	-28	0.56		-0.08197		11016	-0.04895	
September, 1997	-27	0.49		-0.12500		11818	0.07280	
October, 1997	-26	0.49		0.00000		10572	-0.10543	
November, 1997	-25	0.43		-0.12245		10606	0.00322	
December, 1997	-24	0.39		-0.09302	-0.55339	11296	0.06506	0.13023
January, 1998	-23	0.48		0.23077		11472	0.01558	
February, 1998	-22	0.55		0.14583		11695	0.01944	
March, 1998	-21	0.62		0.12727		11961	0.02274	
April, 1998	-20	0.56		-0.09677		12058	0.00811	
May, 1998	-19	0.58		0.03571		11877	-0.01501	
June, 1998	-18	0.68		0.17241		11731	-0.01229	
July, 1998	-17	0.68		0.00000		11894	0.01389	
August, 1998	-16	0.56		-0.17647		10945	-0.07979	
September, 1998	-15	0.74		0.32143		11491	0.04989	
October, 1998	-14	0.77		0.04054		11798	0.02672	
November, 1998	-13	1.13		0.46753		12409	0.05179	
December, 1998	-12	1.15		0.01770	1.28596	12610	0.01620	0.11727
January, 1999	-11	1.25		0.08696		12975	0.02895	
February, 1999	-10	1.5		0.20000		12946	-0.00224	
March, 1999	-9	1.63		0.08667		13421	0.03669	
April, 1999	-8	1.63		0.00000		14045	0.04649	
May, 1999	-7	1.46		-0.10429		13153	-0.06351	
June, 1999	-6	1.66		0.13699		13530	0.02866	
July, 1999	-5	1.66		0.00000		13770	0.01774	
August, 1999	-4	1.76		0.06024		13500	-0.01961	
September, 1999	-3	1.91		0.08523		13265	-0.01741	
October, 1999	-2	2.15		0.12565		13328	0.00475	
November, 1999	-1	2.35		0.09302		14112	0.05882	
December, 1999	0	2.37		0.00851	0.77897	14640	0.03741	0.15676
January, 2000	1	2.3		-0.02954		14383	-0.01755	
February, 2000	2	2.59		0.12609		14613	0.01599	
March, 2000	3	2.5		-0.03475		14690	0.00527	
April, 2000	4	2.63		0.05200		14613	-0.00524	
May, 2000	5	2.65		0.00760		14469	-0.00985	
June, 2000	6	3.01		0.13585		15628	0.08010	
July, 2000	7	3.09		0.02658		15346	-0.01804	
August, 2000	8	2.96		-0.04207		15601	0.01660	
September, 2000	9	2.95		-0.00338		15714	0.00728	
October, 2000	10	3.24		0.09831		15527	-0.01194	
November, 2000	11	3.7		0.14198		15714	0.01206	
December, 2000	12	3.72		0.00541	0.48407	15404	-0.01971	0.05495
January, 2001	13	4.28		0.15054		16058	0.04245	
February, 2001	14	3.85	0.08	-0.08178		16033	-0.00157	
March, 2001	15	3.5		-0.10941		15263	-0.04801	
April, 2001	16	3.57		0.02000		16156	0.05851	
May, 2001	17	3.47		-0.02801		16423	0.01653	
June, 2001	18	3.67	0.08	0.08069		17045	0.03786	
July, 2001	19	3.45		-0.08000		16237	-0.04737	
August, 2001	20	3.81		0.10435		16062	-0.01083	
September, 2001	21	3.56		-0.06562		15027	-0.06439	
October, 2001	22	3.57		0.00281		16040	0.06737	
November, 2001	23	3.57		0.00000		16559	0.03234	
December, 2001	24	3.73		0.04482	0.03839	17000	0.02664	0.10952
January, 2002	25	4.5		0.20643		17208	0.01227	
February, 2002	26	4.9	0.09	0.10889		17007	-0.01169	
March, 2002	27	5.33		0.06814		17117	0.00649	
April, 2002	28	5.55		0.04128		16811	-0.01789	
May, 2002	29	5.86		0.05586		16954	0.00847	
June, 2002	30	5.47	0.09	-0.05119		16245	-0.04178	
July, 2002	31	5.17		-0.07014		15591	-0.04026	
August, 2002	32	5.32		0.02901		15835	0.01563	
September, 2002	33	4.61		-0.13346		15178	-0.04147	
October, 2002	34	4.71		0.02169		15588	0.02702	
November, 2002	35	4.46		-0.05308		15764	0.01127	
December, 2002	36	4.37		-0.02018	0.20324	15508	-0.01625	-0.08819

Seven

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
October, 1992	-36							
November, 1992	-35							
December, 1992	-34							
January, 1993	-33							
February, 1993	-32							
March, 1993	-31							
April, 1993	-30							
May, 1993	-29							
June, 1993	-28							
July, 1993	-27	n/a						
August, 1993	-26	2.98				7110		
September, 1993	-25	3.15		0.05705		7150	0.00563	
October, 1993	-24	3.68		0.16825	0.22530	7736	0.08196	0.08758
November, 1993	-23	3.2		-0.13043		7372	-0.04705	
December, 1993	-22	3.68		0.15000		8002	0.08546	
January, 1994	-21	4.37		0.18750		8508	0.06323	
February, 1994	-20	3.9		-0.10755		8038	-0.05524	
March, 1994	-19	3.79		-0.02821		7615	-0.05263	
April, 1994	-18	3.55	0.04	-0.05277		7672	0.00749	
May, 1994	-17	3.45		-0.03900		7760	0.01147	
June, 1994	-16	3.3		-0.04348		7448	-0.04021	
July, 1994	-15	3.46		0.04848		7725	0.03719	
August, 1994	-14	3.57		0.03179		7959	0.03029	
September, 1994	-13	3.12		-0.12605		7650	-0.03882	
October, 1994	-12	3.07	0.12	0.02244	-0.08728	7749	0.01294	0.01412
November, 1994	-11	2.7		-0.15361		7189	-0.07227	
December, 1994	-10	2.9		0.07407		7308	0.01655	
January, 1995	-9	2.72		-0.06207		6997	-0.04256	
February, 1995	-8	3.01		0.10662		7352	0.05074	
March, 1995	-7	2.8		-0.06977		7356	0.00054	
April, 1995	-6	3.35	0.045	0.21250		7929	0.07790	
May, 1995	-5	3.22		-0.05155		7835	-0.01186	
June, 1995	-4	3.25		0.00932		7873	0.00485	
July, 1995	-3	3.28		0.00923		8259	0.04903	
August, 1995	-2	3.4		0.03659		8337	0.00944	
September, 1995	-1	3.33	0.12	0.01471		8399	0.00744	
October, 1995	0	3.41		0.02402	0.15007	8203	-0.02334	0.06647
November, 1995	1	3.58		0.04985		8566	0.04425	
December, 1995	2	3.78		0.05587		8783	0.02533	
January, 1996	3	4.12		0.08995		9129	0.03939	
February, 1996	4	4.05		-0.01699		9164	0.00383	
March, 1996	5	3.75		-0.07407		8955	-0.02281	
April, 1996	6	3.8	0.045	0.02533		9348	0.04389	
May, 1996	7	3.78		-0.01691		9173	-0.01872	
June, 1996	8	4.05		0.07143		9119	-0.00589	
July, 1996	9	3.64		-0.10123		8870	-0.02731	
August, 1996	10	3.88		0.06593		9260	0.04397	
September, 1996	11	3.98		0.02577		9394	0.01447	
October, 1996	12	3.92	0.13	0.01759	0.19252	9698	0.03236	0.17278
November, 1996	13	4		-0.01235		9867	0.01743	
December, 1996	14	4.29		0.07250		10065	0.02007	
January, 1997	15	4.13		-0.03730		10069	0.00040	
February, 1997	16	4.27		0.03390		10218	0.01480	
March, 1997	17	4.56		0.06792		10151	-0.00656	
April, 1997	18	4.83	0.045	0.06908		10455	0.02995	
May, 1997	19	5.45		0.11795		10993	0.05146	
June, 1997	20	5.75		0.05505		11541	0.04985	
July, 1997	21	5.75		0.00000		11583	0.00364	
August, 1997	22	5.5		-0.04348		11016	-0.04895	
September, 1997	23	6.05		0.10000		11818	0.07280	
October, 1997	24	5.1	0.155	-0.13140	0.29186	10572	-0.10543	0.09945
November, 1997	25	5.35		0.01808		10606	0.00322	
December, 1997	26	5.56		0.03925		11296	0.06506	
January, 1998	27	5.56		0.00000		11472	0.01558	
February, 1998	28	5.28		-0.05036		11695	0.01944	
March, 1998	29	5.55		0.05114		11961	0.02274	
April, 1998	30	5.51	0.05	0.00180		12058	0.00811	
May, 1998	31	5.45		-0.01978		11877	-0.01501	
June, 1998	32	4.86		-0.10826		11731	-0.01229	
July, 1998	33	4.29		-0.11728		11894	0.01389	
August, 1998	34	5.1		0.18881		10945	-0.07979	
September, 1998	35	4.8		-0.05882		11491	0.04989	
October, 1998	36	4.71	0.155	0.01354	-0.04189	11798	0.02672	0.11755

Stockland

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
October, 1997	-36	3.13				10572		
November, 1997	-35	3.4		0.08626		10606	0.00322	
December, 1997	-34	3.36		-0.01176		11296	0.06506	
January, 1998	-33	3.48		0.03571		11472	0.01558	
February, 1998	-32	3.54	0.123	0.05259		11695	0.01944	
March, 1998	-31	3.63		-0.00901		11961	0.02274	
April, 1998	-30	3.63		0.00000		12058	0.00811	
May, 1998	-29	3.66		0.00826		11877	-0.01501	
June, 1998	-28	3.49		-0.04645		11731	-0.01229	
July, 1998	-27	3.6		0.03152		11894	0.01389	
August, 1998	-26	3.35	0.124	-0.03500		10945	-0.07979	
September, 1998	-25	3.51		0.01036		11491	0.04989	
October, 1998	-24	3.49		-0.00570	0.11679	11798	0.02672	0.11755
November, 1998	-23	3.75		0.07450		12409	0.05179	
December, 1998	-22	3.84		0.02400		12610	0.01620	
January, 1999	-21	3.9		0.01563		12975	0.02895	
February, 1999	-20	3.59	0.125	-0.04744		12946	-0.00224	
March, 1999	-19	3.65		-0.01750		13421	0.03669	
April, 1999	-18	3.5		-0.04110		14045	0.04649	
May, 1999	-17	3.28		-0.06286		13153	-0.06351	
June, 1999	-16	3.26		-0.00610		13530	0.02866	
July, 1999	-15	3.48		0.06748		13770	0.01774	
August, 1999	-14	3.4	0.126	0.01322		13500	-0.01961	
September, 1999	-13	3.27		-0.07260		13265	-0.01741	
October, 1999	-12	3.19		-0.02446	-0.07722	13328	0.00475	0.12851
November, 1999	-11	3.12		-0.02194		14112	0.05882	
December, 1999	-10	3.02		-0.03205		14640	0.03741	
January, 2000	-9	3.14		0.03974		14383	-0.01755	
February, 2000	-8	3.16	0.129	0.04745		14613	0.01599	
March, 2000	-7	3.25		-0.01186		14690	0.00527	
April, 2000	-6	3.28		0.00923		14613	-0.00524	
May, 2000	-5	3.36		0.02439		14469	-0.00985	
June, 2000	-4	3.33		-0.00893		15628	0.08010	
July, 2000	-3	3.54		0.06306		15346	-0.01804	
August, 2000	-2	3.53	0.132	0.03446		15601	0.01660	
September, 2000	-1	3.51		-0.04151		15714	0.00728	
October, 2000	0	3.54		0.00855	0.11059	15527	-0.01194	0.15884
November, 2000	1	3.64		0.02825		15714	0.01206	
December, 2000	2	3.69		0.01374		15404	-0.01971	
January, 2001	3	3.72		0.00813		16058	0.04245	
February, 2001	4	3.77	0.139	0.05081		16033	-0.00157	
March, 2001	5	3.8		-0.02788		15263	-0.04801	
April, 2001	6	3.78		-0.00526		16156	0.05851	
May, 2001	7	3.73		-0.01323		16423	0.01653	
June, 2001	8	3.8		0.01877		17045	0.03786	
July, 2001	9	3.92		0.03158		16237	-0.04737	
August, 2001	10	4.12	0.144	0.08776		16062	-0.01083	
September, 2001	11	4.06		-0.04784		15027	-0.06439	
October, 2001	12	4.18		0.02956	0.17436	16040	0.06737	0.04289
November, 2001	13	4.17		-0.00239		16559	0.03234	
December, 2001	14	4.08		-0.02158		17000	0.02664	
January, 2002	15	3.97		-0.02696		17208	0.01227	
February, 2002	16	4.09	0.145	0.06675		17007	-0.01169	
March, 2002	17	4.08		-0.03660		17117	0.00649	
April, 2002	18	4.15		0.01716		16811	-0.01789	
May, 2002	19	4.34		0.04578		16954	0.00847	
June, 2002	20	4.15		-0.04378		16245	-0.04178	
July, 2002	21	3.99		-0.03855		15591	-0.04026	
August, 2002	22	4.18	0.152	0.08571		15835	0.01563	
September, 2002	23	4.32		-0.00277		15178	-0.04147	
October, 2002	24	4.35		0.00694	0.04971	15588	0.02702	-0.02423
November, 2002	25	4.61		0.05977		15764	0.01127	
December, 2002	26	4.55		-0.01302		15508	-0.01625	
January, 2003	27	4.69		0.03077		15250	-0.01665	
February, 2003	28	4.59	0.156	0.01194		14501	-0.04912	
March, 2003	29	4.69		-0.01180		15075	0.03963	
April, 2003	30	4.72		0.00640		15725	0.04306	
May, 2003	31	5.03		0.06568		15779	0.00349	
June, 2003	32	4.73		-0.05964		15967	0.01187	
July, 2003	33	4.77		0.00846		16474	0.03177	
August, 2003	34	4.62	0.165	0.00314		16955	0.02918	
September, 2003	35	4.35		-0.09091		16915	-0.00234	
October, 2003	36	4.58		0.05287	0.06366	17480	0.03337	0.11929

Pacific Dunlop

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
August, 1988	-36							
September, 1988	-35							
October, 1988	-34							
November, 1988	-33							
December, 1988	-32							
January, 1989	-31							
February, 1989	-30							
March, 1989	-29							
April, 1989	-28							
May, 1989	-27							
June, 1989	-26							
July, 1989	-25							
August, 1989	-24							
September, 1989	-23							
October, 1989	-22							
November, 1989	-21							
December, 1989	-20							
January, 1990	-19							
February, 1990	-18							
March, 1990	-17							
April, 1990	-16							
May, 1990	-15							
June, 1990	-14							
July, 1990	-13							
August, 1990	-12	21.65				4805		
September, 1990	-11	19.61		-0.09423		4464	-0.07097	
October, 1990	-10	19.66		0.00255		4286	-0.03987	
November, 1990	-9	21.04	0.105	0.07553		4301	0.00350	
December, 1990	-8	21.34		0.00922		4198	-0.02395	
January, 1991	-7	21.52		0.00843		4336	0.03287	
February, 1991	-6	23.03		0.07017		4622	0.06596	
March, 1991	-5	23.47		0.01911		4776	0.03332	
April, 1991	-4	23.55		0.00341		5093	0.06637	
May, 1991	-3	23.12	0.105	-0.01380		5038	-0.01080	
June, 1991	-2	22.25		-0.04198		5047	0.00179	
July, 1991	-1	22.17		-0.00360		5274	0.04498	
August, 1991	0	21.99		-0.00812	0.02670	5174	-0.01896	0.08424
September, 1991	1	23.21		0.05548		5257	0.01604	
October, 1991	2	26.05	0.105	0.12688		5700	0.08427	
November, 1991	3	24.82		-0.05104		5469	-0.04053	
December, 1991	4	25.73		0.03666		5635	0.03035	
January, 1992	5	24.59		-0.04431		5544	-0.01615	
February, 1992	6	23.59		-0.04067		5526	-0.00325	
March, 1992	7	22.95		-0.02713		5436	-0.01629	
April, 1992	8	25.45		0.10893		5716	0.05151	
May, 1992	9	24.82		-0.02475		5816	0.01749	
June, 1992	10	23.59		-0.04956		5720	-0.01651	
July, 1992	11	22.09	0.105	-0.05914		5632	-0.01538	
August, 1992	12	21.41		-0.03537	-0.00400	5393	-0.04244	0.04913
September, 1992	13	20.09		-0.06165		5198	-0.03616	
October, 1992	14	19.77		-0.01593		5034	-0.03155	
November, 1992	15	21.91	0.105	0.11356		5124	0.01788	
December, 1992	16	22.73		0.03248		5505	0.07436	
January, 1993	17	22.91		0.00792		5429	-0.01381	
February, 1993	18	24.32		0.06155		5728	0.05507	
March, 1993	19	23.68		-0.02632		5968	0.04190	
April, 1993	20	22.55		-0.04772		6036	0.01139	
May, 1993	21	22.18		-0.01641		6254	0.03612	
June, 1993	22	22.09		-0.00406		6287	0.00528	
July, 1993	23	22.68	0.105	0.03146		6675	0.06171	
August, 1993	24	23.27		0.02129	0.09616	7110	0.06517	0.28736
September, 1993	25	24.85		0.06790		7150	0.00563	
October, 1993	26	26.2		0.05433		7736	0.08196	
November, 1993	27	24.6	0.11	-0.05687		7372	-0.04705	
December, 1993	28	27.1		0.09672		8002	0.08546	
January, 1994	29	29.35		0.08303		8508	0.06323	
February, 1994	30	26.85		-0.08518		8038	-0.05524	
March, 1994	31	25		-0.06890		7615	-0.05263	
April, 1994	32	24.1		-0.03600		7672	0.00749	
May, 1994	33	23		-0.04564		7760	0.01147	
June, 1994	34	21.55		-0.06304		7448	-0.04021	
July, 1994	35	22.6	0.11	0.05383		7725	0.03719	
August, 1994	36	22.75		0.00176	0.00192	7959	0.03029	0.12759

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
November, 1990	-36	3.97	0.13			4301		
December, 1990	-35	4.18		0.01951		4198	-0.02395	
January, 1991	-34	4.62		0.10526		4336	0.03287	
February, 1991	-33	4.78		0.03463		4622	0.06596	
March, 1991	-32	4.44		-0.07113		4776	0.03332	
April, 1991	-31	4.72	0.12	0.09009		5093	0.06637	
May, 1991	-30	4.49		-0.07231		5038	-0.01080	
June, 1991	-29	4.18		-0.06904		5047	0.00179	
July, 1991	-28	4.31		0.03110		5274	0.04498	
August, 1991	-27	4.07		-0.05568		5174	-0.01896	
September, 1991	-26	4.18		0.02703		5257	0.01604	
October, 1991	-25	4.63		0.10766		5700	0.08427	
November, 1991	-24	4.19	0.08	-0.07775	0.06936	5469	-0.04053	0.25136
December, 1991	-23	4.45		0.04215		5635	0.03035	
January, 1992	-22	4.21		-0.05393		5544	-0.01615	
February, 1992	-21	4.17		-0.00950		5526	-0.00325	
March, 1992	-20	4.02		-0.03597		5436	-0.01629	
April, 1992	-19	4.51	0.08	0.14179		5716	0.05151	
May, 1992	-18	4.32		-0.05882		5816	0.01749	
June, 1992	-17	3.99		-0.07639		5720	-0.01651	
July, 1992	-16	3.81		-0.04511		5632	-0.01538	
August, 1992	-15	3.52		-0.07612		5393	-0.04244	
September, 1992	-14	3.4		-0.03409		5198	-0.03616	
October, 1992	-13	3.17		-0.06765		5034	-0.03155	
November, 1992	-12	3.32	0.08	0.07256	-0.20108	5124	0.01788	-0.06048
December, 1992	-11	3.7		0.08824		5505	0.07436	
January, 1993	-10	3.57		-0.03514		5429	-0.01381	
February, 1993	-9	3.77		0.05602		5728	0.05507	
March, 1993	-8	3.81		0.01061		5968	0.04190	
April, 1993	-7	3.8	0.08	0.01837		6036	0.01139	
May, 1993	-6	3.85		-0.00773		6254	0.03612	
June, 1993	-5	3.84		-0.00260		6287	0.00528	
July, 1993	-4	3.93		0.02344		6675	0.06171	
August, 1993	-3	4.4		0.11959		7110	0.06517	
September, 1993	-2	4.63		0.05227		7150	0.00563	
October, 1993	-1	5.11	0.1	0.12527		7736	0.08196	
November, 1993	0	5.06		-0.00978	0.43856	7372	-0.04705	0.37773
December, 1993	1	5.46		0.07905		8002	0.08546	
January, 1994	2	5.52		0.01099		8508	0.06323	
February, 1994	3	5.69		0.03080		8038	-0.05524	
March, 1994	4	4.82		-0.15290		7615	-0.05263	
April, 1994	5	4.73	0.1	0.00207		7672	0.00749	
May, 1994	6	4.6		-0.02748		7760	0.01147	
June, 1994	7	4.35		-0.05435		7448	-0.04021	
July, 1994	8	4.64		0.06667		7725	0.03719	
August, 1994	9	4.54		-0.02155		7959	0.03029	
September, 1994	10	4.31		-0.05066		7650	-0.03882	
October, 1994	11	4.41	0.1	0.04640		7749	0.01294	
November, 1994	12	4.36		-0.03326	-0.10422	7189	-0.07227	-0.01109
December, 1994	13	4.43		0.01606		7308	0.01655	
January, 1995	14	4.24		-0.04289		6997	-0.04256	
February, 1995	15	4.73		0.11557		7352	0.05074	
March, 1995	16	4.48		-0.05285		7356	0.00054	
April, 1995	17	4.54	0.105	0.03683		7929	0.07790	
May, 1995	18	4.53		-0.02476		7835	-0.01186	
June, 1995	19	4.58		0.01104		7873	0.00485	
July, 1995	20	4.66		0.01747		8259	0.04903	
August, 1995	21	4.4		-0.05579		8337	0.00944	
September, 1995	22	4.36		-0.00909		8399	0.00744	
October, 1995	23	4.09	0.105	-0.03784		8203	-0.02334	
November, 1995	24	4.17		0.01956	-0.00671	8566	0.04425	0.18299
December, 1995	25	4.43		0.06235		8783	0.02533	
January, 1996	26	4.4		-0.00677		9129	0.03939	
February, 1996	27	4.6		0.04545		9164	0.00383	
March, 1996	28	4.36		-0.05217		8955	-0.02281	
April, 1996	29	4.32		-0.00917		9348	0.04389	
May, 1996	30	4.28	0.105	0.01505		9173	-0.01872	
June, 1996	31	4.3		0.00467		9119	-0.00589	
July, 1996	32	4.05		-0.05814		8870	-0.02731	
August, 1996	33	3.96		-0.02222		9260	0.04397	
September, 1996	34	4.22		0.06566		9394	0.01447	
October, 1996	35	4.09	0.075	-0.01303		9698	0.03236	
November, 1996	36	4.18		0.00360	0.03527	9867	0.01743	0.14595

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
October, 2003	-36							
November, 2003	-35							
December, 2003	-34							
January, 2004	-33							
February, 2004	-32							
March, 2004	-31							
April, 2004	-30							
May, 2004	-29							
June, 2004	-28							
July, 2004	-27							
August, 2004	-26							
September, 2004	-25							
October, 2004	-24							
November, 2004	-23							
December, 2004	-22							
January, 2005	-21							
February, 2005	-20							
March, 2005	-19							
April, 2005	-18							
May, 2005	-17							
June, 2005	-16	n/a						
July, 2005	-15	3.25				25173		
August, 2005	-14	3.2				25678		
September, 2005	-13	3.26				26982		
October, 2005	-12	3.16				25943		
November, 2005	-11	3.3		0.04430		27108	0.04491	
December, 2005	-10	3.19		-0.03333		27943	0.03080	
January, 2006	-9	2.94		-0.07837		28918	0.03489	
February, 2006	-8	3.03		0.03061		29087	0.00584	
March, 2006	-7	3.31		0.09241		30467	0.04744	
April, 2006	-6	3.21	0.0875	-0.00378		31246	0.02557	
May, 2006	-5	2.97		-0.09932		29776	-0.04705	
June, 2006	-4	2.82		-0.05051		30405	0.02112	
July, 2006	-3	2.79		-0.01064		29882	-0.01720	
August, 2006	-2	3.27		0.17204		30878	0.03333	
September, 2006	-1	3.58	0.075	0.11774		31288	0.01328	
October, 2006	0	3.64		-0.00410	0.17706	32719	0.04574	0.23868
November, 2006	1	3.81		0.04670		33476	0.02314	
December, 2006	2	3.89		0.02100		34711	0.03689	
January, 2007	3	4.08		0.04884		35345	0.01827	
February, 2007	4	4.6		0.12745		35920	0.01627	
March, 2007	5	5.15	0.08	0.13696		37104	0.03296	
April, 2007	6	5.15		-0.01530		38177	0.02892	
May, 2007	7	4.76		-0.07573		39185	0.02640	
June, 2007	8	4.7		-0.01261		39119	-0.00168	
July, 2007	9	4.91		0.04468		38304	-0.02083	
August, 2007	10	4.19		-0.14664		39241	0.02446	
September, 2007	11	3.97		-0.05251		41424	0.05563	
October, 2007	12	4.19	0.14	0.09068	0.21354	41624	0.00483	0.24525
November, 2007	13	4		-0.07621		41417	-0.00497	
December, 2007	14	3.99		-0.00250		40291	-0.02719	
January, 2008	15	3.77		-0.05514		35920	-0.10849	
February, 2008	16	3.91		0.03714		35674	-0.00685	
March, 2008	17	3.48		-0.10997		34492	-0.03313	
April, 2008	18	2.73	0.095	-0.18822		36055	0.04531	
May, 2008	19	2.62		-0.07257		36605	0.01525	
June, 2008	20	2.35		-0.10305		33875	-0.07458	
July, 2008	21	2.46		0.04681		32330	-0.04561	
August, 2008	22	2.63		0.06911		33652	0.04089	
September, 2008	23	2.38		-0.09506		30339	-0.09845	
October, 2008	24	2.5	0.105	0.09454	-0.45513	26515	-0.12604	-0.42385
November, 2008	25	2.52		-0.03263		24870	-0.06204	
December, 2008	26	2.79		0.10714		24801	-0.00277	
January, 2009	27	2.88		0.03226		23592	-0.04875	
February, 2009	28	2.85		-0.01042		22513	-0.04574	
March, 2009	29	2.77	0.1	0.00702		24310	0.07982	
April, 2009	30	2.77		-0.03484		25664	0.05570	
May, 2009	31	2.45		-0.11552		26012	0.01356	
June, 2009	32	2.55		0.04082		27054	0.04006	
July, 2009	33	2.45		-0.03922		29032	0.07311	
August, 2009	34	2.48		0.01224		30940	0.06572	
September, 2009	35	2.54		0.02419		32870	0.06238	
October, 2009	36	2.48	0.11	0.01969	0.01073	32186	-0.02081	0.21024

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
October, 1998	-36	4.25				11798		
November, 1998	-35	4.05		-0.04706		12409	0.05179	
December, 1998	-34	4.25	0.08	0.06914		12610	0.01620	
January, 1999	-33	4.04		-0.06697		12975	0.02895	
February, 1999	-32	3.88		-0.03960		12946	-0.00224	
March, 1999	-31	3.98		0.02577		13421	0.03669	
April, 1999	-30	3.79		-0.04774		14045	0.04649	
May, 1999	-29	3.62		-0.04485		13153	-0.06351	
June, 1999	-28	3.77	0.0676	0.06011		13530	0.02866	
July, 1999	-27	3.7		-0.03586		13770	0.01774	
August, 1999	-26	3.48		-0.05946		13500	-0.01961	
September, 1999	-25	3.14		-0.09770		13265	-0.01741	
October, 1999	-24	3.36		0.07006	-0.21416	13328	0.00475	0.12851
November, 1999	-23	3.39		0.00893		14112	0.05882	
December, 1999	-22	3.54	0.08	0.06785		14640	0.03741	
January, 2000	-21	3.25		-0.10221		14383	-0.01755	
February, 2000	-20	2.89		-0.11077		14613	0.01599	
March, 2000	-19	2.82		-0.02422		14690	0.00527	
April, 2000	-18	3.5		0.24113		14613	-0.00524	
May, 2000	-17	3.53		0.00857		14469	-0.00985	
June, 2000	-16	3.82	0.08	0.10482		15628	0.08010	
July, 2000	-15	3.84		-0.01538		15346	-0.01804	
August, 2000	-14	3.55		-0.07552		15601	0.01660	
September, 2000	-13	3.69		0.03944		15714	0.00728	
October, 2000	-12	3.77		0.02168	0.16431	15527	-0.01194	0.15884
November, 2000	-11	4.16		0.10345		15714	0.01206	
December, 2000	-10	4.05	0.08	-0.00721		15404	-0.01971	
January, 2001	-9	3.94		-0.04600		16058	0.04245	
February, 2001	-8	3.98		0.01015		16033	-0.00157	
March, 2001	-7	4.16		0.04523		15263	-0.04801	
April, 2001	-6	4.17		0.00240		16156	0.05851	
May, 2001	-5	4.2		0.00719		16423	0.01653	
June, 2001	-4	4.41	0.08	0.06905		17045	0.03786	
July, 2001	-3	4.24		-0.05568		16237	-0.04737	
August, 2001	-2	4.75		0.12028		16062	-0.01083	
September, 2001	-1	4.98		0.04842		15027	-0.06439	
October, 2001	0	4.31		-0.13454	0.16274	16040	0.06737	0.04289
November, 2001	1	4.42		0.02552		16559	0.03234	
December, 2001	2	4.61	0.08	0.06109		17000	0.02664	
January, 2002	3	4.95		0.05544		17208	0.01227	
February, 2002	4	4.62		-0.06667		17007	-0.01169	
March, 2002	5	4.74		0.02597		17117	0.00649	
April, 2002	6	4.8		0.01266		16811	-0.01789	
May, 2002	7	4.8		0.00000		16954	0.00847	
June, 2002	8	4.85	0.08	0.02708		16245	-0.04178	
July, 2002	9	4.8		-0.02637		15591	-0.04026	
August, 2002	10	5.18		0.07917		15835	0.01563	
September, 2002	11	5.17		-0.00193		15178	-0.04147	
October, 2002	12	5.21		0.00774	0.19970	15588	0.02702	-0.02423
November, 2002	13	5.28		0.01344		15764	0.01127	
December, 2002	14	5.67		0.07386		15508	-0.01625	
January, 2003	15	5.62	0.12	0.01235		15250	-0.01665	
February, 2003	16	5.23		-0.08885		14501	-0.04912	
March, 2003	17	5.21		-0.00382		15075	0.03963	
April, 2003	18	5.65		0.08445		15725	0.04306	
May, 2003	19	5.85		0.03540		15779	0.00349	
June, 2003	20	5.36	0.13	-0.06154		15967	0.01187	
July, 2003	21	5.41		-0.01457		16474	0.03177	
August, 2003	22	5.27		-0.02588		16955	0.02918	
September, 2003	23	5.35		0.01518		16915	-0.00234	
October, 2003	24	5.52		0.03178	0.07179	17480	0.03337	0.11929
November, 2003	25	5.8		0.05072		17126	-0.02022	
December, 2003	26	6.04		0.04138		17774	0.03783	
January, 2004	27	5.94	0.14	0.00662		17626	-0.00832	
February, 2004	28	6.02		-0.00987		18182	0.03150	
March, 2004	29	6.1		0.01329		18604	0.02325	
April, 2004	30	6.25		0.02459		18549	-0.00299	
May, 2004	31	6.51		0.04160		18910	0.01946	
June, 2004	32	6.78	0.14	0.06298		19417	0.02682	
July, 2004	33	6.97		0.00723		19453	0.00188	
August, 2004	34	7.1		0.01865		19673	0.01129	
September, 2004	35	7.38		0.03944		20418	0.03787	
October, 2004	36	7.88		0.06775	0.36438	21065	0.03169	0.19007

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
December, 2001	-36	2.62				17000		
January, 2002	-35	2.87		0.09542		17208	0.01227	
February, 2002	-34	2.81		-0.02091		17007	-0.01169	
March, 2002	-33	2.64		-0.06050		17117	0.00649	
April, 2002	-32	2.57	0.1	0.01136		16811	-0.01789	
May, 2002	-31	2.54		-0.04869		16954	0.00847	
June, 2002	-30	2.53		-0.00394		16245	-0.04178	
July, 2002	-29	2.44		-0.03557		15591	-0.04026	
August, 2002	-28	2.72		0.11475		15835	0.01563	
September, 2002	-27	2.92		0.07353		15178	-0.04147	
October, 2002	-26	2.48		-0.15068		15588	0.02702	
November, 2002	-25	2.57	0.18	0.10887		15764	0.01127	
December, 2002	-24	2.64		0.02724	0.11089	15508	-0.01625	-0.08819
January, 2003	-23	2.66		0.00758		15250	-0.01665	
February, 2003	-22	2.55		-0.04135		14501	-0.04912	
March, 2003	-21	2.23		-0.12549		15075	0.03963	
April, 2003	-20	2.6	0.03	0.17937		15725	0.04306	
May, 2003	-19	2.85		0.08365		15779	0.00349	
June, 2003	-18	3.1		0.08772		15967	0.01187	
July, 2003	-17	3.35		0.08065		16474	0.03177	
August, 2003	-16	3.34		-0.00299		16955	0.02918	
September, 2003	-15	3.5		0.04790		16915	-0.00234	
October, 2003	-14	3.53	0.04	0.02000		17480	0.03337	
November, 2003	-13	3.37		-0.05602		17126	-0.02022	
December, 2003	-12	3.55		0.05341	0.33443	17774	0.03783	0.14188
January, 2004	-11	3.63		0.02254		17626	-0.00832	
February, 2004	-10	3.95		0.08815		18182	0.03150	
March, 2004	-9	3.86		-0.02278		18604	0.02325	
April, 2004	-8	3.82	0.03	-0.00259		18549	-0.00299	
May, 2004	-7	3.35		-0.12987		18910	0.01946	
June, 2004	-6	3.7		0.10448		19417	0.02682	
July, 2004	-5	3.67		-0.00811		19453	0.00188	
August, 2004	-4	3.6		-0.01907		19673	0.01129	
September, 2004	-3	4.47		0.24167		20418	0.03787	
October, 2004	-2	4.8	0.04	0.08277		21065	0.03169	
November, 2004	-1	5.06		0.04545		22036	0.04610	
December, 2004	0	5.51		0.08893	0.49157	22750	0.03240	0.25096
January, 2005	1	5.55		0.00726		23069	0.01402	
February, 2005	2	5.57		0.00360		23581	0.02219	
March, 2005	3	5.57		0.00000		23373	-0.00882	
April, 2005	4	5.52	0.045	-0.00090		22664	-0.03033	
May, 2005	5	5.3		-0.04762		23413	0.03305	
June, 2005	6	5.58		0.05283		24534	0.04788	
July, 2005	7	5.4		-0.03226		25173	0.02605	
August, 2005	8	6.5		0.20370		25678	0.02006	
September, 2005	9	6.26		-0.03692		26982	0.05078	
October, 2005	10	6.5	0.055	0.04712		25943	-0.03851	
November, 2005	11	7.25		0.10603		27108	0.04491	
December, 2005	12	7.2		-0.00690	0.29595	27943	0.03080	0.21208
January, 2006	13	7.37		0.02361		28918	0.03489	
February, 2006	14	7.6		0.03121		29087	0.00584	
March, 2006	15	8.33		0.09605		30467	0.04744	
April, 2006	16	7.82	0.05	-0.05522		31246	0.02557	
May, 2006	17	7.28		-0.07497		29776	-0.04705	
June, 2006	18	6.4		-0.12088		30405	0.02112	
July, 2006	19	6.27		-0.02031		29882	-0.01720	
August, 2006	20	6.49		0.03509		30878	0.03333	
September, 2006	21	6.26	0.06	-0.02619		31288	0.01328	
October, 2006	22	7.05		0.11551		32719	0.04574	
November, 2006	23	7.45		0.05674		33476	0.02314	
December, 2006	24	8.44		0.13289	0.19351	34711	0.03689	0.22300
January, 2007	25	7.7		-0.08768		35345	0.01827	
February, 2007	26	6.84		-0.11169		35920	0.01627	
March, 2007	27	7.28	0.07	0.07456		37104	0.03296	
April, 2007	28	7		-0.04762		38177	0.02892	
May, 2007	29	7.21		0.03000		39185	0.02640	
June, 2007	30	6.92		-0.04022		39119	-0.00168	
July, 2007	31	6.96		0.00578		38304	-0.02083	
August, 2007	32	6.87		-0.01293		39241	0.02446	
September, 2007	33	6.57	0.08	-0.03202		41424	0.05563	
October, 2007	34	6.57		-0.01203		41624	0.00483	
November, 2007	35	5.26		-0.19939		41417	-0.00497	
December, 2007	36	5.18		-0.01521	-0.44845	40291	-0.02719	0.15306

Wesfarmers

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
August, 1998	-36	10.61				10945		
September, 1998	-35	11.18		0.05372		11491	0.04989	
October, 1998	-34	10.96	0.43	0.01878		11798	0.02672	
November, 1998	-33	11.62		0.02019		12409	0.05179	
December, 1998	-32	12.33		0.06110		12610	0.01620	
January, 1999	-31	13.15		0.06650		12975	0.02895	
February, 1999	-30	14.55		0.10646		12946	-0.00224	
March, 1999	-29	13.7		-0.05842		13421	0.03669	
April, 1999	-28	14.51	0.25	0.07737		14045	0.04649	
May, 1999	-27	13.16		-0.10840		13153	-0.06351	
June, 1999	-26	12.61		-0.04179		13530	0.02866	
July, 1999	-25	12.88		0.02141		13770	0.01774	
August, 1999	-24	13.07		0.01475	0.23169	13500	-0.01961	0.21777
September, 1999	-23	12.49		-0.04438		13265	-0.01741	
October, 1999	-22	10.76	0.42	-0.10488		13328	0.00475	
November, 1999	-21	10.84		-0.03041		14112	0.05882	
December, 1999	-20	11.65		0.07472		14640	0.03741	
January, 2000	-19	11.54		-0.00944		14383	-0.01755	
February, 2000	-18	11.49		-0.00433		14613	0.01599	
March, 2000	-17	10.81		-0.05918		14690	0.00527	
April, 2000	-16	11.05	0.25	0.04533		14613	-0.00524	
May, 2000	-15	10.57		-0.06460		14469	-0.00985	
June, 2000	-14	12.33		0.16651		15628	0.08010	
July, 2000	-13	11.91		-0.03406		15346	-0.01804	
August, 2000	-12	13.10		0.09992	0.03518	15600.7	0.01660	0.15085
September, 2000	-11	12.37	0.48	-0.01908		15714.3	0.00728	
October, 2000	-10	13.65		0.06226		15526.6	-0.01194	
November, 2000	-9	15.11		0.10696		15713.8	0.01206	
December, 2000	-8	15.00		-0.00728		15404.1	-0.01971	
January, 2001	-7	16.90		0.12667		16058.0	0.04245	
February, 2001	-6	17.32		0.02485		16032.8	-0.00157	
March, 2001	-5	18.49	0.25	0.08199		15263.0	-0.04801	
April, 2001	-4	21.18		0.13020		16156.1	0.05851	
May, 2001	-3	20.95		-0.01086		16423.1	0.01653	
June, 2001	-2	25.13		0.19952		17044.8	0.03786	
July, 2001	-1	26.28		0.04576		16237.4	-0.04737	
August, 2001	0	26.78		0.01903	0.76001	16061.6	-0.01083	0.03525
September, 2001	1	27.49		0.02651		15027.4	-0.06439	
October, 2001	2	27.62	0.60	0.02656		16039.8	0.06737	
November, 2001	3	29.57		0.04784		16558.5	0.03234	
December, 2001	4	28.72		-0.02875		16999.6	0.02664	
January, 2002	5	28.36		-0.01253		17208.2	0.01227	
February, 2002	6	29.78		0.05007		17007.0	-0.01169	
March, 2002	7	29.57		-0.00705		17117.4	0.00649	
April, 2002	8	26.38	0.27	-0.09875		16811.2	-0.01789	
May, 2002	9	26.69		0.00150		16953.6	0.00847	
June, 2002	10	25.21		-0.05545		16245.3	-0.04178	
July, 2002	11	26.14		0.03689		15591.3	-0.04026	
August, 2002	12	27.53		0.05318	0.04001	15835.0	0.01563	-0.00680
September, 2002	13	25.07	0.77	-0.06139		15178.3	-0.04147	
October, 2002	14	24.42		-0.05495		15588.4	0.02702	
November, 2002	15	25.98		0.06388		15764.1	0.01127	
December, 2002	16	24.66		-0.05081		15507.9	-0.01625	
January, 2003	17	26.14		0.06002		15249.7	-0.01665	
February, 2003	18	23.61		-0.09679		14500.7	-0.04912	
March, 2003	19	20.59	0.34	-0.11351		15075.4	0.03963	
April, 2003	20	22.71		0.08505		15724.5	0.04306	
May, 2003	21	23.26		0.02422		15779.4	0.00349	
June, 2003	22	23.45		0.00817		15966.7	0.01187	
July, 2003	23	24.72		0.05416		16474.0	0.03177	
August, 2003	24	26.13		0.05704	-0.02492	16954.7	0.02918	0.07380
September, 2003	25	25.14	0.85	-0.00536		16915.1	-0.00234	
October, 2003	26	26.88		0.03424		17479.6	0.03337	
November, 2003	27	26.14		-0.02753		17126.2	-0.02022	
December, 2003	28	24.55		-0.06083		17774.0	0.03783	
January, 2004	29	26.12		0.06395		17626.2	-0.00832	
February, 2004	30	25.49		-0.02412		18181.5	0.03150	
March, 2004	31	26.88	0.42	0.07101		18604.2	0.02325	
April, 2004	32	26.49		-0.02967		18548.6	-0.00299	
May, 2004	33	26.18		-0.01170		18909.6	0.01946	
June, 2004	34	27.25		0.04087		19416.7	0.02682	
July, 2004	35	27.32		0.00257		19453.2	0.00188	
August, 2004	36	27.86	0.92	0.05344	0.10688	19672.9	0.01129	0.15155

Burns Philp

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
May, 2000	-36	0.42				14469		
June, 2000	-35	0.40		-0.04762		15628	0.08010	
July, 2000	-34	0.46		0.15000		15346	-0.01804	
August, 2000	-33	0.44		-0.04348		15601	0.01660	
September, 2000	-32	0.50		0.13636		15714	0.00728	
October, 2000	-31	0.53		0.06000		15527	-0.01194	
November, 2000	-30	0.50		-0.05660		15714	0.01206	
December, 2000	-29	0.50		0.00000		15404	-0.01971	
January, 2001	-28	0.49		-0.02000		16058	0.04245	
February, 2001	-27	0.46		-0.06122		16033	-0.00157	
March, 2001	-26	0.43		-0.06522		15263	-0.04801	
April, 2001	-25	0.44		0.02326		16156	0.05851	
May, 2001	-24	0.43		-0.02273	0.05275	16423	0.01653	0.13425
June, 2001	-23	0.46		0.06977		17045	0.03786	
July, 2001	-22	0.46		0.00000		16237	-0.04737	
August, 2001	-21	0.43		-0.06522		16062	-0.01083	
September, 2001	-20	0.44		0.02326		15027	-0.06439	
October, 2001	-19	0.47		0.06818		16040	0.06737	
November, 2001	-18	0.54		0.14894		16559	0.03234	
December, 2001	-17	0.57		0.05556		17000	0.02664	
January, 2002	-16	0.57		0.00000		17208	0.01227	
February, 2002	-15	0.63		0.10526		17007	-0.01169	
March, 2002	-14	0.65		0.03175		17117	0.00649	
April, 2002	-13	0.67		0.03077		16811	-0.01789	
May, 2002	-12	0.68		0.01493	0.48318	16954	0.00847	0.03927
June, 2002	-11	0.65		-0.04412		16245	-0.04178	
July, 2002	-10	0.58		-0.10769		15591	-0.04026	
August, 2002	-9	0.62		0.06897		15835	0.01563	
September, 2002	-8	0.59		-0.04839		15178	-0.04147	
October, 2002	-7	0.57		-0.03390		15588	0.02702	
November, 2002	-6	0.57		0.00000		15764	0.01127	
December, 2002	-5	0.51		-0.10526		15508	-0.01625	
January, 2003	-4	0.50		-0.01961		15250	-0.01665	
February, 2003	-3	0.46		-0.08000		14501	-0.04912	
March, 2003	-2	0.55		0.19565		15075	0.03963	
April, 2003	-1	0.63		0.14545		15725	0.04306	
May, 2003	0	0.67		0.06349	0.03460	15779	0.00349	-0.06542
June, 2003	1	0.75		0.11940		15967	0.01187	
July, 2003	2	0.80		0.06667		16474	0.03177	
August, 2003	3	0.72		-0.10000		16955	0.02918	
September, 2003	4	0.70		-0.02778		16915	-0.00234	
October, 2003	5	0.63		-0.10000		17480	0.03337	
November, 2003	6	0.62		-0.01587		17126	-0.02022	
December, 2003	7	0.57		-0.08065		17774	0.03783	
January, 2004	8	0.59		0.03509		17626	-0.00832	
February, 2004	9	0.55		-0.06780		18182	0.03150	
March, 2004	10	0.57		0.03636		18604	0.02325	
April, 2004	11	0.61		0.07018		18549	-0.00299	
May, 2004	12	0.62		0.01639	-0.04800	18910	0.01946	0.18438
June, 2004	13	0.68		0.09677		19417	0.02682	
July, 2004	14	0.73		0.07353		19453	0.00188	
August, 2004	15	0.70		-0.04110		19673	0.01129	
September, 2004	16	0.70		0.00000		20418	0.03787	
October, 2004	17	0.80		0.14286		21065	0.03169	
November, 2004	18	0.89		0.11250		22036	0.04610	
December, 2004	19	0.88		-0.01124		22750	0.03240	
January, 2005	20	0.87		-0.01136		23069	0.01402	
February, 2005	21	0.97		0.11494		23581	0.02219	
March, 2005	22	1.02		0.05155		23373	-0.00882	
April, 2005	23	0.95		-0.06863		22664	-0.03033	
May, 2005	24	0.88		-0.07368	0.38614	23413	0.03305	0.21816
June, 2005	25	0.91		0.03409		24534	0.04788	
July, 2005	26	0.92		0.01099		25173	0.02605	
August, 2005	27	0.94		0.02174		25678	0.02006	
September, 2005	28	1.13		0.20213		26982	0.05078	
October, 2005	29	1.14		0.00885		25943	-0.03851	
November, 2005	30	1.12		-0.01754		27108	0.04491	
December, 2005	31	1.10		-0.01786		27943	0.03080	
January, 2006	32	1.10		0.00000		28918	0.03489	
February, 2006	33	1.05		-0.04545		29087	0.00584	
March, 2006	34	1.04		-0.00952		30467	0.04744	
April, 2006	35	0.97		-0.06731		31246	0.02557	
May, 2006	36	0.96		-0.01031	0.10980	29776	-0.04705	0.24867
June, 2006	37	0.92		-0.04167		30405	0.02112	
July, 2006	38	0.95		0.03261		29882	-0.01720	
August, 2006	39	1.08		0.13684		30878	0.03333	
September, 2006	40	1.10	0.2254	0.22722	0.35501	31288	0.01328	0.05053

Healthscope

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
December, 2001	-36	2.27				17000		
January, 2002	-35	2.11		-0.07048		17208	0.01227	
February, 2002	-34	2.51		0.18957		17007	-0.01169	
March, 2002	-33	2.76	0.03	0.11155		17117	0.00649	
April, 2002	-32	2.57		-0.07885		16811	-0.01789	
May, 2002	-31	2.46		-0.04280		16954	0.00847	
June, 2002	-30	2.46		0.00000		16245	-0.04178	
July, 2002	-29	2.41		-0.02033		15591	-0.04026	
August, 2002	-28	2.24		-0.07054		15835	0.01563	
September, 2002	-27	2	0.035	-0.09152		15178	-0.04147	
October, 2002	-26	2.2		0.08108		15588	0.02702	
November, 2002	-25	2.13		-0.03182		15764	0.01127	
December, 2002	-24	2.31		0.08451	0.06038	15508	-0.01625	-0.08819
January, 2003	-23	2.12		-0.08225		15250	-0.01665	
February, 2003	-22	2.14		0.00943		14501	-0.04912	
March, 2003	-21	2.22	0.04	0.05607		15075	0.03963	
April, 2003	-20	2.3		0.01770		15725	0.04306	
May, 2003	-19	2.42		0.05217		15779	0.00349	
June, 2003	-18	2.44		0.00826		15967	0.01187	
July, 2003	-17	2.41		-0.01230		16474	0.03177	
August, 2003	-16	2.88		0.19502		16955	0.02918	
September, 2003	-15	2.99	0.045	0.05382		16915	-0.00234	
October, 2003	-14	2.9		-0.04448		17480	0.03337	
November, 2003	-13	2.96		0.02069		17126	-0.02022	
December, 2003	-12	2.9		-0.02027	0.25388	17774	0.03783	0.14188
January, 2004	-11	3.05		0.05172		17626	-0.00832	
February, 2004	-10	3.64		0.19344		18182	0.03150	
March, 2004	-9	3.41		-0.06319		18604	0.02325	
April, 2004	-8	3.5	0.050	0.04106		18549	-0.00299	
May, 2004	-7	3.58		0.00845		18910	0.01946	
June, 2004	-6	3.59		0.00279		19417	0.02682	
July, 2004	-5	3.68		0.02507		19453	0.00188	
August, 2004	-4	3.39		-0.07880		19673	0.01129	
September, 2004	-3	3.59	0.550	0.22124		20418	0.03787	
October, 2004	-2	3.59		-0.13285		21065	0.03169	
November, 2004	-1	3.96		0.10306		22036	0.04610	
December, 2004	0	3.49		-0.11869	0.25331	22750	0.03240	0.25096
January, 2005	1	4.13		0.18338		23069	0.01402	
February, 2005	2	4.09		-0.00969		23581	0.02219	
March, 2005	3	4.44	0.060	0.10024		23373	-0.00882	
April, 2005	4	4.42		-0.01778		22664	-0.03033	
May, 2005	5	4.39		-0.00679		23413	0.03305	
June, 2005	6	4.62		0.05239		24534	0.04788	
July, 2005	7	4.9		0.06061		25173	0.02605	
August, 2005	8	5.53		0.12857		25678	0.02006	
September, 2005	9	6.19	0.065	0.13110		26982	0.05078	
October, 2005	10	5.7		-0.08873		25943	-0.03851	
November, 2005	11	6.03		0.05789		27108	0.04491	
December, 2005	12	5.61		-0.06965	0.52156	27943	0.03080	0.21208
January, 2006	13	4.27		-0.23886		28918	0.03489	
February, 2006	14	3.85		-0.09836		29087	0.00584	
March, 2006	15	3.9		0.01299		30467	0.04744	
April, 2006	16	4.37	0.070	0.13846		31246	0.02557	
May, 2006	17	4.35		-0.02027		29776	-0.04705	
June, 2006	18	3.9		-0.10345		30405	0.02112	
July, 2006	19	3.9		0.00000		29882	-0.01720	
August, 2006	20	4.84		0.24103		30878	0.03333	
September, 2006	21	4.73		-0.02273		31288	0.01328	
October, 2006	22	5	0.075	0.07294		32719	0.04574	
November, 2006	23	5.43		0.08600		33476	0.02314	
December, 2006	24	5.44		0.00184	0.06959	34711	0.03689	0.223
January, 2007	25	6.15		0.13051		35345	0.01827	
February, 2007	26	5.95		-0.03252		35920	0.01627	
March, 2007	27	5.5		-0.07563		37104	0.03296	
April, 2007	28	5.66	0.085	0.04455		38177	0.02892	
May, 2007	29	5.81		0.01131		39185	0.02640	
June, 2007	30	5.23		-0.09983		39119	-0.00168	
July, 2007	31	5.5		0.05163		38304	-0.02083	
August, 2007	32	5.49		-0.00182		39241	0.02446	
September, 2007	33	5.76		0.04918		41424	0.05563	
October, 2007	34	5.43	0.090	-0.04167		41624	0.00483	
November, 2007	35	5.45		-0.01268		41417	-0.00497	
December, 2007	36	5.42		-0.00550	0.01753	40291	-0.02719	0.15306

Fosters

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
June, 2002	-36	4.72				16245		
July, 2002	-35	4.51		-0.04449		15591	-0.04026	
August, 2002	-34	4.95		0.09756		15835	0.01563	
September, 2002	-33	4.61		-0.06869		15178	-0.04147	
October, 2002	-32	4.75	0.095	0.05098		15588	0.02702	
November, 2002	-31	4.66		-0.03818		15764	0.01127	
December, 2002	-30	4.5		-0.03433		15508	-0.01625	
January, 2003	-29	4.32		-0.04000		15250	-0.01665	
February, 2003	-28	4.32		0.00000		14501	-0.04912	
March, 2003	-27	4.43		0.02546		15075	0.03963	
April, 2003	-26	4.48	0.0825	0.02991		15725	0.04306	
May, 2003	-25	4.28		-0.06192		15779	0.00349	
June, 2003	-24	4.21		-0.01636	-0.10006	15967	0.01187	-0.01178
July, 2003	-23	4.45		0.05701		16474	0.03177	
August, 2003	-22	4.54		0.02022		16955	0.02918	
September, 2003	-21	4.47		-0.01542		16915	-0.00234	
October, 2003	-20	4.57	0.105	0.04586		17480	0.03337	
November, 2003	-19	4.4		-0.05882		17126	-0.02022	
December, 2003	-18	4.5		0.02273		17774	0.03783	
January, 2004	-17	4.33		-0.03778		17626	-0.00832	
February, 2004	-16	4.37		0.00924		18182	0.03150	
March, 2004	-15	4.39		0.00458		18604	0.02325	
April, 2004	-14	4.89	0.0875	0.13383		18549	-0.00299	
May, 2004	-13	4.63		-0.06981		18910	0.01946	
June, 2004	-12	4.72		0.01944	0.13107	19417	0.02682	0.19932
July, 2004	-11	4.63		-0.01907		19453	0.00188	
August, 2004	-10	4.67		0.00864		19673	0.01129	
September, 2004	-9	4.73		0.01285		20418	0.03787	
October, 2004	-8	5.05	0.105	0.08985		21065	0.03169	
November, 2004	-7	5.4		0.04753		22036	0.04610	
December, 2004	-6	5.79		0.07222		22750	0.03240	
January, 2005	-5	5.21		-0.10017		23069	0.01402	
February, 2005	-4	5.21		0.00000		23581	0.02219	
March, 2005	-3	5.13		-0.01536		23373	-0.00882	
April, 2005	-2	5.12	0.0925	0.01608		22664	-0.03033	
May, 2005	-1	5.4		0.03597		23413	0.03305	
June, 2005	0	5.32		-0.01481	0.13373	24534	0.04788	0.23922
July, 2005	1	5.46		0.02632		25173	0.02605	
August, 2005	2	5.75		0.05311		25678	0.02006	
September, 2005	3	5.83		0.01391		26982	0.05078	
October, 2005	4	5.8	0.1075	0.01329		25943	-0.03851	
November, 2005	5	5.65		-0.04359		27108	0.04491	
December, 2005	6	5.58		-0.01239		27943	0.03080	
January, 2006	7	5.27		-0.05556		28918	0.03489	
February, 2006	8	5.44		0.03226		29087	0.00584	
March, 2006	9	5.31		-0.02390		30467	0.04744	
April, 2006	10	5.88	0.0975	0.12571		31246	0.02557	
May, 2006	11	5.33		-0.10832		29776	-0.04705	
June, 2006	12	5.47		0.02627	0.04711	30405	0.02112	0.22192
July, 2006	13	5.38		-0.01645		29882	-0.01720	
August, 2006	14	5.95		0.10595		30878	0.03333	
September, 2006	15	6.44		0.08235		31288	0.01328	
October, 2006	16	6.45	0.1175	0.01980		32719	0.04574	
November, 2006	17	6.69		0.01865		33476	0.02314	
December, 2006	18	6.94		0.03737		34711	0.03689	
January, 2007	19	6.77		-0.02450		35345	0.01827	
February, 2007	20	6.32		-0.06647		35920	0.01627	
March, 2007	21	6.85		0.08386		37104	0.03296	
April, 2007	22	6.39	0.1075	-0.05146		38177	0.02892	
May, 2007	23	6.36		-0.02116		39185	0.02640	
June, 2007	24	6.38		0.00314	0.17109	39119	-0.00168	0.25631
July, 2007	25	5.91		-0.07367		38304	-0.02083	
August, 2007	26	6.32		0.06937		39241	0.02446	
September, 2007	27	6.53		0.03323		41424	0.05563	
October, 2007	28	6.37	0.13	-0.00459		41624	0.00483	
November, 2007	29	6.3		-0.03077		41417	-0.00497	
December, 2007	30	6.55		0.03968		40291	-0.02719	
January, 2008	31	5.62		-0.14198		35920	-0.10849	
February, 2008	32	5.33		-0.05160		35674	-0.00685	
March, 2008	33	5.12		-0.03940		34492	-0.03313	
April, 2008	34	5.07	0.12	0.01367		36055	0.04531	
May, 2008	35	5.5		0.05973		36605	0.01525	
June, 2008	36	5.07		-0.07818	-0.20451	33875	-0.07458	-0.13055

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
October, 1998	-36	5.42	0.15			11798		
November, 1998	-35	5		-0.10233		12409	0.05179	
December, 1998	-34	6.05		0.21000		12610	0.01620	
January, 1999	-33	6.18		0.02149		12975	0.02895	
February, 1999	-32	5.25		-0.15049		12946	-0.00224	
March, 1999	-31	5.2		-0.00952		13421	0.03669	
April, 1999	-30	5.26	0.15	0.04038		14045	0.04649	
May, 1999	-29	5.35		-0.01109		13153	-0.06351	
June, 1999	-28	5.17		-0.03364		13530	0.02866	
July, 1999	-27	5.22		0.00967		13770	0.01774	
August, 1999	-26	5.09		-0.02490		13500	-0.01961	
September, 1999	-25	4.1	0.15	-0.16503		13265	-0.01741	
October, 1999	-24	4.25		0.00000	-0.21547	13328	0.00475	0.12851
November, 1999	-23	4.1		-0.03529		14112	0.05882	
December, 1999	-22	3.93		-0.04146		14640	0.03741	
January, 2000	-21	3.65		-0.07125		14383	-0.01755	
February, 2000	-20	3.16		-0.13425		14613	0.01599	
March, 2000	-19	3.36	0.12	0.10127		14690	0.00527	
April, 2000	-18	3.45		-0.00862		14613	-0.00524	
May, 2000	-17	3.02		-0.12464		14469	-0.00985	
June, 2000	-16	3.43		0.13576		15628	0.08010	
July, 2000	-15	3.71		0.08163		15346	-0.01804	
August, 2000	-14	3.98		0.07278		15601	0.01660	
September, 2000	-13	4.14	0.05	0.05276		15714	0.00728	
October, 2000	-12	5.12		0.22196	0.25065	15527	-0.01194	0.15884
November, 2000	-11	5.39		0.05273		15714	0.01206	
December, 2000	-10	5.84		0.08349		15404	-0.01971	
January, 2001	-9	5.65		-0.03253		16058	0.04245	
February, 2001	-8	5.61		-0.00708		16033	-0.00157	
March, 2001	-7	6.43	0.06	0.15686		15263	-0.04801	
April, 2001	-6	6.4		-0.01387		16156	0.05851	
May, 2001	-5	6.03		-0.05781		16423	0.01653	
June, 2001	-4	6.45		0.06965		17045	0.03786	
July, 2001	-3	6.38		-0.01085		16237	-0.04737	
August, 2001	-2	6.25		-0.02038		16062	-0.01083	
September, 2001	-1	7.07	0.07	0.14240		15027	-0.06439	
October, 2001	0	7.45		0.04342	0.40603	16040	0.06737	0.04289
November, 2001	1	7.23		-0.02953		16559	0.03234	
December, 2001	2	6.88		-0.04841		17000	0.02664	
January, 2002	3	6.81		-0.01017		17208	0.01227	
February, 2002	4	5.72		-0.16006		17007	-0.01169	
March, 2002	5	5.16	0.06	-0.08741		17117	0.00649	
April, 2002	6	3.68		-0.29502		16811	-0.01789	
May, 2002	7	4.27		0.16033		16954	0.00847	
June, 2002	8	4.14		-0.03044		16245	-0.04178	
July, 2002	9	3.91		-0.05556		15591	-0.04026	
August, 2002	10	3.71		-0.05115		15835	0.01563	
September, 2002	11	3.51	0.08	-0.03235		15178	-0.04147	
October, 2002	12	3.6		0.00279	-0.63699	15588	0.02702	-0.02423
November, 2002	13	3.16		-0.12222		15764	0.01127	
December, 2002	14	3.26		0.03165		15508	-0.01625	
January, 2003	15	3.21		-0.01534		15250	-0.01665	
February, 2003	16	3.16		-0.01558		14501	-0.04912	
March, 2003	17	2.99	0.04	-0.04114		15075	0.03963	
April, 2003	18	2.96		-0.02310		15725	0.04306	
May, 2003	19	2.58		-0.12838		15779	0.00349	
June, 2003	20	2.74		0.06202		15967	0.01187	
July, 2003	21	3.02		0.10219		16474	0.03177	
August, 2003	22	3.29		0.08940		16955	0.02918	
September, 2003	23	3.29		0.00000		16915	-0.00234	
October, 2003	24	3.64		0.10638	0.04588	17480	0.03337	0.11929
November, 2003	25	3.55		-0.02473		17126	-0.02022	
December, 2003	26	3.26		-0.08169		17774	0.03783	
January, 2004	27	3.2		-0.01840		17626	-0.00832	
February, 2004	28	3.2		0.00000		18182	0.03150	
March, 2004	29	3.38	0.045	0.07031		18604	0.02325	
April, 2004	30	3.19		-0.06861		18549	-0.00299	
May, 2004	31	3.03		-0.05016		18910	0.01946	
June, 2004	32	3.41		0.12541		19417	0.02682	
July, 2004	33	3.56		0.04399		19453	0.00188	
August, 2004	34	4.07		0.14326		19673	0.01129	
September, 2004	35	3.95	0.065	-0.01351		20418	0.03787	
October, 2004	36	4.4		0.09589	0.22176	21065	0.03169	0.19007

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
December, 1992	-36	3.23				5505		
January, 1993	-35	2.97	0.06	-0.06192		5429	-0.01381	
February, 1993	-34	3.08		0.01650		5728	0.05507	
March, 1993	-33	3.04		-0.01299		5968	0.04190	
April, 1993	-32	3.33		0.09539		6036	0.01139	
May, 1993	-31	3.73		0.12012		6254	0.03612	
June, 1993	-30	3.71		-0.00536		6287	0.00528	
July, 1993	-29	3.96	0.06	0.08356		6675	0.06171	
August, 1993	-28	4.18		0.03980		7110	0.06517	
September, 1993	-27	3.94		-0.05742		7150	0.00563	
October, 1993	-26	4.53		0.14975		7736	0.08196	
November, 1993	-25	4.25		-0.06181		7372	-0.04705	
December, 1993	-24	4.63		0.08941	0.39504	8002	0.08546	0.38883
January, 1994	-23	5.49	0.06	0.19870		8508	0.06323	
February, 1994	-22	5.06		-0.08829		8038	-0.05524	
March, 1994	-21	4.57		-0.09684		7615	-0.05263	
April, 1994	-20	4.74		0.03720		7672	0.00749	
May, 1994	-19	4.64		-0.02110		7760	0.01147	
June, 1994	-18	4.46		-0.03879		7448	-0.04021	
July, 1994	-17	4.64	0.08	0.05830		7725	0.03719	
August, 1994	-16	4.45		-0.05720		7959	0.03029	
September, 1994	-15	4.2		-0.05618		7650	-0.03882	
October, 1994	-14	4.52		0.07619		7749	0.01294	
November, 1994	-13	4.2		-0.07080		7189	-0.07227	
December, 1994	-12	4.34		0.03333	-0.02547	7308	0.01655	-0.08000
January, 1995	-11	4.5	0.1	0.05991		6997	-0.04256	
February, 1995	-10	5		0.08696		7352	0.05074	
March, 1995	-9	4.88		-0.02400		7356	0.00054	
April, 1995	-8	5.08		0.04098		7929	0.07790	
May, 1995	-7	5.11		0.00591		7835	-0.01186	
June, 1995	-6	5.09		-0.00391		7873	0.00485	
July, 1995	-5	5.05	0.13	0.01768		8259	0.04903	
August, 1995	-4	5		-0.03475		8337	0.00944	
September, 1995	-3	5.36		0.07200		8399	0.00744	
October, 1995	-2	5.39		0.00560		8203	-0.02334	
November, 1995	-1	5.58		0.03525		8566	0.04425	
December, 1995	0	5.96		0.06810	0.32972	8783	0.02533	0.19177
January, 1996	1	6.43	0.15	0.10403		9129	0.03939	
February, 1996	2	6.18		-0.06079		9164	0.00383	
March, 1996	3	6.01		-0.02751		8955	-0.02281	
April, 1996	4	6.18		0.02829		9348	0.04389	
May, 1996	5	5.84		-0.05502		9173	-0.01872	
June, 1996	6	5.63		-0.03596		9119	-0.00589	
July, 1996	7	5.79	0.16	0.05684		8870	-0.02731	
August, 1996	8	6.2		0.04202		9260	0.04397	
September, 1996	9	6.54		0.05484		9394	0.01447	
October, 1996	10	7.18		0.09786		9698	0.03236	
November, 1996	11	7.35		0.02368		9867	0.01743	
December, 1996	12	7.16		-0.02585	0.20242	10065	0.02007	0.14069
January, 1997	13	7.5	0.17	0.07123		10069	0.00040	
February, 1997	14	7.3		-0.04824		10218	0.01480	
March, 1997	15	7.4		0.01370		10151	-0.00656	
April, 1997	16	6.91		-0.06622		10455	0.02995	
May, 1997	17	7.13		0.03184		10993	0.05146	
June, 1997	18	7.97		0.11781		11541	0.04985	
July, 1997	19	8.74	0.19	0.12045		11583	0.00364	
August, 1997	20	7.87		-0.11870		11016	-0.04895	
September, 1997	21	8.7		0.10546		11818	0.07280	
October, 1997	22	8.28		-0.04828		10572	-0.10543	
November, 1997	23	9.19		0.10990		10606	0.00322	
December, 1997	24	9.8		0.06638	0.35534	11296	0.06506	0.13023
January, 1998	25	10	0.2	0.04082		11472	0.01558	
February, 1998	26	10.18		-0.00196		11695	0.01944	
March, 1998	27	10.11		-0.00688		11961	0.02274	
April, 1998	28	10.3		0.01879		12058	0.00811	
May, 1998	29	10.55		0.02427		11877	-0.01501	
June, 1998	30	9.85		-0.06635		11731	-0.01229	
July, 1998	31	10.42	0.21	0.07919		11894	0.01389	
August, 1998	32	9.3		-0.10749		10945	-0.07979	
September, 1998	33	9.29		-0.00108		11491	0.04989	
October, 1998	34	9.73		0.04736		11798	0.02672	
November, 1998	35	10.6		0.08941		12409	0.05179	
December, 1998	36	10.92		0.03019	0.14629	12610	0.01620	0.11727

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
November, 1994	-36	4.2				7189		
December, 1994	-35	4.34		0.03333		7308	0.01655	
January, 1995	-34	4.5	0.1	0.05991		6997	-0.04256	
February, 1995	-33	5		0.08696		7352	0.05074	
March, 1995	-32	4.88		-0.02400		7356	0.00054	
April, 1995	-31	5.08		0.04098		7929	0.07790	
May, 1995	-30	5.11		0.00591		7835	-0.01186	
June, 1995	-29	5.09		-0.00391		7873	0.00485	
July, 1995	-28	5.05	0.13	0.01768		8259	0.04903	
August, 1995	-27	5		-0.03475		8337	0.00944	
September, 1995	-26	5.36		0.07200		8399	0.00744	
October, 1995	-25	5.39		0.00560		8203	-0.02334	
November, 1995	-24	5.58		0.03525	0.29495	8566	0.04425	0.18299
December, 1995	-23	5.96		0.06810		8783	0.02533	
January, 1996	-22	6.43	0.15	0.10403		9129	0.03939	
February, 1996	-21	6.18		-0.06079		9164	0.00383	
March, 1996	-20	6.01		-0.02751		8955	-0.02281	
April, 1996	-19	6.18		0.02829		9348	0.04389	
May, 1996	-18	5.84		-0.05502		9173	-0.01872	
June, 1996	-17	5.63		-0.03596		9119	-0.00589	
July, 1996	-16	5.79	0.16	0.05684		8870	-0.02731	
August, 1996	-15	6.2		0.04202		9260	0.04397	
September, 1996	-14	6.54		0.05484		9394	0.01447	
October, 1996	-13	7.18		0.09786		9698	0.03236	
November, 1996	-12	7.35		0.02368	0.29637	9867	0.01743	0.14595
December, 1996	-11	7.16		-0.02585		10065	0.02007	
January, 1997	-10	7.5	0.17	0.07123		10069	0.00040	
February, 1997	-9	7.3		-0.04824		10218	0.01480	
March, 1997	-8	7.4		0.01370		10151	-0.00656	
April, 1997	-7	6.91		-0.06622		10455	0.02995	
May, 1997	-6	7.13		0.03184		10993	0.05146	
June, 1997	-5	7.97		0.11781		11541	0.04985	
July, 1997	-4	8.74	0.19	0.12045		11583	0.00364	
August, 1997	-3	7.87		-0.11870		11016	-0.04895	
September, 1997	-2	8.7		0.10546		11818	0.07280	
October, 1997	-1	8.28		-0.04828		10572	-0.10543	
November, 1997	0	9.19		0.10990	0.26311	10606	0.00322	0.08524
December, 1997	1	9.8		0.06638		11296	0.06506	
January, 1998	2	10	0.2	0.04082		11472	0.01558	
February, 1998	3	10.18		0.01800		11695	0.01944	
March, 1998	4	10.11		-0.00688		11961	0.02274	
April, 1998	5	10.3		0.01879		12058	0.00811	
May, 1998	6	10.55		0.02427		11877	-0.01501	
June, 1998	7	9.85		-0.06635		11731	-0.01229	
July, 1998	8	10.42	0.21	0.07919		11894	0.01389	
August, 1998	9	9.3		-0.12512		10945	-0.07979	
September, 1998	10	9.29		-0.00108		11491	0.04989	
October, 1998	11	9.73		0.04736		11798	0.02672	
November, 1998	12	10.6		0.08941	0.18480	12409	0.05179	0.16613
December, 1998	13	10.92		0.03019		12610	0.01620	
January, 1999	14	11	0.22	0.02747		12975	0.02895	
February, 1999	15	10.66		-0.04991		12946	-0.00224	
March, 1999	16	11.5		0.07880		13421	0.03669	
April, 1999	17	11.54		0.00348		14045	0.04649	
May, 1999	18	10.68		-0.07452		13153	-0.06351	
June, 1999	19	9.82		-0.08052		13530	0.02866	
July, 1999	20	9.94	0.23	0.03564		13770	0.01774	
August, 1999	21	9.5		-0.04427		13500	-0.01961	
September, 1999	22	9.45		-0.00526		13265	-0.01741	
October, 1999	23	10.07		0.06561		13328	0.00475	
November, 1999	24	10.59		0.05164	0.03834	14112	0.05882	0.13554
December, 1999	25	10.52		-0.00661		14640	0.03741	
January, 2000	26	10.64	0.24	0.03422		14383	-0.01755	
February, 2000	27	10.4		-0.04412		14613	0.01599	
March, 2000	28	10.35		-0.00481		14690	0.00527	
April, 2000	29	10.93		0.05604		14613	-0.00524	
May, 2000	30	11.95		0.09332		14469	-0.00985	
June, 2000	31	12.05		0.00837		15628	0.08010	
July, 2000	32	12.27	0.26	0.03983		15346	-0.01804	
August, 2000	33	12.65		0.00958		15601	0.01660	
September, 2000	34	12.75		0.00791		15714	0.00728	
October, 2000	35	13.17		0.03294		15527	-0.01194	
November, 2000	36	14		0.06302	0.28969	15714	0.01206	0.11207
December, 2000	37	13.19		-0.05786		15404	-0.01971	
January, 2001	38	14.04	0.28	0.08567		16058	0.04245	
February, 2001	39	14.05		-0.01885		16033	-0.00157	
March, 2001	40	12.65		-0.09964		15263	-0.04801	
April, 2001	41	13.08		0.03399		16156	0.05851	
May, 2001	42	13.9		0.06269		16423	0.01653	

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
November, 1997	-36	3.07				10606		
December, 1997	-35	3.26		0.06189		11296	0.06506	
January, 1998	-34	3.59		0.10123		11472	0.01558	
February, 1998	-33	3.54		-0.01393		11695	0.01944	
March, 1998	-32	3.37		-0.04802		11961	0.02274	
April, 1998	-31	3.15		-0.06528		12058	0.00811	
May, 1998	-30	3.11	0.065	0.00794		11877	-0.01501	
June, 1998	-29	2.93		-0.07717		11731	-0.01229	
July, 1998	-28	3.01		0.02730		11894	0.01389	
August, 1998	-27	2.97		-0.01329		10945	-0.07979	
September, 1998	-26	3.14		0.05724		11491	0.04989	
October, 1998	-25	3.22		0.02548		11798	0.02672	
November, 1998	-24	3.16	0.065	0.00155	0.06494	12409	0.05179	0.16613
December, 1998	-23	3.19		-0.01085		12610	0.01620	
January, 1999	-22	3.17		-0.00627		12975	0.02895	
February, 1999	-21	3.37		0.06309		12946	-0.00224	
March, 1999	-20	3.48		0.03264		13421	0.03669	
April, 1999	-19	3.48		0.00000		14045	0.04649	
May, 1999	-18	3.3	0.07	-0.03161		13153	-0.06351	
June, 1999	-17	3.29		-0.02374		13530	0.02866	
July, 1999	-16	3.36		0.02128		13770	0.01774	
August, 1999	-15	3.51		0.04464		13500	-0.01961	
September, 1999	-14	3.44		-0.01994		13265	-0.01741	
October, 1999	-13	3.26		-0.05233		13328	0.00475	
November, 1999	-12	3.29	0.08	0.03374	0.05066	14112	0.05882	0.13554
December, 1999	-11	3.25		-0.03561		14640	0.03741	
January, 2000	-10	3.18		-0.02154		14383	-0.01755	
February, 2000	-9	3.27		0.02830		14613	0.01599	
March, 2000	-8	3.07		-0.06116		14690	0.00527	
April, 2000	-7	3.09		0.00651		14613	-0.00524	
May, 2000	-6	3.11	0.07	0.02913		14469	-0.00985	
June, 2000	-5	3.18		0.00000		15628	0.08010	
July, 2000	-4	3.21		0.00943		15346	-0.01804	
August, 2000	-3	3.24		0.00935		15601	0.01660	
September, 2000	-2	3.16		-0.02469		15714	0.00728	
October, 2000	-1	3.26	0.09	0.06013		15527	-0.01194	
November, 2000	0	3.24		-0.03284	-0.03299	15714	0.01206	0.11207
December, 2000	1	3.13		-0.03395		15404	-0.01971	
January, 2001	2	3.19		0.01917		16058	0.04245	
February, 2001	3	3.32		0.04075		16033	-0.00157	
March, 2001	4	3.21	0.085	-0.00753		15263	-0.04801	
April, 2001	5	3.34		0.01366		16156	0.05851	
May, 2001	6	3.54		0.05988		16423	0.01653	
June, 2001	7	3.53	0.06	0.01412		17045	0.03786	
July, 2001	8	3.7		0.03064		16237	-0.04737	
August, 2001	9	4		0.08108		16062	-0.01083	
September, 2001	10	3.63	0.025	-0.08625		15027	-0.06439	
October, 2001	11	3.79		0.03694		16040	0.06737	
November, 2001	12	3.9		0.02902	0.19753	16559	0.03234	0.06318
December, 2001	13	4.13		0.05897		17000	0.02664	
January, 2002	14	4.45		0.07748		17208	0.01227	
February, 2002	15	4.22		-0.05169		17007	-0.01169	
March, 2002	16	4.35	0.08	0.04976		17117	0.00649	
April, 2002	17	4.32		-0.02483		16811	-0.01789	
May, 2002	18	4.34		0.00463		16954	0.00847	
June, 2002	19	4.32		-0.00461		16245	-0.04178	
July, 2002	20	4.19		-0.03009		15591	-0.04026	
August, 2002	21	4.34		0.03580		15835	0.01563	
September, 2002	22	4.16	0.09	-0.02074		15178	-0.04147	
October, 2002	23	4.21		-0.00941		15588	0.02702	
November, 2002	24	4.13		-0.01900	0.06628	15764	0.01127	-0.04530
December, 2002	25	4.29		-0.01399		15508	-0.01625	
January, 2003	26	4.23		-0.01399		15250	-0.01665	
February, 2003	27	4.01		-0.05201		14501	-0.04912	
March, 2003	28	4.25	0.08	0.06588		15075	0.03963	
April, 2003	29	4.45		0.02771		15725	0.04306	
May, 2003	30	4.46		0.00225		15779	0.00349	
June, 2003	31	4.56		0.02242		15967	0.01187	
July, 2003	32	4.7		0.02766		16474	0.03177	
August, 2003	33	4.83		0.02766		16955	0.02918	
September, 2003	34	4.89	0.1	0.03313		16915	-0.00234	
October, 2003	35	5		0.00200		17480	0.03337	
November, 2003	36	4.83		-0.03400	0.09473	17126	-0.02022	0.08780

Bendigo Bank

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
October, 1997	-36	3.45	0.09			10572		
November, 1997	-35	3.2		-0.09605		10606	0.00322	
December, 1997	-34	3.45		0.07813		11296	0.06506	
January, 1998	-33	3.93		0.13913		11472	0.01558	
February, 1998	-32	3.75		-0.04580		11695	0.01944	
March, 1998	-31	3.83		0.02133		11961	0.02274	
April, 1998	-30	3.59	0.1	-0.03655		12058	0.00811	
May, 1998	-29	3.5		-0.05149		11877	-0.01501	
June, 1998	-28	3.59		0.02571		11731	-0.01229	
July, 1998	-27	3.95		0.10028		11894	0.01389	
August, 1998	-26	3.93		-0.00506		10945	-0.07979	
September, 1998	-25	4.39		0.11705		11491	0.04989	
October, 1998	-24	4.6	0.115	0.07403	0.32071	11798	0.02672	0.11755
November, 1998	-23	5.04		0.06893		12409	0.05179	
December, 1998	-22	5.73		0.13690		12610	0.01620	
January, 1999	-21	5.92		0.03316		12975	0.02895	
February, 1999	-20	5.75		-0.02872		12946	-0.00224	
March, 1999	-19	6.13		0.06609		13421	0.03669	
April, 1999	-18	6.02	0.105	-0.00082		14045	0.04649	
May, 1999	-17	6.29		0.02694		13153	-0.06351	
June, 1999	-16	6.13		-0.02544		13530	0.02866	
July, 1999	-15	6.03		-0.01631		13770	0.01774	
August, 1999	-14	6.03		0.00000		13500	-0.01961	
September, 1999	-13	5.94		-0.01493		13265	-0.01741	
October, 1999	-12	5.67	0.125	-0.02441	0.22140	13328	0.00475	0.12851
November, 1999	-11	5.34		-0.07852		14112	0.05882	
December, 1999	-10	5.06		-0.05243		14640	0.03741	
January, 2000	-9	4.91		-0.02964		14383	-0.01755	
February, 2000	-8	5.38		0.09572		14613	0.01599	
March, 2000	-7	5.01		-0.06877		14690	0.00527	
April, 2000	-6	5.02	0.105	0.02295		14613	-0.00524	
May, 2000	-5	4.68		-0.08683		14469	-0.00985	
June, 2000	-4	4.86		0.03846		15628	0.08010	
July, 2000	-3	4.81		-0.01029		15346	-0.01804	
August, 2000	-2	4.85		0.00832		15601	0.01660	
September, 2000	-1	5.06		0.04330		15714	0.00728	
October, 2000	0	5.01	0.135	0.01680	-0.10093	15527	-0.01194	0.15884
November, 2000	1	5.18		0.00680		15714	0.01206	
December, 2000	2	5.36		0.03475		15404	-0.01971	
January, 2001	3	6.1		0.13806		16058	0.04245	
February, 2001	4	6.13	0.15	0.02951		16033	-0.00157	
March, 2001	5	5.92		-0.05732		15263	-0.04801	
April, 2001	6	6.03	0.115	0.03801		16156	0.05851	
May, 2001	7	6.07		-0.01221		16423	0.01653	
June, 2001	8	6.53		0.07578		17045	0.03786	
July, 2001	9	6.52		-0.00153		16237	-0.04737	
August, 2001	10	6.47		-0.00767		16062	-0.01083	
September, 2001	11	6.01		-0.07110		15027	-0.06439	
October, 2001	12	6.47	0.145	0.10067	0.27375	16040	0.06737	0.04289
November, 2001	13	6.97		0.07728		16559	0.03234	
December, 2001	14	7.56		0.08465		17000	0.02664	
January, 2002	15	8.06		0.06614		17208	0.01227	
February, 2002	16	7.2		-0.10670		17007	-0.01169	
March, 2002	17	6.98		-0.03056		17117	0.00649	
April, 2002	18	7.12	0.12	0.03725		16811	-0.01789	
May, 2002	19	7.04		-0.02762		16954	0.00847	
June, 2002	20	6.72		-0.04545		16245	-0.04178	
July, 2002	21	6.92		0.02976		15591	-0.04026	
August, 2002	22	7.71		0.11416		15835	0.01563	
September, 2002	23	8.11		0.05188		15178	-0.04147	
October, 2002	24	8.1	0.17	0.01973	0.27051	15588	0.02702	-0.02423
November, 2002	25	8.13		-0.01693		15764	0.01127	
December, 2002	26	7.79		-0.04182		15508	-0.01625	
January, 2003	27	7.96		0.02182		15250	-0.01665	
February, 2003	28	7.39		-0.07161		14501	-0.04912	
March, 2003	29	7.57		0.02436		15075	0.03963	
April, 2003	30	7.37	0.135	-0.00859		15725	0.04306	
May, 2003	31	7.84		0.04464		15779	0.00349	
June, 2003	32	8.08		0.03061		15967	0.01187	
July, 2003	33	8.03		-0.00619		16474	0.03177	
August, 2003	34	8.82		0.09838		16955	0.02918	
September, 2003	35	8.99		0.01927		16915	-0.00234	
October, 2003	36	8.7	0.2	-0.01001	0.08394	17480	0.03337	0.11929

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
January, 1994	-36	7.97	0.2			8508		
February, 1994	-35	7.38		-0.09670		8038	-0.05524	
March, 1994	-34	6.73		-0.08808		7615	-0.05263	
April, 1994	-33	6.57		-0.02377		7672	0.00749	
May, 1994	-32	6.28		-0.04414		7760	0.01147	
June, 1994	-31	5.71		-0.09076		7448	-0.04021	
July, 1994	-30	5.9	0.22	0.07180		7725	0.03719	
August, 1994	-29	5.48		-0.10458		7959	0.03029	
September, 1994	-28	5.42		-0.01095		7650	-0.03882	
October, 1994	-27	5.38		-0.00738		7749	0.01294	
November, 1994	-26	5.18		-0.03717		7189	-0.07227	
December, 1994	-25	5.15		-0.00579		7308	0.01655	
January, 1995	-24	5.16	0.25	0.05049	-0.38703	6997	-0.04256	-0.18579
February, 1995	-23	5.72		0.05730		7352	0.05074	
March, 1995	-22	5.8		0.01399		7356	0.00054	
April, 1995	-21	6.1		0.05172		7929	0.07790	
May, 1995	-20	6.18		0.01311		7835	-0.01186	
June, 1995	-19	5.81		-0.05987		7873	0.00485	
July, 1995	-18	5.98	0.25	0.07229		8259	0.04903	
August, 1995	-17	6.35		0.01926		8337	0.00944	
September, 1995	-16	7.08		0.11496		8399	0.00744	
October, 1995	-15	6.82		-0.03672		8203	-0.02334	
November, 1995	-14	7.25		0.06305		8566	0.04425	
December, 1995	-13	7.5		0.03448		8783	0.02533	
January, 1996	-12	7.85	0.26	0.08133	0.42491	9129	0.03939	0.27372
February, 1996	-11	8.69		0.07152		9164	0.00383	
March, 1996	-10	8.35		-0.03913		8955	-0.02281	
April, 1996	-9	7.91		-0.05269		9348	0.04389	
May, 1996	-8	8.2		0.03666		9173	-0.01872	
June, 1996	-7	8.76		0.06829		9119	-0.00589	
July, 1996	-6	8.36	0.26	-0.01598		8870	-0.02731	
August, 1996	-5	8.2		-0.04872		9260	0.04397	
September, 1996	-4	8.91		0.08659		9394	0.01447	
October, 1996	-3	9		0.01010		9698	0.03236	
November, 1996	-2	8.58		-0.04667		9867	0.01743	
December, 1996	-1	7.79		-0.09207		10065	0.02007	
January, 1997	0	7.78	0.26	0.03209	0.00998	10069	0.00040	0.10169
February, 1997	1	7.7		-0.04229		10218	0.01480	
March, 1997	2	7.51		-0.02468		10151	-0.00656	
April, 1997	3	7.88		0.04927		10455	0.02995	
May, 1997	4	8.03		0.01904		10993	0.05146	
June, 1997	5	8.81		0.09714		11541	0.04985	
July, 1997	6	8.74	0.26	0.02157		11583	0.00364	
August, 1997	7	8.04		-0.10667		11016	-0.04895	
September, 1997	8	8.62		0.07214		11818	0.07280	
October, 1997	9	8.61		-0.00116		10572	-0.10543	
November, 1997	10	8.88		0.03136		10606	0.00322	
December, 1997	11	8.7		-0.02027		11296	0.06506	
January, 1998	12	8.95	0.26	0.05862	0.15406	11472	0.01558	0.14541
February, 1998	13	8.82		-0.04235		11695	0.01944	
March, 1998	14	8.88		0.00680		11961	0.02274	
April, 1998	15	9.11		0.02590		12058	0.00811	
May, 1998	16	10.3		0.13063		11877	-0.01501	
June, 1998	17	10.44		0.01359		11731	-0.01229	
July, 1998	18	10.6	0.26	0.04023		11894	0.01389	
August, 1998	19	10.33		-0.04880		10945	-0.07979	
September, 1998	20	10.57		0.02323		11491	0.04989	
October, 1998	21	10.67		0.00946		11798	0.02672	
November, 1998	22	10.36		-0.02905		12409	0.05179	
December, 1998	23	10.31	0.26	0.02027	0.13288	12610	0.01620	0.13063
January, 1999	24	10.39		-0.01703		12975	0.02895	
February, 1999	25	10.13		-0.02502		12946	-0.00224	
March, 1999	26	10.3		0.01678		13421	0.03669	
April, 1999	27	11.15		0.08252		14045	0.04649	
May, 1999	28	10.8		-0.03139		13153	-0.06351	
June, 1999	29	10.5		-0.02778		13530	0.02866	
July, 1999	30	10.45	0.26	0.02000		13770	0.01774	
August, 1999	31	10.4		-0.02894		13500	-0.01961	
September, 1999	32	10.54		0.01346		13265	-0.01741	
October, 1999	33	10.32		-0.02087		13328	0.00475	
November, 1999	34	9.58		-0.07171		14112	0.05882	
December, 1999	35	11.48	0.26	0.22547		14640	0.03741	
January, 2000	36	12		0.02215	0.17467	14383	-0.01755	0.11026

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	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
June, 1997	-36	16				11541		
July, 1997	-35	16.65		0.04062		11583	0.00364	
August, 1997	-34	15.04		-0.09670		11016	-0.04895	
September, 1997	-33	17.04	0.57	0.17088		11818	0.07280	
October, 1997	-32	16.35		-0.07155		10572	-0.10543	
November, 1997	-31	17.35		0.06116		10606	0.00322	
December, 1997	-30	17.6		0.01441		11296	0.06506	
January, 1998	-29	18.25		0.03693		11472	0.01558	
February, 1998	-28	18.25		0.00000		11695	0.01944	
March, 1998	-27	17.93	0.46	0.00767		11961	0.02274	
April, 1998	-26	18.4		0.00054		12058	0.00811	
May, 1998	-25	18.79		0.02120		11877	-0.01501	
June, 1998	-24	18.84		0.00266	0.18783	11731	-0.01229	0.02890
July, 1998	-23	20.55		0.09076		11894	0.01389	
August, 1998	-22	18.6		-0.09489		10945	-0.07979	
September, 1998	-21	19.96	0.58	0.10430		11491	0.04989	
October, 1998	-20	19.89		-0.03165		11798	0.02672	
November, 1998	-19	21.95		0.10357		12409	0.05179	
December, 1998	-18	23.15		0.05467		12610	0.01620	
January, 1999	-17	23.92		0.03326		12975	0.02895	
February, 1999	-16	24.2		0.01171		12946	-0.00224	
March, 1999	-15	25.9	0.49	0.09050		13421	0.03669	
April, 1999	-14	27.52		0.06255		14045	0.04649	
May, 1999	-13	25.15		-0.08612		13153	-0.06351	
June, 1999	-12	24.05		-0.04374	0.29492	13530	0.02866	0.15374
July, 1999	-11	24.12		0.00291		13770	0.01774	
August, 1999	-10	24.66		0.02239		13500	-0.01961	
September, 1999	-9	24.15	0.66	0.00608		13265	-0.01741	
October, 1999	-8	25.7		0.03587		13328	0.00475	
November, 1999	-7	25.94		0.00934		14112	0.05882	
December, 1999	-6	26.23		0.01118		14640	0.03741	
January, 2000	-5	26.1		-0.00496		14383	-0.01755	
February, 2000	-4	24.99		-0.04253		14613	0.01599	
March, 2000	-3	22.54	0.75	-0.06803		14690	0.00527	
April, 2000	-2	26.08		0.11979		14613	-0.00524	
May, 2000	-1	27.88		0.06902		14469	-0.00985	
June, 2000	0	27.69		-0.00681	0.15426	15628	0.08010	0.15042
July, 2000	1	27.8		0.00397		15346	-0.01804	
August, 2000	2	27.68		-0.00432		15601	0.01660	
September, 2000	3	27.6		-0.00289		15714	0.00728	
October, 2000	4	28.71	0.58	0.06123		15527	-0.01194	
November, 2000	5	31.69		0.08194		15714	0.01206	
December, 2000	6	30.9		-0.02493		15404	-0.01971	
January, 2001	7	32		0.03560		16058	0.04245	
February, 2001	8	30.19		-0.05656		16033	-0.00157	
March, 2001	9	28.6	0.82	-0.02551		15263	-0.04801	
April, 2001	10	28.84		-0.01971		16156	0.05851	
May, 2001	11	31.2		0.08183		16423	0.01653	
June, 2001	12	34.15		0.09455	0.22521	17045	0.03786	0.09200
July, 2001	13	29.5		-0.13616		16237	-0.04737	
August, 2001	14	29.35		-0.00508		16062	-0.01083	
September, 2001	15	26.1		-0.11073		15027	-0.06439	
October, 2001	16	29.8	0.61	0.16513		16040	0.06737	
November, 2001	17	28.6		-0.05952		16559	0.03234	
December, 2001	18	29.94		0.04685		17000	0.02664	
January, 2002	19	32.74		0.09352		17208	0.01227	
February, 2002	20	32.36		-0.01161		17007	-0.01169	
March, 2002	21	32.04	0.85	0.01638		17117	0.00649	
April, 2002	22	32.85		-0.00122		16811	-0.01789	
May, 2002	23	33.5		0.01979		16954	0.00847	
June, 2002	24	32.93		-0.01701	0.00033	16245	-0.04178	-0.04036
July, 2002	25	31.17		-0.05345		15591	-0.04026	
August, 2002	26	30.87		-0.00962		15835	0.01563	
September, 2002	27	30.14		-0.02365		15178	-0.04147	
October, 2002	28	30.4	0.68	0.03119		15588	0.02702	
November, 2002	29	27.15		-0.12645		15764	0.01127	
December, 2002	30	27		-0.00552		15508	-0.01625	
January, 2003	31	25.91		-0.04037		15250	-0.01665	
February, 2003	32	24.54		-0.05288		14501	-0.04912	
March, 2003	33	26.05	1.04	0.10391		15075	0.03963	
April, 2003	34	27.22		0.00480		15725	0.04306	
May, 2003	35	28.24		0.03747		15779	0.00349	
June, 2003	36	29.55		0.04639	-0.08818	15967	0.01187	-0.01178

AMP

	Acq month	Share Price	Dividend	Diffs.	Cum. Ret.	Acc.Index	Diffs.	Cum. Ret.
December, 1996	-36							
January, 1997	-35							
February, 1997	-34							
March, 1997	-33							
April, 1997	-32							
May, 1997	-31							
June, 1997	-30							
July, 1997	-29							
August, 1997	-28							
September, 1997	-27							
October, 1997	-26							
November, 1997	-25							
December, 1997	-24							
January, 1998	-23							
February, 1998	-22							
March, 1998	-21							
April, 1998	-20							
May, 1998	-19							
June, 1998	-18	13.91				11731		
July, 1998	-17	15.96		0.14738		11894	0.01389	
August, 1998	-16	15.68		-0.01754		10945	-0.07979	
September, 1998	-15	15.05		-0.04018		11491	0.04989	
October, 1998	-14	14.02		-0.06844		11798	0.02672	
November, 1998	-13	15.17		0.08203		12409	0.05179	
December, 1998	-12	15.22		0.00330	0.10654	12610	0.01620	0.07870
January, 1999	-11	14.17		-0.06899		12975	0.02895	
February, 1999	-10	13.51		-0.04658		12946	-0.00224	
March, 1999	-9	12.71		-0.05922		13421	0.03669	
April, 1999	-8	12.92	0.18	0.03068		14045	0.04649	
May, 1999	-7	12.28		-0.06260		13153	-0.06351	
June, 1999	-6	12.16		-0.00977		13530	0.02866	
July, 1999	-5	12.8		0.05263		13770	0.01774	
August, 1999	-4	11.49		-0.10234		13500	-0.01961	
September, 1999	-3	10.5		-0.08616		13265	-0.01741	
October, 1999	-2	11.73	0.2	0.13619		13328	0.00475	
November, 1999	-1	10.86		-0.08969		14112	0.05882	
December, 1999	0	12.39		0.14088	-0.16495	14640	0.03741	0.15676
January, 2000	1	11.17		-0.09847		14383	-0.01755	
February, 2000	2	10.8		-0.03312		14613	0.01599	
March, 2000	3	11.47		0.06204		14690	0.00527	
April, 2000	4	11.04	0.21	-0.01918		14613	-0.00524	
May, 2000	5	11.2		-0.00444		14469	-0.00985	
June, 2000	6	12.51		0.11696		15628	0.08010	
July, 2000	7	12.73		0.01759		15346	-0.01804	
August, 2000	8	13.12		0.03064		15601	0.01660	
September, 2000	9	12.07		-0.08003		15714	0.00728	
October, 2000	10	12.8	0.23	0.07954		15527	-0.01194	
November, 2000	11	13.81		0.05986		15714	0.01206	
December, 2000	12	14.88		0.07748	0.20886	15404	-0.01971	0.05495
January, 2001	13	13.98		-0.06048		16058	0.04245	
February, 2001	14	14.59		0.04363		16033	-0.00157	
March, 2001	15	14.77		0.01234		15263	-0.04801	
April, 2001	16	14.72	0.24	0.01286		16156	0.05851	
May, 2001	17	14.93		-0.00201		16423	0.01653	
June, 2001	18	16.19		0.08439		17045	0.03786	
July, 2001	19	14.12		-0.12786		16237	-0.04737	
August, 2001	20	14.48		0.02550		16062	-0.01083	
September, 2001	21	13.35		-0.07804		15027	-0.06439	
October, 2001	22	13.28	0.25	0.01348		16040	0.06737	
November, 2001	23	14.03		0.03695		16559	0.03234	
December, 2001	24	13.57		-0.03279	-0.07201	17000	0.02664	0.10952
January, 2002	25	14.26		0.05085		17208	0.01227	
February, 2002	26	13.81		-0.03156		17007	-0.01169	
March, 2002	27	13.98		0.01231		17117	0.00649	
April, 2002	28	13.54	0.26	-0.01288		16811	-0.01789	
May, 2002	29	12.44		-0.09855		16954	0.00847	
June, 2002	30	11.48		-0.07717		16245	-0.04178	
July, 2002	31	10.42		-0.09233		15591	-0.04026	
August, 2002	32	10.25		-0.01631		15835	0.01563	
September, 2002	33	8.61		-0.16000		15178	-0.04147	
October, 2002	34	9.35	0.26	0.11614		15588	0.02702	
November, 2002	35	9.68		0.00728		15764	0.01127	
December, 2002	36	8.23		-0.14979	-0.45201	15508	-0.01625	-0.08819

Appendix VI. Paper presented to ANZAM Conference, December 2010,
Adelaide. Nigel Garrow

The effect of leadership stability, agency problems and animal spirits on M&A outcomes in Australia.

Abstract

Mergers and acquisitions continue to be value destroying for many acquiring firm shareholders. Lack of continuity of tenure, agency problems and animal spirits in the acquiring and acquired firms may contribute to this loss of value. This study examines acquisitions in Australia between 1990 and 2006, when the roles of Chairman and Chief Executive were performed by different people in the acquiring firm. The study finds that the period of joint tenure, when the Chairman and CEO have been in their respective roles together, is a statistically significant contributor to acquiring firm shareholder value during the three year period following completion of the acquisition. Agency problems and animal spirits are also found to be important influences on M&A outcomes.

Introduction

Merger and acquisition (M&A) research still has to provide a definitive response to the question 'why do so many acquisitions reduce value for the acquiring firm shareholders?' M&A activity is a significant factor in business in most advanced economies. According to Thomson Reuters, the value of M&A deals completed globally during the 12 months to November 2009 was US\$1.8 trillion (Garrow 2010), a figure which is larger than the size of the Australian economy. King *et al.* (2004) suggest that as yet unidentified variables in M&A research may be more effective in explaining the variance in post-acquisition performance by acquirers and hence the reason for under-performance.

This paper makes a contribution to this quest by proposing a new solution, namely that the period of joint tenure of the Chairman and Chief Executive Officer (CEO), when they have been in their respective roles together, of the acquiring firm at the time of transaction completion is a statistically significant contributor to the return to shareholders of the acquiring firm during the three years following completion. Human factors mask the contribution of joint tenure through "animal spirits" (Keynes, John Maynard 2007 p161) during the period prior to the completion of the acquisition and agency consequences arising from the acquisition. Agency factors suggest that there is potential for conflict of interest (Eisenhardt 1989) between shareholders and the CEO. This paper contributes to Australian research by focussing on M&A activity in Australia during 1990 to 2006.

The length of joint tenure will influence the stability of the acquirer strategy and its implementation (Henderson et. al. 2006) and potentially provide continuity through the crucial phase of acquisition and integration when acquirer management attention also needs to encompass core business activity and, often, acquired company management depart that firm (Krug & Shill 2008). The main theoretical basis of this paper is the Resource Based View (RBV) of the firm (Barney 1991), Upper Echelon Theory (Hambrick & Mason 1984) and Agency Theory (Eisenhardt 1989) together with hypotheses related to animal spirits (Akerlof & Shiller 2009) and hubris (Roll 1986).

Important implications for corporate governance emerge in response to the findings in this study. In Australia this is topical with the recently published Productivity Commission report 'Executive Remuneration in Australia' (2009) and its examination of the role of the board and the ASX Corporate Governance Council (2007a) recommendation that the chair, who should be an independent director and CEO should not be the same individual (Productivity Commission 2009).

No other research has been identified which examines the main proposition of this paper, other than a pilot study in Australia (Garrow 2010).

Literature Review

Three motives are typically cited to explain why M&A activity occurs: synergy, agency and hubris (Berkovitch & Narayanan 1993). Synergy reflects economic gains: the sum of the value creation of two firms when combined is greater than the sum of the value created by the firms separately, or one plus one equals three (Sirower 1997). Agency involves the enhancement of acquiring firm management returns at the expense of shareholders (Eisenhardt 1989). For hubris, Roll (1986) argues that in perfect markets there are no gains to be derived from M&A activity and that management act to acquire either as a result of over-exuberance or through errors in evaluating target firms. Berkovitch and Narayanan (1993) observe that most of the studies on M&A motives are inconclusive largely because M&A activity usually involves a combination of motives. Some studies conclude that hubris is an explanation for M&A by inference, because standard financial analyses do not provide a complete explanation for outcomes (Gregory 1997; Sharma & Ho 2002).

Tuch and O'Sullivan (2007) reviewed empirical research on the impact of acquisitions on firm performance. They examine a number of bid characteristics including mood (the available evidence suggests that returns to acquirers involved in hostile bids may be better than for those companies completing unopposed takeovers), method of payment (cash acquisitions perform better than equity based acquisitions), relative size of acquirer to target (positive gains in the long run from

acquiring large targets), relatedness (non-conglomerate acquisitions exhibit a 6.2% higher combined market value increase for shareholders compared with conglomerate takeovers) and pre-bid performance (low market to book (MTB) acquirers earn statistically significant gains of +16% in tender offers and +8% in mergers three years after the acquisition with high P/E acquirers earning significantly negative returns following an acquisition), whilst timing in the stock market cycle can also be a determining factor. Two of their conclusions were that long-run performance analysis reveals overwhelmingly negative returns for acquirers and a negative relationship exists between pre-bid performance and post-bid performance, possibly reflecting overconfidence by the incumbent acquiring firm managers.

In a substantive analysis Gregory (1997) reviewed previous M&A studies which examined the returns to shareholders of UK takeovers and then conducted his own study of 452 domestic UK takeovers. Gregory examined abnormal returns for two years following takeover with six different models. Depending upon which model was used the Cumulative Average Abnormal Return (CAAR) varied from -6.1% to -10.63% for the acquiring firm during the period from announcement to 12 months later; from announcement to 24 months later the CAAR ranged from -11.82% to -18.01%. His conclusion was that takeovers were, on average, wealth reducing events for acquiring companies.

Agrawal *et al.* (1992) examined 937 mergers and 227 tender offers in the USA covering the period 1955 to 1987. For the entire sample they found the CAAR 12 months from completion was -1.53%, -4.94% 13–24 months after completion and -7.38% 25–36 months after completion. They also commented that acquiring firms generally outperform the market prior to the merger. In their analysis they found that the years during which the acquisition was being conducted was an important influence on the outcome, a view shared by Higson and Elliott (1998). Martynova and Renneboog (2008) examined the effect of merger waves on acquisition outcomes since 1890.

Australia has a very limited range of M&A studies. Most of the sector specific literature centres on banking and finance (Harper 2000; Neal 2004; Valentine & Ford 2001; Wu 2008). Three previous studies of Australian M&A provide a context for this study: P McDougall *et al.* (1986), Bishop *et al.* (1987) and Sharma & Ho (2002).

McDougall *et al.* (1986) analysed 88 takeovers during the period 1970 to 1981; amongst the selection criteria for their sample was that both target and acquirer must have been publically listed firms at the time of the acquisition, with three years of data for each variable existing both before and after the takeover and that mergers in the banking, finance and mining industries were excluded. They found that target firm shareholders largely gained from takeovers, acquiring firms in

Australia performed better in the pre-takeover period than their international counterparts but suffered more in the post takeover period. McDougall *et al.* (1986) noted that on balance, takeovers appear to have been caused by so-called managerial motives, or by a desire to develop or enhance market power.

Early in their analysis Bishop *et al.* (1987) reflect on the observations of the 1981 Annual Report of Berkshire Hathaway which suspected the existence of three motivations in most high-premium takeovers: animal spirits, increasing organisation size to increase remuneration and a belief in the efficacy of the princess's kiss on the toad. Bishop *et al.* (1987) commented that these ideas are encompassed in the 'managerial or anti-takeover theory'.

Bishop *et al.* (1987) examined 1,442 bids across the period 1972 to 1985 using cumulative abnormal returns; they concluded that 'on average shareholders gain considerably when they own shares involved in takeover transactions. Shareholders of target firms gain most, but shareholders of bidding firms also gain' (p.X). They stated that they were not saying that acquiring firm shareholders gain in all acquisitions, but that on average they gain. In their study bidding firms were on average six times larger than their targets and bidding firms made takeover offers after having experienced abnormally high returns during the 36 month period preceding the offer.

Sharma and Ho (2002) summarised a number of previous M&A studies from outside Australia and conducted their own study of 36 acquisitions within Australia during the period 1986 to 1991; in their view this was comparable with prior studies conducted in the UK and USA. Similar to McDougall *et al.* (1986) they excluded acquisitions from the finance and mining sectors, citing that 'their unique accounting and regulatory requirements renders it difficult to meaningfully compare with other industrial companies'. Operating performance was measured using earnings and operating cash flow before tax data within the period up to three years prior to acquisition and up to three years after acquisition; the statistical tests used means and medians. One of the stated purposes of their study was to 'provide Australian evidence of the impact of acquisitions on post-acquisition operating performance'. They found that the structure of the acquisition financing (equity, cash, or a combination), the size of the acquisition, the payment of a goodwill premium and industry relatedness 'do not significantly influence post-acquisition performance' and that poorly performing firms are more likely to be takeover targets. Using earnings per share as a measure they also found that acquisitions do not yield improvements in operating performance.

Sharma and Ho (2002) concluded, mainly by inference, that their results were consistent with

agency hypothesis (since the acquisitions resulted in worse post-acquisition performance but larger firm size), hubris hypothesis (since there was no post-acquisition performance improvement they concluded that the hubris hypothesis should not be disregarded as an explanation for corporate acquisitions) and the financial motivation hypothesis (an emphasis on acquiring poorly performing firms).

Hypotheses

This paper examines the contribution which an acquirer's two most senior directors, the Chairman and the CEO, make to the outcome of M&A activity by considering the importance of the period which they are in office together (referred to as their period of joint tenure hereafter) on the returns to acquiring firm shareholders from M&A. The potential for goal conflict between managers and shareholders is considered by examining the relationship between CEO remuneration change at the time of an acquisition and shareholder returns in the aftermath of an acquisition. Finally consideration is given to animal spirits as an explanation for M&A behaviour and outcomes. The study is conducted in Australia, where there is limited substantive M&A research and excludes mining and related firms from the analysis, which is consistent with McDougall *et al.* (1986) and Sharma and Ho (2002).

Hypothesis 1. The length of time that the Chairman and CEO of the acquiring firm have been together in their respective positions at the time of the acquisition will determine the success or otherwise of the outcome of the acquisition, indicating the value of experience.

The potential importance of the period which both the Chairman and CEO have been in office together when the transaction is completed is highlighted by the Resource Based View (Barney 1991) of the firm together with Upper Echelon Theory (Hambrick & Mason 1984) relating to the characteristics of senior executives, research on the overall effectiveness on performance of firm tenure (Henderson *et. al.* 2006), plus research which demonstrates the high probability that senior executives in the acquired firm will depart that firm at a much faster rate than normal executive turnover (Krug & Shill 2008).

Typically the source of value creation within an organisation is its core competencies, the collective learning of the organization (Prahalad & Hamel 1990) and its skill in co-ordinating activities, especially technologies or other intellectual property, to achieve protectable (difficult to copy), differentiated, value enhancing outputs. The concept of core competencies is embraced in the Resource Based View (RBV) of the firm, namely that sustained competitive advantage arises when firms have resources which are valuable, rare, inimitable and not easily substitutable (Barney 1991).

The RBV assumes the heterogeneity of resources across firms and that these resources are not easily mobilised to another firm (Barney 1991).

Barney (1991) classifies firm capital resources into three categories: Physical (such as technology or plant and equipment), Human (including knowledge, experience and relationships) and Organizational (planning, reporting and co-ordinating systems). A firm is considered to have a sustainable competitive advantage when it is executing a value enhancing strategy which is not being adopted by either an existing or potential competitor and that competitor is unable to duplicate the benefits of that strategy (Barney 1991). A unique resource within the firm will be the individuals who occupy the positions of Chairman and CEO. Applying the earlier definitions, they are 'human' capital yielding 'organizational' capital depending on the period in positional tenure; this paper proposes that the greater the period of joint tenure by the CEO and Chairman at completion of the merger or acquisition, the greater the return to shareholders through efficient management of capital resources.

Individuals occupying the positions of Chairman and CEO, especially if they have both been in situ for a considerable period of time, will satisfy the RBV definition for sustainable competitive advantage: valuable (track record in situ will attest for this and the quality of their leadership), rare (by definition they will be unique individuals), inimitable (not directly capable of being copied, in particular the cultural environment created by the two business leaders) and not easily substitutable (recruitment and assimilation into a firm are time consuming and distractive processes).

Hypothesis 2. There is an inverse correlation between the change in the remuneration of the CEO and the change in shareholder value in the period following an acquisition, indicating the conflicting nature of shareholder and management goals.

The potential for differences of interest between managers and shareholders is captured in Agency Theory. Agency theory pertains to organizational situations in which the principal, typically a shareholder, is different from the agent, typically an employee albeit a director or senior manager and in which circumstances the interests of the two parties, as they relate to the firm, may differ; in those situations the two parties are likely to have different goals and different value outcomes and potentially may come into conflict. Eisenhardt (1989) examines two agency theories (positivist agency theory and principal-agent theory), the risk averseness or otherwise of the principal and agent, and the consequences on the nature of the contract (commission or outcome based versus salary or behaviour based) between the two parties. She observes that agency theory reflects the

self-interested nature of much of life in an organization. Information, and access to it, plays a key part in determining how the principal and the agent interact with each other. Boards of directors (their size, composition and mode of operation) 'from an agency perspective can be used as monitoring devices for shareholder interests' (Eisenhardt 1989).

This study is interested in the extent to which the CEO outcome, measured as remuneration, is directly or inversely correlated with the shareholder outcome. Existing research indicates that CEO's gain in remuneration regardless of whether the acquisition is a success or not (Bliss & Rosen 2001; Guest 2009; Khorana & Zenner 1998).

Hypothesis 3: Animal spirits drive M&A behaviour and activity and they contribute adversely to shareholder outcomes.

Since Roll's (1986) hypothesis on hubris, many studies have deferred to hubris as an explanation for M&A outcomes, especially when that study has no definitive explanation for an outcome (Gregory 1997; Sharma & Ho 2002). Some studies have been conducted which have attempted to measure hubris (Hayward & Hambrick 1997; Malmendier & Tate 2008a, 2008b). This study proposes another hypothesis, that animal spirits are the driver of M&A activity. Animal spirit is behaviour in response to changing sentiments largely arising from external factors such as a change in economic conditions. Hubris is to do with personal ambition, arrogance, even narcissism. Animal spirits draw on the work of Keynes, during the period of the Great Depression (Keynes, John Maynard 2007; Skidelsky 2009), who challenged the assumption of perfect rationally behaving markets as he tackled the basis on which the global economy was entering a deep recession. For example, rational behaviour patterns should have restored full employment equilibrium, but they didn't.

'Most, probably, of our decisions to do something positive, the full consequences of which will be drawn out over many days to come, can only be taken as a result of animal spirits – of a spontaneous urge to action rather than inaction and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities' (Keynes, John Maynard 2007 p161).

Akerlof and Shiller (2009) describe different aspects of animal spirits which they observe affect economic decisions: '*confidence, fairness, corruption and antisocial behaviour, money illusion and stories*'. These aspects of animal spirits can be applied to an examination of M&A:

Confidence: Executive confidence, a critical ingredient in decision making, is almost certainly linked at one level with the overall status of the economy in which the executive is operating and on another level with the recent performance of the firm. The more buoyant that economic activity

(GDP) is then the more assertive that the executive is likely to be in the execution of his/her role; likewise, a series of good business results can also drive confidence. Confidence is a state of mind which can bring boldness, courage and belief to a decision making process.

Methodology and Sample

The 47 acquisitions in the sample come from a range of industry segments, as defined by Thompson Reuters in their database and presented in Table 1 and from different time periods as shown in Table 2 and consistent with Martynova and Renneboog (2008) defined M&A wave periods; the sample involved 39 acquirers, with six completing two acquisitions each and one completing three acquisitions within the period of analysis. The acquisition target firms were, on average, 62% of the size of the acquirers when measured by net assets in the year prior to completion.

Table 1: Sample Categories

Category	Sample Size
Health Care	5
Media & Entertainment	9
Consumer Staples	10
Industrials	8
Real Estate	4
Retail	1
Financial	8
Energy & Power	1
Consumer Products & Services	1

Table 2: Acquisition Timing

Period	Sample Size
1991	1
1993-2001	28
2002	0
2003-2008	18

The research methodology involved an analysis of annual reports for both the acquirer and the acquired firm, the determination of the cumulative abnormal returns (CAR) of the acquirer using the S&P/ASX 200 Accumulation Index and the stock price for the acquirer at month end, followed by a regression analysis using Minitab. Table 3 defines the terms in the regression equations.

Table 3: Dependent and Independent Variable Definitions

Variable	Description
CAR B	Acquirer cumulative abnormal return (CAR) for 3 years following completion
Joint Tenure	Time period in years that Chairman and CEO in roles together at completion date.
Remun Chg %	Change in acquirer's CEO remuneration in year of acquisition completion
NA Tgt/Acq	Net assets (NA) of target divided by NA of acquirer in year prior to completion
Divi/share	Acquirer dividend per share in acquisition completion year
EPS cents	Acquirer earnings per share per share in acquisition completion year
CAR Toto D	Change in ASX Accumulation Index during 3 years prior to completion
Tgt CAR	Cumulative abnormal return to target shareholders in 6 months up to completion
CAR C - CAR G Ave	Acquirer CAR in year before completion less average CAR in years 2 and 3 before completion
No. Board Dir.	Number of Directors on acquirer's board in year of acquisition

The benchmark date as the base for estimating returns is the month of completion of the acquisition. The dependent variables are the CAR during the period up to three years following completion (CAR B) for the acquirer and the CAR for the target during the six months prior to completion. The main selection criteria were that the size of the transaction had to be in excess of A\$50 million, the acquisition occurred between 1990 and 2006 in Australia, the acquirer had to be ASX listed and also the target (except in one instance), the transaction resulted in the acquirer owning all the acquired firm's share capital. The sample included multiple acquirers, but no firms in the 'materials' sector.

Data and Analysis

Table 4 presents a regression equation from the analysis of 47 Australian acquisitions during the period 1990 to 2006. The cumulative abnormal return during the three year period after completion (CAR B) is positively correlated with the period of joint tenure with a T-score of 4.44 and a P-value of 0.000. The average period of joint tenure in the sample was 3.82 years.

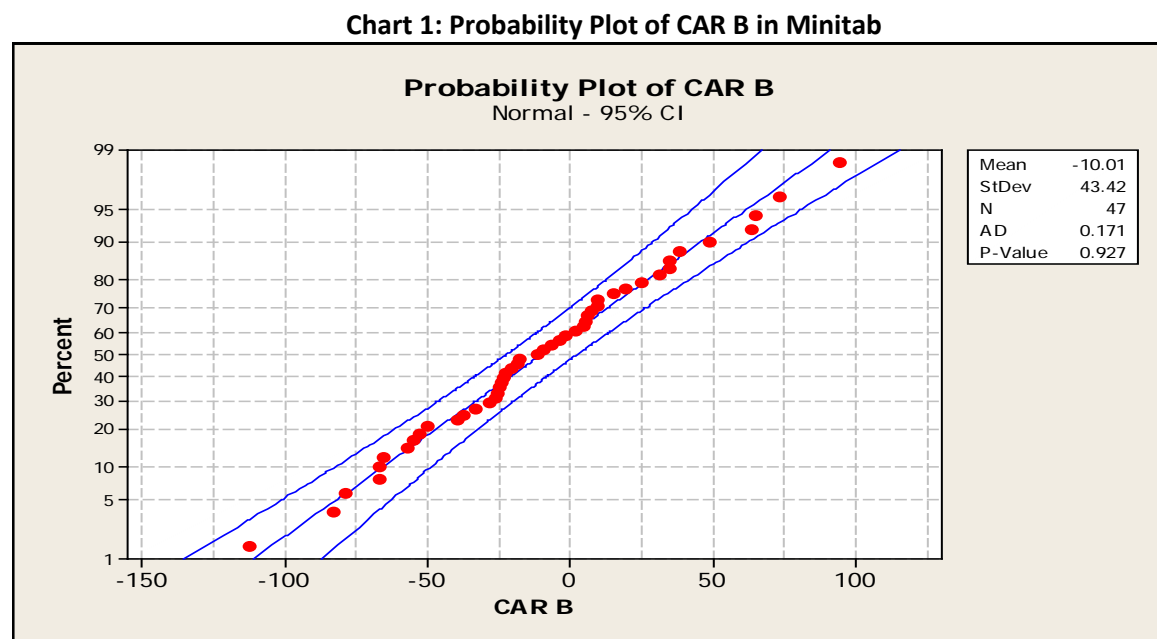
Table 4: CAR B Regression Equation

CAR B = *** + 5.92 Joint Tenure - 0.463 Remun Chg % - 19.0 NA Tgt/Acq - 0.659 Divi/share + 0.601 EPS cents + 0.840 CAR Toto D

Predictor	Coef	SE Coef	T	P
Constant	9.97	19.45	0.51	0.611
Joint Tenure	5.920	1.334	4.44	0.000
Remun Chg %	-0.4627	0.1212	-3.82	0.000
NA Tgt/Acq	-18.962	7.262	-2.61	0.013
Divi/share	-0.6588	0.3159	-2.09	0.043
EPS cents	0.6008	0.1963	3.06	0.004
CAR Toto D	0.8404	0.3790	2.22	0.032

The T-statistic is used to test a single hypothesis about the parameters in the model and P-value is the smallest significance at which the null hypothesis can be rejected (Wooldridge 2003 p841,846)

The probability plot from Minitab for CAR B is presented in Chart 1 below.



The findings support Hypothesis 1, ‘the length of time that the Chairman and CEO of the acquiring firm have been together in their respective positions at the time of the acquisition will determine the success or otherwise of the outcome of the acquisition’, with a confidence level over 99%.

From the sample of 47 acquisitions, 19 resulted in a gain in the cumulative abnormal return (CAR B) for the acquirer and 28 in a decline. The average cumulative abnormal return for the acquiring firm was 10.23% during the period up to three years prior to completion (consistent directionally but not in magnitude with Bishop *et al.*, (1987)), +6.39% during the year prior to completion, but -10.01% during the 3 year period after completion (CAR B). This finding, for CAR B, is consistent with Gregory (1997), Agrawal *et al.* (1992), Sharma and Ho (2002) and Dodd (1976).

Hypothesis 2 is supported, namely the inverse correlation (T-score -3.82, p-value 0.000) between the change in remuneration of the CEO and the change in shareholder value in the three years following an acquisition, indicating the conflicting nature of shareholder and management goals. This is consistent with prior studies (Girma, Thompson & Wright 2006; Guest 2009) and provides support for agency problems in Australia.

The regression equation in Table 5 provides support for hypothesis 3 that animal spirits drive M&A behaviour, here reflected in the share price gain by target firm shareholders and its significant independent variables.

Table 5: Tgt CAR Regression Equation

$$\text{Tgt CAR} = 42.2 + 0.616 \text{ CAR C-CAR G Ave} - 3.09 \text{ No. Board Dir.} - 0.398 \text{ Divi/share} + 0.337 \text{ EPS cents}$$

Predictor	Coef	SE Coef	T	P
Constant	42.157	9.198	4.58	0.000
CAR C-CAR G Ave	0.61570	0.09537	6.46	0.000
No. Board Dir.	-3.090	1.127	-2.74	0.009
Divi/share	-0.3981	0.1736	-2.29	0.027
EPS cents	0.33700	0.09588	3.51	0.001

$$S = 18.0384 \quad R\text{-Sq} = 59.7\% \quad R\text{-Sq}(\text{adj}) = 55.8\%$$

The size of the cumulative abnormal return to target shareholders (Tgt CAR) is significantly correlated (T-score 6.46) with the difference in acquiring firm abnormal returns in the year prior to completion (CAR C) less the average return (CAR G Ave) during the preceding two years expressed as (CAR C – CAR G Ave). This suggests that the acquirer has had a surge of confidence in the manner described by Akerlof and Shiller (2009) based upon an unusually buoyant short-term share market performance for the acquiring firm and reflected in the premium paid to the target firm shareholders. Jack Welch (2005 p221) expressed it as ‘deal heat’ when ‘top people at the acquirer and their salivating investment bankers join together in a frenzy of panic, overreaching and paranoia, which intensifies with every additional would-be acquirer on the scene’. Warren Buffett’s view was that ‘the vanity of corporate CEOs was leading to irrational deals. CEOs were, by natural Darwinian selection, excessively energetic sorts, seldom “deficient in animal spirits”. They measured themselves by the size of their castle’ (Lowenstein 2009 p238).

Conclusions

Cartwright and Schoenberg (2006) state that there are considerable ‘methodological bridges’ to cross to link financial and strategic M&A analysis with behavioural analysis, a view shared by Larsson and Finkelstein (1999) in their observation about the ‘non-integrative’ nature of M&A research. Corporate governance best practice points to the importance of the separation of the role of the independent directors, led by the Chairman, from the role of the executive team lead by the CEO, in the best interests of the stakeholders especially the shareholders. Evaluating the contribution which the Chairman and CEO jointly make to critical business activity is a gap in M&A literature but of vital importance. This study links financial analysis with behavioural analysis with its examination of joint tenure and the related behavioural characteristics of animal spirit and the shareholder value outcome.

Carmeli and Schaubroeck (2006) highlight the benefit of behaviourally integrated top management teams on strategic decision making, a point endorsed by Hambrick (1994) whilst Henderson et. al. (2006) found that tenure, for the CEO, has a positive relationship with performance particularly in relatively stable industries such as food.

This study finds a statistically significant relationship between Chairman and CEO joint tenure and acquiring firm performance during the period following an acquisition; a finding which is new in M&A literature. The existence of an inverse relationship between CEO remuneration and shareholder returns confirms the findings of other international studies, but applied to Australia. The findings for animal spirits confirm experienced practitioner observations.

Further methodological analysis is now required which more closely correlates the findings from this study with those of other international and Australian researchers, although a number of common findings are already apparent, as well as some unique ones.

Appendix VII. The nature and effect of a firm's Chairman and CEO on firm performance

The importance of the relationship between a firm's chairman and CEO is vividly illustrated in this passage from Sayer's (2009, p.240) biography of former Wesfarmers chairman Trevor Eastwood: 'The relationship between Richard Goyder (CEO) and Eastwood (chairman) reached a new level of trust and respect during the acquisition of Coles as they worked closely together. Their relationship could not have been more different from the one between Coles chairman Rick Allert and CEO John Fletcher. There was also a total contrast in the way the companies were being managed at a business and board level. The public was witnessing two great Australian businesses going in opposite directions, one on the rise and one on the decline, their financial performances stark reminders of corporate success and failure'.

Another recent example of the importance of the chairman and CEO relationship and the consequences if it is not effective was described by Frith (2010) and concerning Rio Tinto. In November 2003 Paul Skinner replaced long standing chairman Robert Wilson and this was followed in May 2007 with the internal appointment of Tom Albanese as CEO. Shortly after Albanese's appointment Rio Tinto made a US\$38 billion agreed bid for Alcan. Frith quotes a managing director at investment bank UBS: 'Skinner had never been a chief executive and didn't know how to stay on his side of the line. He never developed the right chairman-chief executive relationship with Albanese'. Rio Tinto's share price subsequently dropped substantially, the chairman retired in April 2009, following which a A\$15.2 billion capital raising was successfully completed.

Corporate Acquisitions in Australia: A Binary Analysis

N. Garrow, G. Ford and T. Valentine⁴⁶

Abstract

Mergers and acquisitions are often disadvantageous for shareholders in the acquiring firm, but value enhancing for the acquired firm and the CEO of the acquirer. Best corporate governance practice proposes that the roles of Chairman and CEO should be performed by different people, and yet there is very little analysis linking these separate roles with firm performance. This study, using binary analysis, finds a significant positive correlation between the period of joint tenure of a Chairman and CEO in the acquirer with M&A outcomes, and a significant negative correlation between CEO remuneration change and M&A outcomes. These findings have implications for investors and corporate governance practice.

1. Introduction

Merger and acquisition (M&A) activity continues to be value destroying for many acquiring firm shareholders around the world. M&A outcomes are largely a function of human factors such as experience, behaviour, and motivation, and these factors are reflected in the financial shape of the offer, the manner and effectiveness of integration, and the achievement (or otherwise) of the M&A goals of the organization.

This paper examines two propositions on M&A outcomes:

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- The longer the period of joint tenure of the Chairman and CEO of the acquiring firm at the time an acquisition is completed, the more successful will be the outcome of the acquisition for the acquirer's shareholders.
- Agency theory applies in M&A with CEO remuneration at the time of an acquisition being negatively correlated with acquirer shareholder returns following the acquisition.

On average, acquisitions are value destroying for the acquiring firms shareholders but value enhancing for the shareholders of the acquired firm (Agrawal, A., Jaffe, J. F. & Mandelker, G. N. 1992; Gregory 1997; Tuch & O'Sullivan 2007). Australia has a limited range of M&A studies. Two of the general findings in Australian studies are consistent with international studies:

- Acquirers tend to earn negative abnormal returns during the two year period following an acquisition (Bishop, Dodd & Officer 1987; Dodd 1976; Sharma & Ho 2002; Walter 1984)
- The acquired firm earns a positive abnormal return during the 3-6 months prior to the acquisition (Bishop, Dodd & Officer 1987; Bugeja & Walter 1995; Dodd 1976; McDougall et al. 1986) and these returns are likely to be higher than for the acquirer during this period (McDougall et al. 1986)

No literature has been identified which specifically examines the joint roles of a firm's chairman and CEO and their effects on firm performance in M&A. Brickley *et al.* (1997) examined leadership structures in the US and 'tentatively' argued in favour of combining the roles of chairman and CEO whilst acknowledging that existing literature tends to support the argument for separating the roles of chairman and CEO. Corporate governance practice literature, such as the recent Productivity Commission Report in Australia, notes that the ASX Corporate Governance Council recommends that the majority of the board, including the chair of the board, be independent directors, and that the chair and CEO not be the same person (Productivity Commission 2009, p.142).

Finkelstein and Hambrick (1990) find that organizational tenure is perhaps the strongest characteristic for distinguishing executives, as it reflects factors such as unique knowledge, and perspective and insights into the organization that would be especially crucial to successful implementation of an acquisition (Bergh 2001; Haspeslagh & Jemison 1991).

A theoretical framework that captures these insights could incorporate:

- Joint tenure: the Resource Based View (RBV) (Barney 1991) and the Upper Echelon Theory (Hambrick 2007; Hambrick & Mason 1984)

- CEO remuneration change: Agency Theory (Daily, Dalton & Cannella Jr. 2003; Eisenhardt 1989; Jensen & Meckling 1976)

The RBV of the firm claims that sustained competitive advantage arises when firms have resources which are valuable, rare, inimitable, and not easily substitutable (Barney 1991; Teece, Pisano & Shuen 1997). The RBV assumes the heterogeneity of resources across firms, and that these resources are not easily transferred to another firm (Barney 1991).

A long-serving chairman and CEO will satisfy the RBV requirement for sustainable competitive advantage because they are:

- valuable (long periods in situ will attest to this and the quality of their leadership),
- rare (the relationship and joint experience will be unique),
- inimitable (not directly capable of being copied. This applies particularly to the cultural environment created by the two business leaders), and
- not easily substituted (recruitment and assimilation into a firm are time consuming, expensive, and distractive processes).

Upper Echelon Theory is predicated on an examination of a senior managers' background and observable characteristics (age, tenure, education, and career experience). At the heart of this theory is the portrayal of upper echelon characteristics as determinants of strategic choices and, through these choices, of organizational performance.

Agency theory is concerned with the potential for parties to a transaction, such as an acquisition, to have conflicting interests and goals. Jensen and Meckling (1976) define an agency relationship as a contract under which one or more persons (the principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. They claim that agency problems are widespread in organisations. In this study the principals are the shareholders of the acquirer and the agent is the CEO of the acquirer. Eisenhardt (1989) explains that one of the problems which occurs in agency relationships is that the principal and the agent may prefer different actions because of the different risk preferences. This study focuses on the incentives provided to the CEO to act against the interests of the shareholders.

This study examines 47 acquisitions in Australia between 1990 and 2006 and develops equations to

explain whether they were “successes” or “failures”. The study, therefore, uses a binary dependent variable which measures the actual excess return earned by shareholders in the acquiring firm.

The second section of the paper will explain the process whereby the sample of acquisitions was accumulated. It will also explain the dependent variables used in the study and why a binary model seems to be appropriate in explaining it. The final part of this section discusses the independent variables which will be used to explain the success or failure of an acquisition.

The third section presents results using the linear probability model. The estimation techniques used are:

- Ordinary least squares;
- The Probit model;
- The Logit model; and
- The Gompit model.

The second, third and fourth techniques have the advantage that they take account of the non-normal nature of the distribution of the error term and ensure that the probability of a success (or a failure) always falls in the range 0–1. The fourth section applies discriminant analysis to the problem of predicting whether acquisitions will be successes or failures.

2. The Sample and Variables Used

M&A studies adopt one of two time frames for their analysis, either an examination of the announcement effect for both target and acquirer shares (a short event window) or the effect on longer term performance for the shares of the acquirer, usually across a two to five year period, following the acquisition (a long event window). Sudarsanam (2010, p.114) finds that short-horizon event studies assume that stock prices react almost instantly to an event reflecting informational efficiency in the market; but he observes that a growing body of literature argues that stock prices adjust slowly over longer time periods (typically 3–5 years) to information to ‘get a full view of market inefficiency’. Gregory and McCorriston (2005) observe that recent finance research suggests that announcement period returns may not fully reflect the wealth effect of an event. This study adopts a long event window approach across a three year time frame following an acquisition for an examination of acquisition performance.

The sample comprises 47 acquisitions completed in Australia during the period 1990 to 2006; this compares with Sharma and Ho (2002) who had a sample of 36 acquisitions in their Australian sample. The cut-off date of 2006 was adopted in order to ensure that three years of data after the completion date could be sourced for the acquiring firm. Both the acquiring and acquired firms were ASX listed companies, with the exception of Landmark which was acquired by AWB from Wesfarmers; Landmark was included in the sample because the data which this study required could be sourced for both the acquirer (AWB) and acquired firm (Landmark).

The acquisitions were identified from Thomson Reuter's 'Thomson One' database. The main sources of data for this study were the annual reports for the acquirer and the acquired firm, Datastream, Aspect Huntley, the Financial Review, and the RBA and ASX for the S&P/ASX 200 Accumulation Index.

The 47 acquisitions came from 10 Thomson One categories as follows:

Category	Number of Acquisitions
Health Care	5
Media & Entertainment	8
Consumer Staples	10
Industrials	8
Real Estate	4
High Technology	1
Retail	1
Financials	8
Energy & Power	1
Consumer Products & Services	1

The only sector omitted was 'materials' or mining and related activities; this follows earlier studies by Sharma and Ho (2002), McDougall *et al.* (1986) and Kiel and Nicholson (2003) who excluded both 'materials' and 'financials'.

Other selection criteria for the sample were:

1. The consideration was a minimum of A\$50 million;
2. The data required for the analysis of the acquisition could be obtained; there would be no data gaps;
3. Only Australian acquisitions were included; and
4. Up to three years pre and post completion data was available.

The average net assets of the targets in their last reported year prior to acquisition were A\$483.2m, and the average net assets of the acquirers in the year prior to completion were A\$1,640.4m; the average consideration paid for the targets was A\$1,048.5m.

The dependent variable is the cumulative abnormal return (CAR) earned by the acquirer. It is calculated using the S&P/ASX 200 Accumulation Index and the acquirer's share price at month end, taking account of any dividends paid in that month. The two returns used in this study are the CAR in the three years following completion (CARB) and the CAR during the four years period from one year prior to completion to three years following completion (CARA).

There were 19 acquirers with positive CARB (average 31.1%) and 28 acquirers with negative CARB (average -37.8%) in the sample. Similarly, there were 20 acquirers with a positive CARA (average 40.9%) and 27 with a negative CARA (average -37.0%). These figures suggest that there is a marked gap between successful and unsuccessful acquirers. This in turn suggests that the acquisition decision should be analysed in terms of whether it is a success or failure. In order to do this we define two binary dependent variables, LA and LB as follows:

LA = 1 if **CARA > 0**
 = 0 if **CARA < 0**

LB = 1 if **CARB > 0**
 = 0 if **CARB < 0**

This formulation allows us to test what factors cause acquisitions to be wealth-destroying or wealth-creating for shareholders.

In initial experiments the observation for the Burns Philp acquisition of Goodman Fielder seemed to be an outlier. Closer examination revealed that the benefit from the acquisition appears to have arisen in the few months following the three year window adopted in this study. As a result, this observation has been changed from a failure to a success.

The following independent variables have been used to explain these dependent variables:

JTENURE is the period of joint tenure of the Chairman and CEO of the acquirer. This variable is based on the idea that the management team tends to become more skilled and knowledgeable the longer they work together. This is not simply the effect of greater experience because if the tenure of the CEO is tested with JTENURE only the latter is statistically significant.

The version of JTENURE adopted in this paper is a nonlinear one. That is, one that assumes that the effect of an additional year of joint tenure differs according to the number of years which have already been accumulated. Specifically, it is represented as:

JTd0 = JTENURE if it is less than 3 years, zero otherwise

JTd3 = JTENURE if it is 3 up to less than 6 years, zero otherwise

JTd6 = JTENURE if it is 6 years or more, zero otherwise

Note that the sum of these three variables is JTENURE. Also note that if joint tenure falls in the above 6 years group, its effect continues to increase as tenure increases.

In fact, JTd0 has been omitted from the equations because it is insignificant. One way of looking at this result is that JTENURE reflects a selection process. A pair that has been together for, say, more than six years has demonstrated competence and an ability to work together. Pairs that have been together for only a few years have not had time for a decision to be made. The first group consists of pairs that will shortly be broken up and others that will go on for many years.

REMCHG is the change in the remuneration of the CEO in the year of completion compared with the previous year. This variable reflects the principal-agent problem. That is, whether the motivation for an acquisition is to increase the wealth of shareholders or to provide a personal benefit for the CEO. If it is the latter, the acquisition is more likely to produce negative results for shareholders in the acquirer.

MEDIA is a variable used by Hayward and Hambrick (1997) to make the hubris hypothesis introduced by Roll (1986) operational. Hubris can be defined as a view by the CEO that his or her judgement as to the value of an acquisition is better than the market's evaluation. Such a view cannot be correct in an efficient market. However, Hayward and Hambrick (1997) noted that Roll provided neither a definition nor a methodology to test for the presence of hubris. They provided a measure by identifying media articles commenting on the CEO around the time of the acquisition. The data used in this study was obtained from Factiva database (on August 25th, 2010) and is the sum of the mentions of the chairman and CEO in the Australian and New Zealand media over the period one year prior to completion to one year after completion. Note that rejection of this variable is not equivalent to a rejection of the hubris hypothesis. It is possible that other variables which reflect it could be found.

More importantly some important criticisms can be made of the hypothesis. First, the characteristic “hubris” is non-measurable. That is, it is impossible to obtain a direct test of the hypothesis that it is present.

Secondly, the idea that markets are always efficient has provoked a great deal of ridicule, particularly since the GFC.

Thirdly, “hubris” is not a standard psychological characteristic. A more relevant variable could be narcissism (Higgs 2009; Kets de Vries & Miller 1985) which is a well-recognised psychological condition. Moreover it fits the MEDIA variable better. It is not clear why somebody subject to hubris would seek media attention, but a person with a narcissistic personality is very likely to do so. Therefore we will regard the MEDIA variable as a way of testing for narcissism.

EC is a binary variable which is unity if more than 50% of the consideration is in the form of equity and zero if more than 50% is in the form of cash. Tuch and O’Sullivan (2007) find that evidence is reasonably consistent that cash bids are associated with better M&A performance in both the short run and the long run.

BD is the number of board directors in the acquiring firm at the time of completion. Alternative directors and the company secretary are not included. This variable tests for the possibility that increasing the number of directors improves the quality of decisions about acquisitions. Masulis *et al.* (2007) found that board size is not significantly related to acquirer announcement returns.

A number of other possibly relevant variables have been included to clarify the relationships; that is, to prevent specification bias.

POR is the payout ratio, i.e. the percentage of earnings paid out as a dividend in the year of completion. It is likely to have a negative coefficient because a high dividend indicates that a greater proportion of the costs of the acquisition will be funded out of borrowings than from internal funds.

EPS is the earnings per share of the acquiring firm in the year of completion. A high value of this variable indicates that the acquirer is itself profitable which creates positive conditions for the combined company.

CARTOTOD is the change in the Accumulation Index over the three year period prior to completion. It is a measure of “animal spirits.” That is, acquisitions will be more likely to be successful when the market is booming and investors are optimistic.

CARCCARGAVE is the cumulative excess return over the two year period before completion. It is an alternative measure to CARTOTOD.

3. The Linear Probability Model

It is possible to estimate ordinary least squares regressions relating to LA and LB to the determining variables. In that case the predicted value of the dependent variable can be interpreted as the probability that an acquisition will be a success (that is, create value for the shareholders of the acquirer). The equations are:

$$\begin{aligned}
 \text{LA} &= 0.790 + 0.255\text{JTd3} + 0.583\text{JTd6} - 0.0044\text{REMCHG} \\
 &\quad (3.61^{**}) \quad (1.57) \quad (3.73^{**}) \quad (3.43^{**}) \\
 &\quad -0.108\text{POR} + 0.0027\text{EPS} + 0.0042\text{CARCCARGAVE} \\
 &\quad (2.21^*) \quad (3.41^{**}) \quad (2.06^*) \\
 &\quad R^2 = 0.401
 \end{aligned}$$

$$\begin{aligned}
 \text{LB} &= 0.511 + 0.205\text{JTd3} + 0.475\text{JTd6} - 0.0048\text{REMCHG} \\
 &\quad (2.15^*) \quad (1.18) \quad (3.18^{**}) \quad (4.07^{**}) \\
 &\quad -0.071\text{POR} + 0.0023\text{EPS} + 0.011\text{CARTOTOD} \\
 &\quad (1.23) \quad (3.01^{**}) \quad (2.36^*) \\
 &\quad R^2 = 0.366
 \end{aligned}$$

They were estimated on the EVIEWS 5 program. The figures under the coefficients are t-statistics and the asterisks attached to them indicate their level of significance as calculated by the program. One asterisk indicates significance at the five per cent level and two asterisks indicate significance at the one per cent level. R^2 is the coefficient of determination. In initial experiments the variables MEDIA, EC and BD were very insignificant and have been omitted from the reported equations.

The equations indicate that the probability of a success in making an acquisition is significantly affected by the length of the joint tenure of the chairman and CEO. REMCHG has a highly significant negative coefficient in both equations, suggesting that there are some principal-agent problems in acquisitions. The greater the pay increase received by the CEO the less likely that the acquisition will be a success. The acquisition is more likely to be a success if earnings per share for the acquirer are high and if the market is undergoing a boom.

However, there is an important problem with this approach. The significance levels calculated by the program are based on the assumption that the error term and, therefore, the dependent variable is normally distributed. In fact, this cannot be the case because the dependent variable can only take on two values – zero or one. A related problem is that there is nothing to ensure that the predicted

value of the dependent variable (which we are interpreting as a probability) falls between zero and one. In the equation for LA seven predicted values fall outside this range and in the equation for LB five predicted values fall outside the range.

These problems can be overcome by adopting a distribution for the error term which takes account of its binary nature. The EVIEWS program provides three ways of doing this (EVIIEWS 5 (2004, pp.607-608)). In each case the probability of a success is based on the cumulative distribution function (CDF) in which the parameters depend on independent variables. The equations require nonlinear estimation using an iterative procedure. The models are:

- the Probit Model which is based on the CDF of the standard normal distribution;
- the Logit Model which is based on the CDF for the logistic distribution; and
- the Gompit (or Extreme Value) Model which is based on the CDF for the Type-I extreme value distribution.

Tabachnick and Fidell (2007, pp.453-457) provide a discussion of Logistic regression and Probit Analysis.

The equations are given in Table 1. R^2 is the McFadden R-squared (see EVIEWS 5 (2004, p.610)). The numbers under the coefficients are z statistics produced by the nonlinear estimator. Once again, MEDIA, ED and BD were very insignificant and have been omitted.

Table 1: Probit, Logit and Gompit Equations

Probit

$$\begin{aligned} \text{LA} = & 1.789 + 0.908\text{JTd3} + 2.208\text{JTd6} - 0.0214\text{REMCHG} \\ & (1.44) \quad (1.56) \quad (2.95^{**}) \quad (2.77^{**}) \\ & -0.672\text{POR} + 0.0139\text{EPS} + 0.0196\text{CARCCARGAVE} \\ & (1.06) \quad (1.81) \quad (2.04^*) \end{aligned}$$

$R^2 = 0.388$

Logit

$$\begin{aligned} \text{LA} = & 3.313 + 1.589\text{JTd3} + 3.809\text{JTd6} - 0.0377\text{REMCHG} \\ & (1.27) \quad (1.52) \quad (2.65^{**}) \quad (2.35^{**}) \\ & -1.215\text{POR} + 0.0224\text{EPS} + 0.0335\text{CARCCARGAVE} \\ & (0.95) \quad (1.81) \quad (1.97^*) \end{aligned}$$

$R^2 = 0.386$

Gompit

$$\begin{aligned} \text{LA} = & 3.194 + 1.075\text{JTd3} + 2.767\text{JTd6} - 0.0278\text{REMCHG} \\ & (1.74) \quad (1.64) \quad (2.70^{**}) \quad (2.72^{**}) \\ & -0.996\text{POR} + 0.0126\text{EPS} + 0.0237\text{CARCCARGAVE} \\ & (0.95) \quad (1.64) \quad (1.82) \end{aligned}$$

$R^2 = 0.414$

Probit

$$\begin{aligned} \text{LB} = & 0.841 + 0.653\text{JTd3} + 1.455\text{JTd6} - 0.0207\text{REMCHG} \\ & (0.76) \quad (1.13) \quad (2.61^{**}) \quad (3.34^{**}) \\ & -0.850\text{POR} + 0.0113\text{EPS} + 0.0422\text{CARTOTOD} \\ & (1.51) \quad (1.62) \quad (2.34^*) \end{aligned}$$

$R^2 = 0.350$

Logit

$$\begin{aligned} \text{LB} = & 1.432 + 1.012\text{JTd3} + 2.428\text{JTd6} - 0.0345\text{REMCHG} \\ & (0.71) \quad (0.98) \quad (2.46^{**}) \quad (3.07^{**}) \\ & -1.511\text{POR} + 0.0178\text{EPS} + 0.0725\text{CARTOTOD} \\ & (1.43^{**}) \quad (1.63) \quad (2.27^*) \end{aligned}$$

$R^2 = 0.348$

Gompit

$$\begin{aligned} \text{LB} = & 1.364 + 0.845\text{JTd3} + 1.587\text{JTd6} - 0.0224\text{REMCHG} \\ & (1.12) \quad (1.37) \quad (2.35^*) \quad (3.20^{**}) \\ & -0.721\text{POR} + 0.0137\text{EPS} + 0.0386\text{CARTOTOD} \\ & (1.29) \quad (1.59) \quad (2.05^*) \end{aligned}$$

$R^2 = 0.338$

In these equations REMCHG is the most significant variable, but the JTENURE variables continue to be clearly significant. Table 2, for the first of the dependent variables, illustrates the predicted values of the dependent variables which are produced by these models. The probability of a success is usually high in cases where LA = 1 and low in cases where LA = 0. However, there are a few contrary cases.

Table 2: Predicted Values of LA (Gompit Model)

Observation	Actual Value	Predicted Value
48	1	0.777
49	1	0.910
50	1	0.986
51	1	0.831
52	1	0.763
53	1	0.433
54	1	0.662
55	1	0.981
56	1	0.665
57	1	0.180
58	1	0.761
59	1	0.736
60	1	0.708
61	1	0.960
62	0	0.076
63	0	0.002
64	1	0.559
65	0	0.051
66	1	0.647
67	1	0.497
68	1	0.604
69	0	0.100
70	1	0.707
71	1	0.441
72	0	0.568
73	0	0.045
74	1	0.891
75	0	0.462
76	0	0.271
77	0	0.002
78	0	0.872
79	0	0.001
80	0	0.000
81	0	0.660
82	0	0.009
83	0	0.284
84	0	0.007
85	0	0.000
86	0	0.000
87	0	0.003
88	0	0.659
89	0	0.020
90	0	0.380
91	0	0.454
92	0	0.074
93	0	0.000
94	0	0.127

4. Discriminant Analysis

An alternative approach to analysing binary data is to employ discriminant analysis (see Tabachnick and Fidell 2007, ch.9). Discriminant analysis is used to determine which variables discriminate between two groups – in the present case, successful and unsuccessful acquisitions. The basic idea of discriminant analysis is to test whether the categories differ in terms of the mean of a candidate discriminating variable. For the two categories in the analysis, we find the point that represents the means for all variables in the model (called category centroids). We then calculate the Mahalanobis distance of each observation from the centroids. We classify the observation in the group to which it is closest (that is, the Mahalanobis distance is smallest). The probability that an observation belongs to one of the categories is inversely proportional to the Mahalanobis distance from the centroids for that category. These probabilities are called posterior probabilities because they are based on our prior knowledge of the values of the variables for that observation.

The following table is for LA. The calculations were done on the STATISTICA 11 program. F is the value of the F-statistic for the variable and it tests the hypothesis that the variable makes no contribution to discriminating between the categories. The p-value is the level of significance.

Variable	F to remove	p-value
JTd3	6.64	0.01 ^{**}
JTd6	18.13	0.00 ^{**}
REMCHG	10.99	0.00 ^{**}
POR	2.33	0.13
EPS	3.10	0.09
CARCCARGAVE	4.59	0.04 [*]

These results indicate that JTd6 is the most significant variable in discriminating between a successful and failed acquisition. However, JTd3 and REMCHG are also highly significant. These results strengthen the conclusions reached in the previous section. The p-values for MEDIA, EC and BD were very high and they are not reported here. This was also the case with LB.

Table 3 gives the probability of a success estimated by the model. An asterisk indicates a misclassification. There were 8 misclassifications; 6 successes classified as failures, 2 failures classified as successes.

Table 3: LA – Probabilities of an Observation Being a Success

Observation		Probability
	48	0.750
	49	0.995
	50	0.990
	51	0.890
	52	0.946
*	53	0.314
*	54	0.500
	55	0.992
	56	0.533
*	57	0.153
	58	0.822
	59	0.843
	60	0.873
	61	0.961
	62	0.099
	63	0.126
*	64	0.397
	65	0.192
*	66	0.405
	67	0.844
	68	0.819
	69	0.098
	70	0.765
*	71	0.343
	72	0.448
	73	0.080
	74	0.971
	75	0.446
	76	0.207
	77	0.044
*	78	0.912
	79	0.050
	80	0.015
	81	0.481
	82	0.036
	83	0.210
	84	0.063
	85	0.002
	86	0.003
	87	0.067
*	88	0.532
	89	0.052
	90	0.363
	91	0.373
	92	0.307
	93	0.020
	94	0.119

The table of significance values for LB is:

Variable	F to remove	p-value
JTd3	3.29	0.08
JTd6	10.29	0.00**
REMCHG	9.76	0.00**
POR	1.30	0.26
EPS	1.81	0.19
CARTOTOD	2.08	0.16

In this case JTd6 and REMCHG make a highly significant contribution to the classification of the data. In this analysis 10 observations are misclassified, 7 successes classified as failures and 3 failures classified as successes.

5. Conclusion

The two propositions examined in this paper are validated. The statistical analysis reported provides evidence that the success or failure of an acquisition depends, most importantly, on two variables. The first is the joint tenure of the CEO and the chairman of the acquiring company. It appears that the longer these two corporate officers have been together the more likely that an acquisition will be successful. Furthermore, there is some evidence that this influence is strongest once the joint tenure exceeds 6 years.

The second highly significant variable is REMCHG. It has a negative coefficient. This result has important implications for corporate governance because it suggests that the greater the reward to be received by the CEO the more likely that an acquisition will be unsuccessful. However, there is no evidence that increasing the number of directors increases the probability that an acquisition will be successful.

There is also evidence that an acquisition is more likely to be successful if the acquiring company has strong earnings per share at the time of the acquisition.

These findings are important for investors when considering an acquisition (examine the period of joint tenure of the chairman and CEO) and for improved corporate governance (through remuneration and nomination committees). They fill a gap in M&A literature relating chairman and CEO tenure to a firm's performance.

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