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It's a real corker of a financial year

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IT HAS been a good year on the sharemarket — a very good year.

Not since the late 1980s has the market offered a total annual return of 28.4 per cent, which is where the figures stand today, one trading day short of the end of the financial year.

There has been four consecutive years of 20 per cent-plus returns and in 2006-07 growth of the benchmark S&P/ASX 200 Index exceeded that of the Dow Jones Industrial Average, London's FTSE 100 and Japan's Nikkei.

The year has also brought a record 226 initial public offerings, an increase of 34 per cent on the previous year.

Describing the year as a "real corker", Colonial First State head of investment markets research Hans Kunnen said increased company profits, an array of merger and acquisitions, the huge volume of funds coming into the market and the strength of China's economy were behind the year's record growth.

"The primary driver was company earnings," he said. "But giving it a shove along was takeover activity and anticipation of things like the Future Fund and the sale of Telstra."

According to KPMG, the dollar value of merger and aquisition activity doubled this year, rising from about $47 billion in 2005-06 to about $115 billion in 2006-07.

Overseas investment rose from about $7 billion in 2005-06 to about $34 billion this financial year, as private equity companies snapped up big portions of Australian companies.

And investors with US dollars tied up in the S&P/ASX 200 amassed a huge 46 per cent gain, scoring a "double whammy" with the combination of the bull market and a rising Australian dollar.

The top 10 IPOs raised a total of $6.4 billion, with Platinum Asset Management, AMP's Capital China Growth Fund and Boart Longyear up between 47 and 22 per cent, according to Deloitte.

Deloitte corporate finance partner Steve Woosnam said one in every five recently listed companies had "rewarded investors by at least doubling their money, while seven IPOs produced returns of more than 500 per cent."

Admittedly, when placed against the near-200 per cent growth of China's benchmark CSI 300 Index, the rise of the S&P/ASX 200 Index looks positively tame.

But Platypus Asset Management equity analyst Simon Bonouvrie said Chinese growth, and lusty commodity prices were also behind the market-moving, six-month surge that BHP Billiton and Rio Tinto experienced.

"I think the market is trying to find value and the market sees the diversified miners as being cheap by historical standards, with a strong growth profile ahead of them," Mr Bonouvrie said.

BHP Billiton offered a total return, including dividends, of 22.4 per cent in 2006-07. Rio Tinto offered 28.7 per cent.

High metal prices also pushed Mincor Resources, the top performer among S&P/ASX 200 stocks, to gain 392 per cent throughout the year.

Patersons Securities mining analyst Levy Spry said Mincor benefited when nickel rose above $US50,000 a tonne.

Among the top 500 stocks, oil and gas explorer Energy World rose 3233.3 per cent.

Shares in the company with a $1.4 billion market capitalisation have risen from 4¢ to $1 this financial year.

Savings in superannuation have also grown, topping $1.1 trillion in the March quarter. They increased by 17.1 per cent in the year to March 31, according to the Australian Prudential Regulation Authority.

Industry super funds showed the strongest growth in the period, increasing their assets by 6.2 per cent to $182.7 billion. Public-sector funds assets rose by 5.1 per cent, retail fund assets increased by 3.7 per cent and corporate fund assets rose 2.6 per cent.

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KEY POINTS

- **Total annual return stands today at 28.4 per cent.**
- **This is the fourth year of 20 per cent-plus return.**
- **The 226 IPOs was a 34 per cent increase on last year.**