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VENUE SELECTION SIGNIFICANTLY IMPACTS INFORMATION LEAKAGE FOR AUSTRALIAN BLOCK TRADES

Study suggests volatility with other brokers on average 103% higher than on Liquidnet, one minute prior to a block execution

SYDNEY, 29 September 2016 – A new study by global trading network Liquidnet has found significant differences in the volatility of block trades in the Australian market minutes before execution, depending on where trades are executed. Higher volatility implies information leakage, which may cause a significant impact on performance for institutional investors.

Liquidnet's study analysed its price volatility compared to 12 other brokers in the Australian market during the first six months of 2016. The study, entitled *The Quality of Block Trades*, showed that volatility was, on average, 103% higher for other brokers relative to Liquidnet in the one minute prior to a block execution. The study breaks down the degree of volatility produced by trading blocks in each specific venue, reflecting the importance of venue selection in minimising implicit trade costs.

"It's reasonable to expect an increase in activity and volatility in a stock immediately after a large block is traded, as the information contained in that trade is digested by the market, said Tristan Baldwin, Head of Liquidnet Australia. "However, if the volatility appears *before* the blocks are executed, this suggests that other market participants were aware of sensitive pre trade information. For an institutional investor, information leakage can seriously harm returns. If, for example, an investor is looking to buy a large block of shares, and the price rises immediately prior to dealing, its investment performance – or alpha – will suffer."

Australia is one of the most block-centric equity markets in the APAC region and according to Liquidnet's study, block trades represented 13.4% of the total combined trading volume of the Australian market, with 31,779 trades executed with a value of over A\$200,000.

Liquidnet has a global community of more than 800 institutional investment firms, who, as of the end of Q2 2016, collectively represented more than US\$15 trillion (AU\$20 trillion) in equity assets under management. The Liquidnet platform directly matches buyers and sellers, allowing them to trade block-sized orders while minimizing the risk of revealing their intentions to the broader market.

"Low information leakage, and therefore low volatility, is inherent to our business. It comes from the total anonymity Liquidnet provides our Members. Ultimately, the lower the volatility, the less likely it is that information has been leaked and the more efficient the trading venue is," Mr Baldwin said.

For more information, visit www.liquidnet.com

ABOUT LIQUIDNET

Liquidnet is the global institutional trading network where more than 840 of the world's top asset managers and other like-minded investors come to execute their large trades with maximum anonymity and minimum market impact. As the global leader in large block trading, Liquidnet provides access to unique trading opportunities in 44 markets across five continents. Liquidnet approaches every market with the same bold vision to provide a better, more efficient way to trade on a massive scale. It is this focus on size, combined with the strength of its network, disruptive technology, and commitment to transparency, that is revolutionizing the way equities and corporate bonds are traded. For more information, visit www.liquidnet.com and follow us on Twitter @Liquidnet