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Topic 1: Buying on ASX

Buying and selling Exchange-traded AGBs is straightforward. If you have bought and sold shares before the process is the same. You place your order with your broker who executes it on market. Brokerage is charged by the broker on the trade.

As with shares, settlement of the trade takes place three business days after the transaction (T+3).

All holdings of Exchange-traded AGBs are broker-sponsored so you will receive a CHESS statement recording your holding, just as you do when you buy shares on-market.

Exchange-traded AGBs cannot be issuer-sponsored.

Getting your money back

Redemption

Redemption takes place at maturity. If you hold an Exchange-traded AGB at the maturity date you will have the face value paid into your nominated bank account. (This is done automatically.)

Selling on ASX

You can sell your Exchange-traded AGB at any time before maturity. The process for selling Exchange-traded AGBs is no different to selling shares.

You cannot short-sell Exchange-traded AGBs. In other words you cannot sell an Exchange-traded AGB that you do not already own.

Depending on the current market price, you may receive more or less than face value.

Keeping track of your holdings and payments

Once you have purchased Exchange-traded AGBs you can keep track of your holdings and coupon payments in the following ways:

Who do you place an AGB buy order with?	Stockbroker
How many days does it take for settlement of an AGB trade to occur?	3
What will you receive as a record of your holding?	CHESS Statement



- From the registry - Computershare - you can review an online record of your payment history. You can also see an online record of your current holding. Computershare will provide you with the details on how to access this information.
- Your broker will require a bank account for payment of your income.
- If you either buy or sell during a month, you will also receive a CHESS Holding Statement which itemises your current holding and any changes to this holding that have occurred during the month.

Keeping track your payments and holdings	Registry/Broker
Online coupon payment history record	Registry and your broker
Online holding record	Registry and your broker
Bank account details for your coupon payments	Broker only
Bank account details for payment at redemption	Broker only
Address details for posting your CHESS holding statement	Broker only

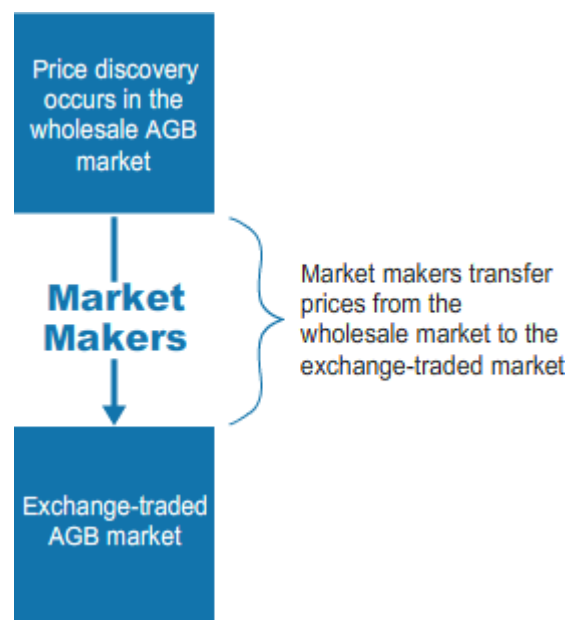
Coupons and redemptions at maturity are electronic funds transfer only. There are no cheque payments for Exchange-traded AGBs.

How the Exchange-traded AGB market and the wholesale bond market are linked

Bonds issued by the Australian Government are traded in the wholesale market. This market is very active and liquid with traded volume greatly exceeding that traded on exchange. Not surprisingly prices in the wholesale market determine prices in the exchange market.

The holder of an Exchange-traded AGB has beneficial ownership of an Australian Government Bond in the form of a CHESS Depository Interest (CDI).

CDIs effectively link the wholesale and retail markets and enable retail investors to participate in the market. Because the CDI represents an interest in the underlying Bond, the retail price should never move too far from the price in the wholesale market.



Market makers assist in liquidity and price discovery

ASX has appointed market makers to access the liquidity in the wholesale market and provide bid and offer prices in all Exchange-traded AGBs.

Market makers are obligated to quote a minimum volume of AGBs with a maximum spread between the bid and offer price that is in line with the price which Australian Government Bonds trade in the wholesale market.

Having market makers helps provide liquidity to the market in Exchange-traded AGBs and ensures that the prices quoted in that market are highly competitive.

Market makers are not required to make prices during certain times such as during important data releases, or when the wholesale bond market is closed.

Topic 2: Price information

Where can I find market prices?

Exchange-traded AGBs are traded on a price basis not a yield basis.

If you are planning to buy Exchange-traded AGBs, you will want to know the market price.

You can get market prices from the ASX website, your broker and a range of other sources.

Although trading is done on a market price basis, you should be considering Exchange-traded AGBs on a yield to maturity basis rather than their market price. Yield to maturity can be found on the AGB price results section of the ASX website.

ASX Code	Buy	Sell	Last	Coupon	Maturity date	Payment frequency	Next Ex-date	Yield to Maturity
GSBC17	117.50	118	117.51	4.75%	April 2027	2	6/12/12	2.5%

Unique code to identify the type of AGB

Price information on the ASX website

It's a good idea once you've bought your securities to check on their value every so often. If you're intending to trade your securities, rather than hold them until maturity, you may want to check on the price more frequently.

You can find price information about AGBs on the ASX website. This includes:

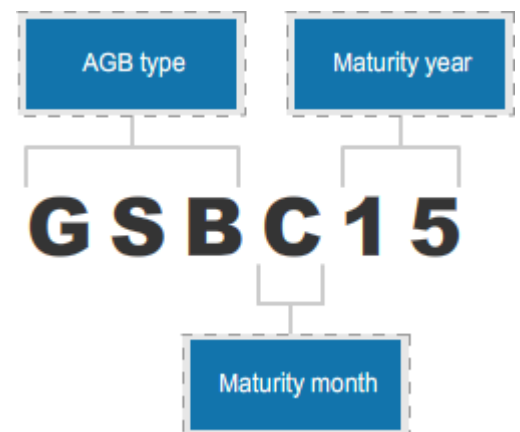
- last traded price;
- highest price offered by a buyer;
- lowest price offered by a seller;
- coupon the security is paying;
- maturity date;
- payment frequency per annum;
- next ex-date;
- yield to maturity.

On the ASX trading platform - ASX Trade - Exchange-traded AGB prices are displayed in cents per bond. For example an Exchange-traded AGB with a price of \$105.745 is displayed as 10574.5.

ASX codes for AGBs

Each Exchange-traded AGB series quoted on ASX has a unique code comprising six characters.

The code convention for Exchange-traded AGBs is XXXMYY.



The first three characters identify whether it is an Exchange-traded Treasury Bond (TB) or an Exchange-traded Treasury Indexed Bond (TIB).

TBs use the code GSB.

TIBs use the code GSI.

The fourth character identifies the month the AGB matures (e.g. January = A or B, February = C or D, March = E or F, etc...). The fifth and sixth characters indicate the year the AGB matures e.g. 2017 = 17

For example:

- GSBG27 is a TB expiring April 2027
- GSIO15 is a TIB expiring August 2015

Where to find the coupon rate and yield to maturity

Coupon

The coupon rate is the income the security pays annually, expressed as a percentage of the face value of the security. The coupon rate can be found in the list of series on issue and on the price search results for AGBs on the ASX website.

Yield to maturity

Yield to maturity (YTM) is generally regarded as the most important measure of return.

YTM gives your overall return if you hold the AGB until maturity. It incorporates:

- regular income payments;
- capital gain/loss - any difference between the price you pay for the AGB and the face value to be repaid at maturity; and
- assumes coupons are re-invested at the same rate as the YTM.

YTM is displayed in the price search results for AGBs on the ASX website.

Topic 3: Information about your Exchange-traded AGBs

Information Statement and Term Sheets

The primary source of information about Exchange-traded AGBs is the Investor Information Statement and Term Sheets are available on the Australian Government Bonds website

www.australiangovernmentbonds.gov.au.

The Information Statement contains information about Exchange-traded AGBs including:

- detailed terms and conditions;
- information about the CHES settlement mechanism;
- risks and taxation information.

The Term Sheet provides details on each Exchange-traded AGB Series including coupon rate, coupon payment dates and maturity date. The Investor Information Statement and the Term Sheets can be found on the Australian Government Bonds website: <http://www.australiangovernmentbonds.gov.au/> or on the ASX website.

Keeping up to date with important announcements

Market announcements help you keep up to date with important information from companies and issuers you are interested in.

The ASX website is the primary source for market announcements.

To find announcements, use the [ASX Market Announcements search function](#) and type in first three characters for the security, either 'GSB' for TBs or 'GSI' for TIBs.

Getting advice and stockbroker research

Getting investment advice from a stockbroker can be prudent.

Some brokers will have a 'fixed interest' department and provide research on bonds and the interest rate market, along with yield to maturity calculations on bonds on issue.

If you want advice on AGBs some brokers will have stronger capabilities than others - you should enquire if your broker's expertise fits your needs.

Taxation information

It is important to consider the taxation aspects of investing in Exchange-traded AGBs, for example the tax that may apply to income from AGBs, and to any gain or loss you make on redemption or sale.

ASX has commissioned Deloitte to provide a tax paper on Exchange-traded AGBs. This is a useful resource to help you understand potential tax implications of investing in AGBs. The tax paper can be downloaded from the ASX website.

The Investor Information Statement for TBs and TIBs provide general taxation information.

You should also consult your taxation adviser, who can give you advice that takes into account your own financial circumstances.

The [Australian Taxation Office website](#) is another source of information.

Summary

- Buying and selling Exchange-traded AGBs is straightforward. If you have bought and sold shares before the process is the same. You place your order with your broker who executes it on market. Your holdings are registered in CHESS.
- All income payments are made by direct debit to your nominated bank account. You can find information on prices, yields, and important announcements on the ASX website. It is important that you read the Information Statement and Term Sheet provided by the Australian Government.
- Each series of Exchange-traded AGBs can be identified by their ASX code. The code convention for Exchange-traded AGBs is XXXMYY, where:
 - XXX = type of AGB - 'GSB' for an Exchange-traded Treasury Bond or 'GSI' for an Exchange-traded Treasury Indexed Bond.
 - M = expiry month e.g. January = A or B, February = C or D, March = E or F, etc...
 - YY = expiry year, e.g. 2017 = 17