

BRAMWELL BROWN LTD

INVESTMENT ADVISERS – BROKERS

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Bramwell Brown Limited – Newsletter – July 2013

Synlait

There are a few new share issues coming to the market this year. The Government asset sales programme is ongoing, with Meridian and Genesis Energy to be floated over the next six months. Z Energy will float this year, and currently Synlait is looking to raise \$75 million to retire debt and build new plant. Synlait is a relatively small Canterbury milk processor which is 51% owned by Shanghai-based “Bright Dairy.” It produces high-specification milk powders, infant formulas and nutritional products. Its partnership with Bright Dairy allows it access to the lucrative Chinese market for dairy products. The investment statement can be viewed online at <http://www.synlait.com/about/news/>. We should have hard copies in the office shortly. The key dates are listed here:

Institutional Offer and Bookbuild process	8 and 9 July 2013
Final Price announced	10 July 2013
Broker Firm Offer Opening Date	10 July 2013
Broker Firm Offer Closing Date	5.00pm, 19 July 2013
Allotment Date	23 July 2013
Quotation and trading of Shares on the NZX Main Board	23 July 2013
Expected despatch of holding statements	25 July 2013

We hope to have an allocation available, so please contact the office as soon as possible if you are interested in this offer.

Z Energy

Infratil and the New Zealand Superannuation Fund have confirmed they are looking at a partial float of Z Energy this year. Z Energy was purchased by Infratil and the NZ Super Fund from Shell in 2010 and has since been rebranded and upgraded. Latest estimates suggest the business has almost doubled in value under the new management and Infratil and the Super Fund are now looking to extract some of that value to pursue other opportunities. As soon as dates are confirmed we will need to register our level of interest, so please call the office if you would like to be added to our list of potential investors.

Rabobank

Often I'm asked by clients how they can gain access to Rabobank's term deposits without having to conduct their transactions over the Internet. Rabobank does not have a branch network the likes of their competitors for retail clients, instead offering their savings and term deposit products on-line. For some, the thought of transacting their banking business over the Internet is daunting, however the fact Rabobank do not have a branch network is the reason they can offer very competitive interest rates. Bramwell Brown Limited is now able to offer Rabobank products through an intermediary agreement we signed in June. The process involved in signing up as a Rabobank customer remains unchanged; however you can now give Bramwell Brown Limited the authority to transact business on your behalf. This means I would be able to organise term deposits or call accounts for you, and transfer funds to and from Rabobank and your nominated bank account.

Rabobank was formed in 1898 in the Netherlands, and is the world's leading specialist in food and agribusiness banking. It is now among the world's 30 largest financial institutions with over \$1,100 billion in assets, and operations in 48 countries. Rabobank established an office in Australia in 1990 and acquired the Primary Industry Bank of Australia in 1994. In 1998 it purchased Wrightson Farmers Finance and now has 32 offices throughout New Zealand. Its core business is providing finance to the rural sector, in conjunction with its RaboDirect business, offering on-line savings and investment services to retail clients. It is this part of the business we are now able to offer to clients without the need for you to conduct transactions on-line. Rabobank's current interest rates are listed here:

Term	Interest Frequency	Rate
1 year	Monthly	4.02%
	Annually	4.20%
2 years	Monthly	4.22%
	Annually	4.50%
3 years	Monthly	4.41%
	Annually	4.70%
4 years	Monthly	4.60%
	Annually	4.90%
5 years	Monthly	4.89%
	Annually	5.20%

Interest can also be paid quarterly or six-monthly, with different interest rates applying accordingly. Call the office if you would like to discuss investing with Rabobank.

UDC Finance

UDC is one of the few finance companies to emerge unscathed from the collapse in the finance company sector from 2008. It is a wholly owned subsidiary of the ANZ Bank and has been providing finance in New Zealand for over 70 years. It is the largest finance company in New Zealand and has a Standard & Poors credit rating of AA-, which is the same as the large trading banks. UDC's current interest rates are listed here:

Term	Interest Frequency	Rate
1 year	Monthly	4.20%
	Annually	4.20%
2 years	Monthly	4.20%
	Annually	4.30%
3 years	Monthly	4.40%
	Annually	4.60%
4 years	Monthly	4.65%
	Annually	4.85%
5 years	Monthly	4.90%
	Annually	5.20%

Call the office if you would like to discuss investing with UDC.

Anti Money Laundering & Countering Financing of Terrorism

I'm pleased to report that my AML/CFT obligations have been met before the June 30th deadline. I have conducted a risk assessment for Bramwell Brown Limited and now have a comprehensive AML/CFT programme in place. The main difference clients will notice is the more stringent requirements around identification. We must have current, valid identification of all clients on file, and now have a responsibility to conduct further due diligence on trusts and some companies. For individuals our obligations will be satisfied by having copies of the following documents on file:

- Passport **OR** drivers licence and birth certificate
- Proof of bank account
- Proof of residential address

For trust clients we need this identification for trustees and beneficiaries. We also need a certified copy of the trust deed.

Genesis Energy Bonds

We mentioned last month the amendment being made to the Genesis Energy bonds after a change in the credit ratings agency's view on these instruments. The new conditions have been set, and are disappointing for investors who thought they had locked in 8.50% until 2016. Standard and Poors assigned a high equity content to the bonds when they were issued in 2011, but have since amended their criteria, and now view them as having "intermediate" equity content. This change gives Genesis the right to repay the bonds in full. Investors have the option of being paid back in full, or accepting new terms that Genesis is offering. Those revised terms include:

- The interest rate on the modified bonds will be the higher of 5.80% or the five-year swap rate on July 10th plus the margin of 2.15%.
- An extension of the first reset date from July 2016 to July 2018
- The introduction of a distribution stopper, which means that if there is any deferred interest outstanding on the bonds Genesis cannot pay any dividends to its shareholders

Currently the five year swap rate is at 3.91% which would give a revised rate on the Genesis bonds of 6.06%. For those who believe 6% is not enough for the term of the investment you need not do anything. Genesis will repay your bonds in full on July 15th. If you want to accept the new terms you must have returned your acceptance to the registry by 5pm on July 3rd. Call the office if you hold these bonds and need any guidance.

Overseas Investments

I read an interesting article last week by Martin Hawes, a well respected financial adviser and author. He was talking about overseas investments and the practice of some advisers of hedging their clients' overseas exposure back to New Zealand dollars. Fund managers employ complex financial products that mean any change in our exchange rate does not affect the value of your overseas investment. Hawes' view was that overseas investments should be exposed to fluctuations in our currency in case our dollar suffers a severe devaluation. I agree with him, and have always taken the view that overseas investments are not just another form of diversification, but also act as an insurance policy. If we suffer a major shock to our economy the value of our shares will drop. Look at what happened in Greece and Spain recently. What also happens is a drop in the currency. Our dollar (against the US) might drop from 78cents to 50cents (depending on the severity of the event). If for example you had invested \$100,000 in US shares at an exchange rate of 78cents it would have cost you NZ\$128,000. If the dollar drops to 50cents that investment would now be worth NZ\$200,000.