

# BRAMWELL BROWN LTD

## INVESTMENT ADVISERS – BROKERS

Director: Brett Dymond – AFA, BBS, GradDipBusStud (Personal Financial Planning)

### **Bramwell Brown Limited – Newsletter – Christmas 2014**

#### **2014 Review**

I have been conducting six-monthly reviews for a number of clients throughout December. The general consensus is that New Zealand share portfolios have had a very positive influence on overall values. Longer term interest rates have fallen throughout 2014, and this, combined with a dearth of new fixed interest opportunities has seen investors continue to look to the New Zealand share market for better returns. The NZX50 index has increased by approximately 17% this year, following increases of 22% and 18% in 2012 and 2013 respectively. I believe as long as interest rates remain low the New Zealand share values will hold up. However I would caution investors not to become complacent. Share values will not rise indefinitely and we know from past experience that there are many and varied factors that can and will affect our market. We are part of a global market now, and international events have the ability to adversely affect our share market in the blink of an eye.

In general I would encourage investors to continually review their share holdings and take profits where individual values have increased considerably. Although bank term deposit rates are underwhelming at present I believe banking profits from increasing share values is a sound strategy. I'm often asked whether investors should cash up all of their shares in anticipation of a market crash. I wouldn't ever pretend to be able to predict market swings. I think the best strategy is to hold a wide range of investments that will perform differently under certain circumstances. When one part of your portfolio is underperforming, another part is performing well. We see this currently with the difference between New Zealand and Australian shares.

Here is a summary of some relevant financial indicators:

| <b><u>December</u></b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Official Cash Rate     | 2.50%       | 3.00%       | 2.50%       | 2.50%       | 2.50%       | 3.50%       |
| 5 Year Swap Rate       | 5.57%       | 4.72%       | 3.30%       | 3.17%       | 4.72%       | 4.03%       |
| NZX50                  | 3122        | 3293        | 3245        | 3979        | 4701        | 5496        |
| ASX All Ords           | 4882        | 4869        | 4192        | 4645        | 5202        | 5131        |

## Electricity Companies

The partial sale of the state-owned electricity generators was one of the key market features of 2013 and 2014. Opinions are varied on the handling of the sales and the behaviour of various parties involved. Investors have been the main beneficiaries at the expense of their fellow tax-payers. The political risk has been contained for at least another three years, but will return at some stage – another reason for investors not to become complacent. Here is a summary of the state-owned assets.

|                    | <b>Listing Price</b> | <b>Pre-Election</b> | <b>Current Price</b> |
|--------------------|----------------------|---------------------|----------------------|
| Genesis Energy     | 1.55                 | 1.80                | 2.12                 |
| Meridian Energy    | 1.00                 | 1.25                | 1.79                 |
| Mighty River Power | 2.50                 | 2.40                | 2.98                 |

|                    | <b>Share Price</b> | <b>Estimated Dividend</b> | <b>Gross Yield</b> |
|--------------------|--------------------|---------------------------|--------------------|
| Genesis Energy     | 2.12               | 14.60 cents               | 9.56%              |
| Meridian Energy    | 1.79               | 13.00 cents               | 7.88%*             |
| Mighty River Power | 2.98               | 14.00 cents               | 6.52%              |

\* The Meridian yield is based on a share price of \$2.29 – a further 50 cents is payable by shareholders in May 2015. For those investors thinking of taking profits from Genesis and Mighty River don't forget there are bonus shares due to be paid to those investors who have held their shares since the issue date. Mighty River will issue 1 new share for every 25 held (up to a maximum of 200 shares) in May next year. Genesis will issue 1 new share for every 15 held (up to a maximum of 2,000 shares) in April next year.

## Office Hours

We will be closing over the Christmas and New Year Period. The office will be closed on Wednesday December 24<sup>th</sup> and will reopen on Monday January 12<sup>th</sup>. I will be in the office briefly each morning so don't hesitate to ring and make an appointment if you need to see me. When I'm not in the office the phone will divert to home – please don't hesitate to ring at any time.

I would like to thank all clients of Bramwell Brown Limited for their ongoing support throughout the year. I hope you enjoy a relaxing holiday period, and I look forward to helping you with your investment decisions in 2015.