

BRAMWELL BROWN LTD

INVESTMENT ADVISERS – BROKERS

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Bramwell Brown Limited – Newsletter – June 2016

Bramwell Brown is Moving

Since buying Bramwell Brown in 2008 I have been approached occasionally to join forces with other professionals in various capacities. For differing reasons each time I have decided to remain at our Bannister Street office. However recently I have been asked to join with two others to form the Chapel Street Business Centre. I will be joining Craig Clouston and Susie Barnes in a new building at 186 Chapel Street in September or October. Our businesses will remain completely independent – we are simply sharing premises, staff and other resources. I will provide more detail closer to the time.

KiwiSaver

The KiwiSaver anniversary (July 1st) is not far away again. Any members who have been in the scheme for a year or more should ensure they have deposited at least \$1,043 with their provider before the end of June. This will ensure you receive the maximum Government matching payment of \$521.43. Up until July 1st 2011 this matching payment was dollar for dollar and equalled \$1,042.86, however the rules were changed and the subsidy has been cut in half. It is still worth having however, and I would encourage all members to contribute at least \$1,043. If you contribute less than \$1,043 from your wages you can make voluntary contributions that top it up to the desired amount. Your provider can inform you how to make voluntary contributions. Alternatively you can lodge funds directly to the IRD online or with deposit slips available at Westpac Bank. You need to provide your IRD number and use “KSS” as the payment code.

You will receive the 50% Government matching payment up until the date you are eligible to withdraw your savings. You become eligible to withdraw your savings when you qualify for NZ Super (currently at the age of 65), or when you have been in the scheme for five years (whichever is later). So if you join KiwiSaver when you are 62, you would have to wait until you are 67 to be able to withdraw your funds. You would receive the 50% subsidy (\$521.43) for each of those five years – not just until you turn 65. A number of our clients have been in the scheme for the required five years, and have reached 65. They are now eligible to withdraw their savings. As soon as you reach this point you are no longer eligible for the Government subsidies, and your employer (if you are still working) is under no obligation to continue contributing to your account.

Infratil

Infratil is offering up to \$100 million of unsecured, unsubordinated infrastructure bonds, with the ability to accept up to \$50 million of oversubscriptions. The offer comprises a General Offer to all New Zealand investors, and an Exchange Offer under which holders of the IFT150 bonds maturing on June 15th 2016 have the opportunity to exchange some or all of their maturing bonds for infrastructure bonds in the new series. There are two investment options available:

	Maturity Date	Interest Rate
5 year fixed-rate bonds	15 June 2021	4.90%
8 year fixed-rate bonds	15 June 2024	5.50%

- Quarterly interest paid in March, June, September and December
- General Offer closing date – June 30th 2016
- Exchange Offer closing date – June 13th 2016
- Minimum application amount - \$5,000

PLEASE PHONE THE OFFICE AS SOON AS POSSIBLE IF THIS IS OF INTEREST TO YOU

Germany

I will be away for three weeks over June and July to attend my son's wedding in Germany. I will be leaving on June 24th and back in the office on Tuesday July 19th. Sue will be manning the fort in my absence; however she will not be in the office at all times. If you need something done through this period please email or leave a message for Sue on the office phone (3788299). If you need to contact Sue urgently you can phone 3789612 or 0272838519.

Coats (GPG)

Coats Group (formerly GPG) announced last year that they are to delist from the New Zealand and Australian stock exchanges on June 24th 2016. Holders of Coats should consider whether they wish to continue owning the company. You have a number of options:

- Continue holding Coats and have your shares transferred to the London Stock Exchange
- Sell your shares on the NZX before June 21st
- Sell your shares through the Share Sale Facility arranged by Coats

These options all have varying cost/benefit implications. Phone the office if you'd like to discuss what's best for you.

Budget

Last week's budget held few surprises with the ANZ economists describing it as "strengthening the war chest." The focus remains on debt reduction rather than tax cuts, although with the next election just around the corner I'd be surprised if tax cuts don't feature next year.

ANZ's chief economist Cameron Bagrie applauds the Government's efforts to reduce debt, however questions whether this ideal has now gone too far. He argues an increase in infrastructure-related investment across the economy would be of greater benefit than paying down debt. New Zealand's (Government) debt levels are already low in comparison to other countries and he argues there is plenty of room for the Government to borrow money to stimulate economic activity.

Key features of the Budget include:

- Health – \$2.2 billion extra over four years
- Early childhood, primary and secondary education - \$1.4 billion extra over four years
- Infrastructure spending – \$2.1 billion increase in spending including education (\$883m) and KiwRail (\$190m).
- Science and innovation, tertiary education and apprenticeships, and regional development - \$761 million over four years
- Tax reforms including legislation to prevent multinationals hiding their tax liabilities
- Social housing – \$200 million, and an additional \$100 million for housing developments on surplus crown land
- Other social investments - \$652 million over four years, including \$200 million for the reform of state care and Child Youth and Family
- The Super Fund contributions to resume, but not until 2020/21 – two years earlier than projected

I think the Government should be commended for sticking to their policy of fiscal responsibility, rather than dangling carrots in front of various interest groups. However the cynic in me thinks it may be different next year.

Portfolio Administration

Are you having trouble with the share registries sending your financial information via email rather than post? Are you spending hours searching for financial information for your accountant at the end of each financial year? If so Bramwell Brown can help. We offer a portfolio administration service where we handle all the mail associated with your portfolio and liaise with your accountant at the end of each year. Call the office if you would like to discuss this service.

Market Indicators

	<u>June 2016</u>	<u>June 2015</u>	<u>June 2014</u>
S&P NZX50 Index	6988	5863	5164
S&P ASX 200	5406	5639	5499
NZ/AU Exchange Rate	0.9326	0.8932	0.9144
NZ/US Exchange Rate	0.6698	0.6834	0.8451
NZ/GB Exchange Rate	0.4483	0.4351	0.5046
Official Cash Rate	2.25%	3.25%	3.25%
3 Month Bank Bill Rate	2.41%	3.28%	3.420%
5 Year Swap Rate	2.475%	3.403%	4.363%
10 Year Swap Rate	2.885%	3.863%	4.743%

Reset Securities

Here are the current values of some of the resettable securities trading on the secondary debt market.

Security	Coupon	Benchmark	Margin	Next Reset	Price
ASB	4.00%	1 year swap rate	1.30%	15/11/16	77.00
ASB	3.20%	1 year swap rate	1.00%	15/05/17	78.00
ANZ	5.28%	5 year swap rate	2.00%	18/04/18	102.40
ANZ	7.20%	5 year swap rate	3.50%	25/05/20	103.20
Credit Agricole	5.04%	3 month bill rate	1.90%	19/12/17	87.50
Fonterra	4.94%	1 year Govt stock	1.95%	10/07/16	95.00
Genesis Energy	6.19%	5 year swap rate	2.15%	15/07/18	103.00
IAG	7.50%	5 year swap rate	3.78%	15/12/16	102.20
Infratil	4.26%	1 year swap rate	1.50%	15/11/16	64.00
Kiwi Bank	7.25%	5 year swap rate	3.65%	27/05/20	104.25
Quayside Holdings	5.88%	3 year swap rate	1.70%	12/03/17	102.25
Rabobank	3.49%	1 year swap rate	0.76%	08/10/16	94.00
Rabobank	8.34%	5 year swap rate	3.75%	18/06/19	106.00
Works Finance	7.21%	1 year swap rate	4.05%	15/06/16	102.05