

# BRAMWELL BROWN LTD

## INVESTMENT ADVISERS – BROKERS

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

### **Bramwell Brown Limited – Newsletter – June 2017**

#### **Infratil Bond Offer**

Infratil is offering up to \$150 million of unsecured, unsubordinated debt securities with two separate interest rates and maturity dates.

- Maturity dates – December 15<sup>th</sup> 2022 and June 15<sup>th</sup> 2025
- Interest rates – 5.65% and 6.15%
- Quarterly interest payments (March, June, September and December)
- Minimum application - \$5,000
- Closing date – June 23<sup>rd</sup> 2017

#### **Summerset Bond Offer**

Summerset Group Holdings Limited has announced that it has lodged a Product Disclosure Statement (PDS) for an offer of up to \$75 million, with the ability to accept up to \$25 million in oversubscriptions, of fixed rate bonds to New Zealand institutional and retail investors.

- Maturity date – July 11<sup>th</sup> 2023
- Interest rate – to be announced on June 14<sup>th</sup>
- Quarterly interest payments (July, October, January and April)
- Minimum application - \$5,000
- Closing date – July 6<sup>th</sup> 2017

Bondholders will share the same security as Summerset's banks on a pro-rata basis. The key securities that Summerset's banks and bondholders will have the benefit of are:

- A second ranking mortgage over the land and buildings of Summerset's existing villages
- A first ranking mortgage over undeveloped land and land currently under development

**PLEASE CONTACT THE OFFICE AS SOON AS POSSIBLE IF THESE BOND  
OFFERS ARE OF INTEREST TO YOU**

## **Are You Prepared For a Market Correction?**

Plenty of market commentators are suggesting we are overdue for a share market correction. Markets around the world have had an incredible run since the lows of 2008/2009. The New Zealand and US markets have increased by more than 200% since the Global Financial Crisis. I have written previously about the futility of trying to time markets (sell high and buy low), but are you prepared for a significant market correction? What effect would it have on your financial position, and what effect would it have on your state of mind? I have always advocated buying good companies and holding them for long periods. With the incredible run that markets have experienced in the last decade I have also advocated taking profits from well-performing shares and investing in lower risk bonds or bank deposits. This allows you to realise some of the gains in your share portfolio, and bank them. I have never been a fan of trying to get out of shares when the market's on a high, because nobody knows when that is. Many are saying it's now, however just as many were saying the same in 2015. If you had sold the NZ50 Index in September 2015 you would have given up a gain over the next two years of approximately 35%.

There are a number of things to consider when there is a major correction in asset prices – valuations, income, time-frame, and your state of mind. Obviously the value of your portfolio will decrease. How significant is this to you? If the value of your house (let's assume it's debt-free) dropped by \$100,000, does that really affect your standard of living? It's providing exactly the same utility as it was before the reduction in price. The same might apply to your share portfolio. A reduction in price doesn't always mean a reduction in income. Following the Global Financial Crisis many New Zealand companies continued to pay similar dividends as they had before the crisis. However, this won't always be the case and I think it's fair to argue that a major financial shock will not only lead to a reduction in valuations, but also a drop in income.

Do you have a specific, time-bound use for the funds invested in shares? If so, a major market correction could have dire implications for you. If you have invested in shares with the specific aim of using those funds at a time in the future, you need to be more mindful of the implications of a major correction in prices. What about your state of mind? What effect would a thirty per-cent reduction in the value of your share portfolio have on you? If you held \$500,000 in shares and they dropped in value to \$350,000, how would you react? Unfortunately history tells us that many investors sell at that point, locking in losses, never to return to the share market again. If such a reduction is likely to cause you to wake in a cold sweat each night, you may want to reconsider your exposure to shares.

I think all investors should consider the implications of a major market correction on their financial situation. Consider the effect on your income, and your likely state of mind if (when) such a correction occurs.