BRAMWELL BROWN LTD

INVESTMENT ADVISERS – BROKERS

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

Bramwell Brown Limited – Newsletter – July 2017

Market Corrections

Last month's newsletter has created a number of in depth discussions with clients about their exposure to shares. The article was not a recommendation to sell shares; instead it was an attempt to ensure clients are aware that the share market will not necessarily go up every year. Are you prepared for the day the market does decline? What steps can you take to mitigate the effects of a share market correction?

- Buy good companies and hold them for long periods
- Hold a variety of asset classes that are not directly correlated to the share market
- Hold overseas investments as insurance against a shock to the New Zealand economy
- Don't attempt to time the market
- Don't be tempted to sell if the market does fall

Trust Law Reform

The Trustee Act 1956 is currently being reviewed with the aim of restating and reforming New Zealand Trust law by setting out the core principle of the law relating to trusts. All investors operating family trusts should be mindful of the updated law. The Bill is in draft form at present, and is expected to be introduced to Parliament this year, where it will go to a select committee for review. Once approved it would come into force six months later. There are some major changes being recommended, and I will provide more information once the bill is passed.

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.

Official Cash Rate

Yet again the Reserve Bank left the Official Cash Rate (OCR) unchanged at 1.75 percent at their last review. Here are parts of Graeme Wheeler's statement.

Global economic growth has increased and become more broad-based. However, major challenges remain with on-going surplus capacity and extensive political uncertainty. Headline inflation has increased over the past year in several countries, but moderated recently with the fall in energy prices. Monetary policy is expected to remain stimulatory in the advanced economies, but less so going forward. GDP growth in the March quarter was lower than expected, with weaker export volumes and residential construction partially offset by stronger consumption. Nevertheless, the growth outlook remains positive, supported by accommodative monetary policy, strong population growth, and high terms of trade. House price inflation has moderated further, especially in Auckland. The slowdown in house price inflation partly reflects loan-to-value ratio restrictions, and tighter lending conditions. This moderation is projected to continue, although there is a risk of resurgence given the on-going imbalance between supply and demand. Longer-term inflation expectations remain well-anchored at around 2 percent. **Monetary policy will remain accommodative for a considerable period**.

Australian Bank Regulation

Holders of ANZ, Westpac, Commonwealth Bank of Australia, and National Australia Bank will have been disappointed to see the Australian Federal Government imposing a tax on Australia's largest banks as a "budget repair" tool. Each of the four big banks (and Macquarie Group) will pay between $300 million and $400 million each year under the new levy. It seems a rather arbitrary tax, and also seems to me to be unfairly targeted. Smaller banks and overseas banks are not subject to the levy, giving them a competitive advantage. It will be interesting to see whether the Federal Government removes the levy if they get their books into surplus. Ultimately someone will pay these extra charges – the Government has suggested the banks simply absorb the extra cost – my guess it will be a combination of shareholders (lower dividends) and customers (extra charges) who will bear the cost.

Melbourne

I will be out of the office from Friday July 28th until Monday August 7th attending my daughter's graduation in Melbourne. Sue will be manning the fort in my absence but 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. If you need to contact me I will be checking emails periodically.