

BRAMWELL BROWN LTD

INVESTMENT ADVISERS – BROKERS

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

Bramwell Brown Limited – Newsletter – December 2017

New Premises

Just another reminder that Bramwell Brown has moved into new premises at the Amy Kerr & Associates building at 38 Bannister Street. Contact details remain the same:

- Phone: 3788299
- Mobile: 0274523980
- Email: brett@bramwellbrown.co.nz

Tower Rights

After having a takeover offer from Vero turned down by the Commerce Commission, and a disappointing full-year result, Tower has announced a renounceable rights issue aiming to raise \$70.8 million. Eligible shareholders may subscribe for one new share for every one existing share held at a price of \$0.42. The money raised will be used to provide further capital to Tower's subsidiary Tower Insurance, and for general corporate purposes. Claims resulting from the Canterbury earthquakes continue to weigh on Tower. Litigation with EQC and Peak Re (a reinsurance company) is ongoing; therefore the outlook for Tower remains uncertain.

Investors have a number of options in relation to their Tower rights:

- Take up all or some of your rights
- Sell all or some of your rights on the NZX
- Take up some of your rights and sell some or all of the balance
- Do nothing

At November 29th the underlying Tower share price was \$0.69 and the rights were trading at \$0.25. Rights trading ends on December 7th and the offer closes on December 13th.

CALL THE OFFICE IF YOU WOULD LIKE TO DISCUSS THE OPTIONS AVAILABLE TO YOU

Investment Scams

Following on from previous newsletter items on fraud and scams the Financial Markets Authority has released real-life examples of people who have succumbed to scams. The stories (below) can be found on the FMA website <https://fma.govt.nz/investors/avoid-scams/real-life-scam-stories>

Knowing the warning signs can stop you being scammed - Bob's story

Bob is a consultant who lives in Christchurch. He's invested in shares, owns his own home, and is in KiwiSaver. Recently, Bob lost \$67,000 through a 'boiler room' share scam after an overseas company called him, offering him the chance to invest in a pharmaceutical firm. He said no, but out of interest, researched the company online, and the shares offered. Their website looked legitimate. And at the time, they did not feature on the FMA's warning lists and weren't linked to any scams.

One week later, they called Bob again. This time, he decided to invest \$8,000. The online trading account opened for him showed the value of his shares was rising. So over the next few months, Bob invested another \$59,000. He became suspicious when the company told him the shares had been sold, and he would receive funds the following week. He never received any money. When Bob Googled the company's phone number, he found the company's name listed with references to a potential scam. Over the following months, online forums showed commentaries about the company and warnings were published on regulators' websites overseas. The company continued to hassle Bob telling him he needed to pay \$21,000 to get his money released. Bob hasn't paid this. He continues to receive up to 6 unsolicited calls a day, which he ignores.

The warning signs

- Many scams in New Zealand come via cold calls. Hang up if you get an unsolicited call about an investment offer.
- If the call is from overseas – be extra cautious. If it is a scam, it's virtually impossible to recover your money.

Before you invest...

- Speak to a professional adviser
- Check the provider is licensed by the FMA. A licensed provider offers you greater protections. Being on the Financial Service Providers Register (FSPR) does not mean a provider is licensed.
- Make sure the company isn't on our warnings lists
- Avoid being scammed by reading our steps to protect yourself

Bob (not his real name) contacted us in September 2017. The overseas company he used is not licensed in New Zealand. We add company names to our warning lists as soon as we have enough

information to make us realise investors should be wary of them. A warning may not be published for many months after you're first contacted by a company. Once on the list companies regularly change their names. If you can't find a company name on our lists, it's not a guarantee they are safe.

Diana lost US\$5,000 through binary options

Diana works full-time and lives in the Bay of Plenty. She is married with children, owns a house, and invests in KiwiSaver and some term deposits. She doesn't consider herself an experienced investor. Diana recently lost around US\$5,000 investing in binary options. She clicked an ad on a Yahoo! news article and watched slick videos about how she could 'make easy money from home'. Diana decided to give it a go, so she called the company in the video and made an initial payment of US\$300. The call centre was based in Scotland, so Diana felt confident her money was safe. Her 'broker' said he would call every two days to help her trade.

After a few weeks she was asked to invest US\$5,000 to get 'bonus payments'. Diana went ahead with this second investment, but later felt uneasy and asked to pull out of the trade. This is when things got ugly. The broker became very passive-aggressive, telling Diana she couldn't have her deposit back because she hadn't reached the required volume of trades and bonuses. She asked the broker not to contact her again, but he kept calling – usually very late at night. Eventually Diana threatened to call the police, and blocked the broker's number. Since then, Diana has received cold calls from other similar companies. She has not had any money returned to her.

Don't be fooled

- Don't be tricked into thinking a company is legitimate because their ad appears on a credible website.
- Take extra care if a company is based overseas and/or not licensed in New Zealand, as it's usually impossible to get your money back if things go wrong.
- Always ask if a company is licensed. Registration on the Financial Service Providers Register (FSFR) does not mean a provider is licensed.

Do your homework

- Check our lists of individuals, markets and businesses licensed or authorised to operate in New Zealand before you invest.
- Read our 'steps to protect yourself' to learn how to avoid scams.

Diana (not her real name) contacted us in March 2017. The binary options company she used is based overseas and not licensed or regulated in New Zealand. The way this company behaved was typical of a scam.

Heartland Bank Rights

Heartland Bank has announced a rights issue that seeks to raise \$59 million to support continued growth, and maintain a strong balance sheet. Eligible shareholders are entitled to purchase one new share for every fifteen existing shares held at a price of \$1.70. At November 29th the Heartland Bank share price was \$1.97. In contrast to Tower's rights issue, Heartland's rights are non-renounceable. What this means is that Heartland shareholders are not able to trade their rights on the NZX. The only way to sell your rights is to find a buyer yourself. The options available to investors are:

- Take up all or some of your rights
- Take up all of your rights and apply for additional shares
- Sell all or some of your rights to another investor
- Do nothing

Additional shares will be available from those investors who do not take up their rights. The price paid for these extra shares will be determined by a book-build process where institutional investors bid for the new shares attributable to unexercised rights. The price at which these extra shares are issued will reflect the demand from institutional investors and will be no less than \$1.70 and no more than the closing share price on the day prior to the book-build.

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Bonds

Kiwi Property Group is considering an offer of seven-year, fixed-rate, senior, secured bonds to institutional and New Zealand retail investors. The offer will be made pursuant to the Financial Markets Conduct Act 2013, as an offer of debt securities of the same class as existing quoted securities. Based on recent issues from Property for Industry and Precinct Properties I would expect the coupon on these bonds would be somewhere between 4.00% and 4.50%. Contact the office as soon as possible if this bond offer is of interest to you.

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.

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