

BRAMWELL BROWN LTD

INVESTMENT ADVISERS – BROKERS

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Bramwell Brown Limited – Newsletter – November 2017

New Premises

As discussed in the last two newsletters Bramwell Brown will be moving into new premises from Wednesday November 1st. Our new office will be only two doors down from where we are currently, in the Amy Kerr & Associates building at 38 Bannister Street. Off-street parking is available at the rear of the building. There will be a short period where renovations and decorating will be carried out, so please phone the office first if you need to make an appointment. Contact details remain the same:

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Infratil Bonds

Infratil has a number of infrastructure bonds listed on the secondary bond market. More often than not when a bond is due to mature Infratil offer their existing bondholders the opportunity to reinvest. However in the most recent case the company will not be offering a replacement bond. Holders of IFT170, which has a coupon of 8%, will be repaid in full on November 15th. The company claims to have substantial funds on deposit, therefore do not need to raise more money. Other Infratil bonds trading in the secondary market are listed here:

	Coupon	Maturity Date	Current Yield
IFT180	6.85%	15/11/2018	4.30%
IFT200	6.75%	15/11/2019	4.45%
IFT090	8.50%	15/02/2020	4.40%
IFT220	4.90%	15/06/2021	4.45%
IFT190	6.85%	15/06/2022	4.69%
IFT240	5.65%	15/12/2022	4.80%
IFT210	5.25%	15/09/2023	5.00%
IFT230	5.50%	15/06/2024	4.80%
IFT250	6.15%	15/06/2025	5.53%

Election

What a fascinating few months it has been in New Zealand politics. It was always going to be a big ask for National to secure a fourth term in office, and they came closer than most thought they would. Winston Peter's decision to go with Labour and the Greens will result in a quite different political landscape. I hope they can achieve their social and environmental goals without taxing entrepreneurship, risk-taking, and hard work to the point where those people ask whether it's worth the effort.

What effect will a change of Government have on investors? Winston Peters gave an insight when he said "far too many New Zealanders have come to view today's capitalism not as their friend but as their foe", and that "capitalism must regain its human face." This infers that the new Government will be less hands-off and more interventionist in the economy. Winston Peter's desire to have the Reserve Bank influence the exchange rate to support exporters saw the dollar drop immediately on the announcement of the new Government. NZ First's immigration policy is likely to have a negative effect on the housing market, and we saw weakness in the retirement sector as a result of this. In contrast, other companies will clearly benefit from a lower dollar.

Overall you should expect to see some market volatility as the new Government settles in. Mr Peter's prediction of an impending downturn is in my opinion simply a strategy to deflect any blame when the inevitable market correction occurs. Analysts I speak to do not expect a major shift in economic direction. The New Zealand economy is growing, and has performed better than most of the world's major economies in the last decade. However, investors should not be complacent, and the change we are experiencing at present should be a catalyst for all of us to review our investments to ensure we are still on track. Questions you should be asking include:

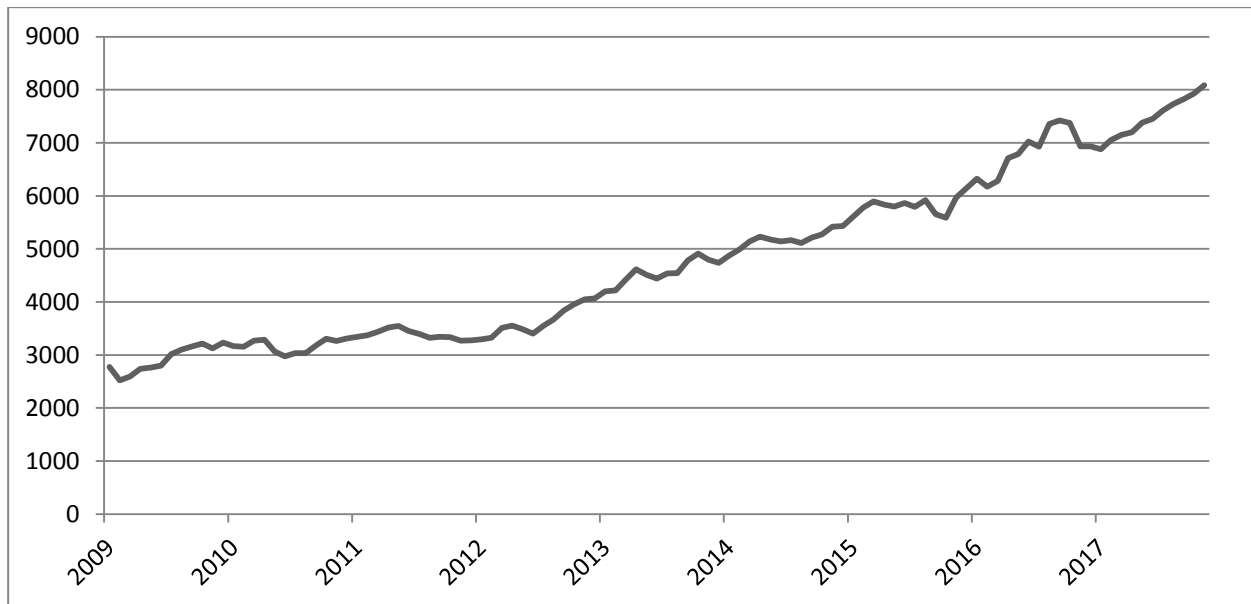
- Am I over-exposed to any one industry or market sector?
- Am I taking more risk than I need to?
- Do I have good liquidity within my portfolio?
- How would a share-market correction affect me?

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.

Share Markets

Mr Peter's talk of an impending downturn has yet again raised the question about whether our share market is overvalued. There is no doubt the New Zealand share market has experienced an unprecedented run of gains since 2009, as you can see from the chart below.



I wrote in the June and July newsletters about the futility of trying to time markets. I've always been an advocate of buying good companies and holding them for long periods. However, I've also been an advocate of taking profits from the share market, and the higher the market climbs the more I think this is a good strategy. Despite the relatively low returns on bonds and bank deposits I think investors should not be averse to taking the top off their well-performing shares and reinvesting in these types of securities. I can almost guarantee that if we do have a share market correction we will all say we should have seen it coming, that the signs were obvious, and that we should have done something sooner.

Property for Industry Bond Offer

Property for Industry Limited (PFI) is considering an offer of up to \$75 million (with the ability to accept up to an additional \$25 million in oversubscriptions at PFI's discretion) of senior, secured, fixed rate bonds, to institutional and New Zealand retail investors. The bonds are expected to have a term to maturity of 7 years and the proceeds are expected to be used to repay existing bank debt. No money is currently being sought and no bonds can be applied for or acquired until the offer opens and the investor has received a copy of the offer document in relation to the bonds. Any offer will be made in accordance with the Financial Markets Conduct Act 2013. The bonds are expected to be quoted on the NZX Debt Market.

CONTACT THE OFFICE IF THIS BOND OFFER IS OF INTEREST TO YOU

Credit Agricole

Like Rabobank last month, Credit Agricole has announced it will be repaying its perpetual, subordinated bond. The last day for trading the bond will be December 4th and it will be repaid in full with accrued interest on December 19th.

Bank Term Deposit Rates

Here is a summary of some of the bank rates on offer at present.

	1 Year	2 Years	3 Years	4 Years	5 Years
ANZ*	3.30%	3.90%	4.05%	4.20%	4.30%
ASB	3.25%	3.80%	3.90%	4.10%	4.20%
BNZ	3.15%	3.85%	4.00%	4.15%	4.25%
Heartland	3.40%	3.40%	3.70%	3.75%	3.80%
Kiwibank	3.60%	3.85%	4.00%	4.15%	4.30%
Rabobank*	3.60%	4.04%	4.14%	4.28%	4.43%
Westpac	3.15%	3.70%	3.80%	4.00%	4.10%

* ANZ and Rabobank rates are available through an intermediary relationship with Bramwell Brown.

Fraud

The Financial Markets Authority has laid forty seven charges in the Auckland District Court against Steven Robertson. The charges relate to a company called PTT Limited, and its associated entities. The company claimed their clients could make significant money trading currency, using their sophisticated software. Potential clients were told that profits of up to \$50,000 could be made quickly from a starting sum of \$2,500. Sales tactics were aggressive, and claims were made that any risk had been eliminated. This is yet another example of a fraudster claiming to be able to make large, fast profits for gullible investors. The Internet is littered with offers for the sale of software to trade shares, currencies or futures, or even bet on racehorses.

A case such as this reinforces the message from the Financial Markets Authority published in last month's newsletter. A smart investor:

- Verifies that an investment professional is licensed
- Conducts research on a product before investing
- Understands that risk exists in all investments
- Avoids "get rich quick" and "can't lose" schemes