# Bramwell Brown Ltd

## Investment Advisers – Brokers

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## Bramwell Brown Limited – Newsletter – March 2018

### Advanced Care Planning

How many of us consider what's important to us at the end of our lives? Death is a subject many find difficult to discuss, however there are few things more certain than the fact we will all die eventually. Do you have certain preferences relating to your end of life healthcare that you haven't yet discussed with those close to you? In most cases the death of a loved one is a traumatic experience for family members – are there steps we can take to minimise this trauma? The National Advanced Care Planning Cooperative is a collective of people driving the design and implementation of advanced care planning in New Zealand.

They have a large number of excellent resources available to help people think about, and plan for future and end of life care. It is not something solely for the terminally ill – it's a resource that anyone can use, and is quite thought-provoking. I've worked through their planning guide and already it has raised questions for me. Some of the material is at a very practical level discussing things such as wills, enduring powers of attorney, your financial affairs, and funeral costs. Other items focus on a more emotional level and include such things as:

- Talking about dying, and care leading up to your death
- Spirituality

Here is a link to the Advanced Care Planning website http://www.advancecareplanning.org.nz/
I will make enquiries to see if I am able to have some hard copies of their material available at the office.

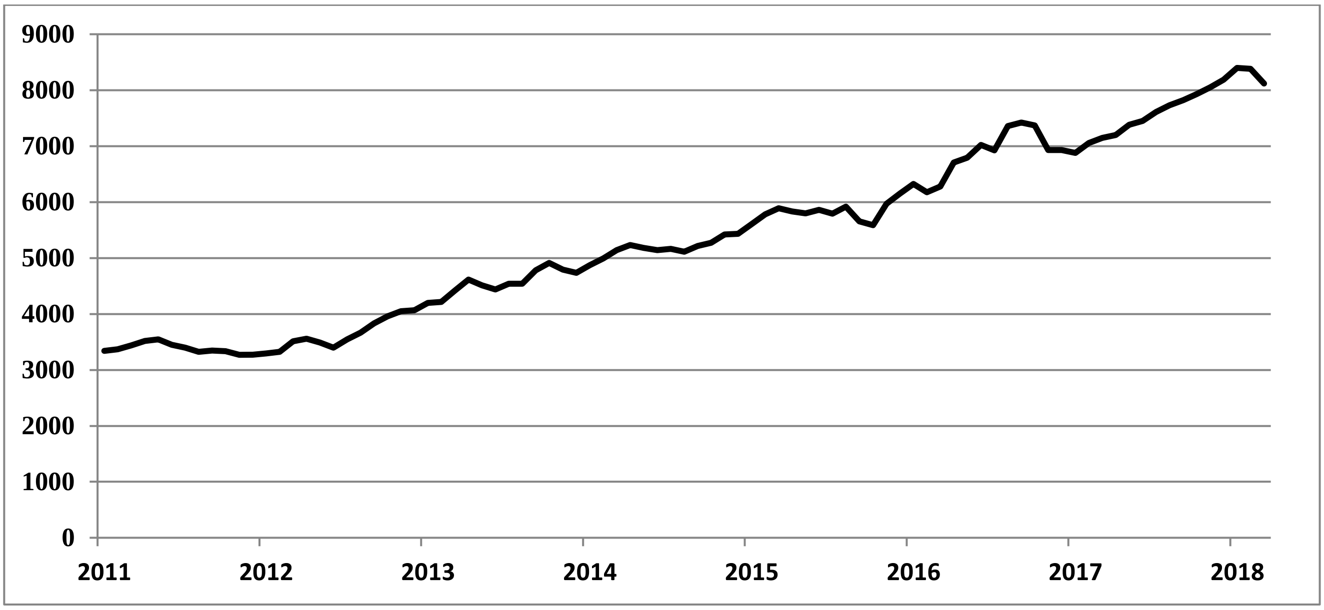
### Portfolio Administration

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.

## Sharemarket Correction

It was inevitable that at some point the sharemarket was going to suffer some sort of correction. We have spoken about this for years, yet it still seems to come as a surprise when it happens. The US led the way when on February 2nd the Dow Jones Industrial Average dropped 2.50%. It has since dropped another 1%, largely based on fears of rising inflation and increased interest rates. Our market followed suit, however has made up ground through the last week in February. You can see from the chart below that it has given up only a very small proportion of the gains it has made in the last seven years.

**NZX50 Gross Index**




What to do? For most there is very little that you should be concerned about, provided your reason for investing in shares hasn't changed. Presumably we are in shares for some or all of the following reasons:

- To diversify our investment assets
- To provide income
- To provide a hedge against inflation
- To access long-term capital gains

So long as these reasons still apply to you then there is no need to panic. Nobody likes to see their investment capital reduce in value, however you must expect some periods where markets perform poorly. You should gain some comfort from the long-term history of positive returns for shares, however I think you can expect more volatility this year than we have seen in the recent past.

There is an exception to my suggestion that there is no need to panic – this is based around timeframes. If an investor has a specific end-point for an investment in shares, then the recent market volatility should rightly be concerning. An example would be a KiwiSaver investor planning on using the HomeStart grant to buy their first home. They've been contributing to KiwiSaver since its inception in 2007, and have been in a growth fund. The growth fund has a significant allocation to shares and would have performed extremely well over the last ten years. However, any significant market correction could see their KiwiSaver balance reduce just at the time they are ready to withdraw funds to purchase their home. In this instance the investor is best to take most of the risk out of the equation by shifting their asset allocation to a conservative fund. Another example could be a trust or estate that has a specific vesting date.

If you would like a review of your investments to ensure you have the correct exposure to the various asset classes please don't hesitate to contact the office.

**Market Indicators**

The table below show the movement in some of our key market indicators over the last few years.

| Market Indicator | June 2015 | June 2016 | January 2018 | February 2018 |
|---|---|---|---|---|
| NZX50 Gross Index | 5863 | 6988 | 8415 | 8341 |
| NZX50 Capital Index | 2978 | 3336 | 3862 | 3763 |
| S&P ASX200 | 5639 | 5406 | 6121 | 6042 |
| Dow Jones | 17898 | 17675 | 26186 | 25309 |
| NZ/AU Exchange Rate | 0.8932 | 0.9326 | 0.9210 | 0.9314 |
| NZ/US Exchange Rate | 0.6834 | 0.6698 | 0.7303 | 0.7312 |
| NZ/GB Exchange Rate | 0.4351 | 0.4483 | 0.5171 | 0.5236 |
| Official Cash Rate | 3.25% | 2.25% | 1.75% | 1.75% |

**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*** | 3.50% | 3.70% | 3.85% | 4.05% | 4.15% |
| **ASB** | 3.50% | 3.70% | 3.80% | 4.00% | 4.10% |
| **BNZ** | 3.50% | 3.65% | 3.75% | 3.95% | 4.05% |
| **Heartland** | 3.60% | 3.80% | 3.85% | 4.00% | 4.00% |
| **Kiwibank** | 3.45% | 3.70% | 3.85% | 4.10% | 4.20% |
| **Rabobank*** | 3.35% | 3.80% | 3.89% | 4.04% | 4.18% |
| **Westpac** | 3.40% | 3.65% | 3.80% | 4.00% | 4.10% |

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

**Official Cash Rate**

The sharemarket correction was triggered by expectations in the US that interest rates would increase through 2018. Concerns around rising inflation are likely to see the Federal Reserve increase their benchmark interest rate gradually throughout the year. Will the same happen here? It seems unlikely based on Reserve Bank Governor Grant Spencer's most recent Monetary Policy Statement:

"The Reserve Bank today left the Official Cash Rate (OCR) unchanged at 1.75 percent. Global economic growth continues to improve. While global inflation remains subdued, there are some signs of emerging pressures. Commodity prices have increased, although agricultural prices are relatively soft. International bond yields have increased since November but remain relatively low. Equity markets have been strong, although volatility has increased recently. Monetary policy remains easy in the advanced economies but is gradually becoming less stimulatory.

GDP growth eased over the second half of 2017 but is expected to strengthen, driven by accommodative monetary policy, high terms of trade, government spending and population growth. Labour market conditions continue to tighten. Compared to the November *Statement*, the growth profile is weaker in the near term but stronger in the medium term. The KiwiBuild programme contributes to residential investment growth from 2019. House price inflation has increased somewhat over the past few months but housing credit growth continues to moderate.

Annual CPI inflation in December was lower than expected at 1.6 percent, due to weakness in manufactured goods prices. While oil and food prices have recently increased, traded goods inflation is projected to remain subdued through the forecast period. Non-tradable inflation is moderate but expected to increase in line with increasing capacity pressures. Overall, CPI inflation is forecast to trend upwards towards the midpoint of the target range. Longer-term inflation expectations are well anchored at 2 percent. **Monetary policy will remain accommodative for a considerable period.** Numerous uncertainties remain and policy may need to adjust accordingly."

For those of you sitting on cash waiting for rates to increase, you may be waiting for some time yet. In fact, the Reserve Bank's assistant governor, Jon McDermott, suggested the Bank could actually decrease rates this year. Timing the interest rate market is a bit like trying to time the sharemarket – futile in my view. Too often I've seen investors refusing to take up fixed interest opportunities because they "know" interest rates are going to increase. My advice is to ensure you have a diversified fixed interest portfolio, with maturities staggered relatively evenly over a five-year period. As deposits mature, reinvest at the going rate – don't attempt to predict movements in the interest rate market.