

# BRAMWELL BROWN LTD

## INVESTMENT ADVISERS – BROKERS

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### **Bramwell Brown Limited – Newsletter – March 2019**

#### **Restaurant Brands**

Shareholders in Restaurant Brands should have received documents from Finaccess Capital in relation to a partial takeover of the company. Finaccess have offered \$9.45 for 75% of Restaurant Brands, which appears to be a compelling offer. The price offered is over 25% higher than where the shares were trading before the offer was made. The closing date for the offer is March 12<sup>th</sup>. If you hold Restaurant Brands and would like to discuss your options please phone the office.

#### **Official Cash Rate**

Here is the most recent review of the Official Cash Rate from Reserve Bank Governor, Adrian Orr.

"The Official Cash Rate (OCR) remains at 1.75 percent. We expect to keep the OCR at this level through 2019 and 2020. The direction of our next OCR move could be up or down. Employment is near its maximum sustainable level. However, core consumer price inflation remains below our 2 percent target mid-point, necessitating continued supportive monetary policy. Trading-partner growth is expected to further moderate in 2019 and global commodity prices have already softened, reducing the tailwind that New Zealand economic activity has benefited from. The risk of a sharper downturn in trading-partner growth has also heightened over recent months.

Despite the weaker global impetus, we expect low interest rates and government spending to support a pick-up in New Zealand's GDP growth over 2019. Low interest rates, and continued employment growth, should support household spending and business investment. Government spending on infrastructure and housing also supports domestic demand. As capacity pressures build, consumer price inflation is expected to rise to around the mid-point of our target range at 2 percent.

There are upside and downside risks to this outlook. A more pronounced global downturn could weigh on domestic demand, but inflation could rise faster if firms pass on cost increases to prices to a greater extent.

We will keep the OCR at an expansionary level for a considerable period to contribute to maximising sustainable employment, and maintaining low and stable inflation."

## **Bond Offers**

There are a number of bond offers coming to the market at present, however the interest rates being offered are nothing to get excited about. Trustpower is paying 3.97% for the first five years on the bond they issued recently. Contact Energy will pay 3.55% for their bond maturing in August 2024. Transpower will issue a five-year bond in early March, and Metlifecare has indicated they are exploring a retail bond offer.

Argosy Property Limited have announced an offer of up to \$75 million (with the ability to accept oversubscriptions of \$25 million) of senior, secured, fixed rate bonds. These bonds are designed to refinance existing bank debt that supports "Green Assets" owned by the Argosy Group. Green assets must satisfy certain criteria that promote the transition to a sustainable future.

There will be a priority offer, for existing Argosy shareholders, and a general offer to the public.

- Maturity Date: March 27<sup>th</sup> 2026
- Minimum interest rate: 4%
- Minimum investment: \$5,000
- Interest paid quarterly: March, June, September and December
- Closing Date (Priority Offer): March 20<sup>th</sup>
- Closing Date (General Offer): March 22<sup>nd</sup>

### **PHONE THE OFFICE IF THIS OFFER IS OF INTEREST TO YOU**

## **Precinct Properties**

Precinct Properties are offering existing shareholders the opportunity to purchase up to \$50,000 of additional shares at an offer price of \$1.48 per share. This is part of a larger capital raising that is being used to repay existing bank debt, and provide additional funding for medium-term opportunities. The offer is non-renounceable, which means you are unable to sell your rights to the new shares. If you don't take part in the offer your holding in Precinct Properties will be diluted. Applications for new shares must be submitted by March 5<sup>th</sup>. If you hold Precinct Properties and would like to discuss your options please phone the office.

## **Capital Gains Tax**

Most investors will be waiting with interest to hear the Government's response to the Tax Working Group's proposal to introduce a capital gains tax. My view has shifted over the years from a very right-wing stance, and I'll share those views in next month's newsletter.