

BRAMWELL BROWN LTD

INVESTMENT ADVISERS – BROKERS

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

Bramwell Brown Limited – Newsletter – July 2019

Official Cash Rate

For those relying largely on fixed interest to supplement their income, the consistently reducing interest rates in New Zealand offers little comfort. The latest Reserve Bank review of the Official Cash Rate (OCR) left it unchanged at 1.5 percent, however hinted at further reductions. Here is a summary of the latest meeting.

"The Official Cash Rate (OCR) remains at 1.5 percent. Given the weaker global economic outlook and the risk of ongoing subdued domestic growth, a lower OCR may be needed over time to continue to meet our objectives. Domestic growth has slowed over the past year. While construction activity strengthened in the March 2019 quarter, growth in the services sector continued to slow. Softer house prices and subdued business sentiment continue to dampen domestic spending. The global economic outlook has weakened, and downside risks related to trade activity have intensified. A number of central banks are easing their monetary policy settings to support demand. The weaker global economy is affecting New Zealand through a range of trade, financial, and confidence channels. We expect low interest rates and increased government spending to support a lift in economic growth and employment. Inflation is expected to rise to the 2 percent mid-point of our target range, and employment to remain near its maximum sustainable level. Given the downside risks around the employment and inflation outlook, a lower OCR may be needed."

Bank term deposit rates dropped further following the announcement, and there is an expectation that rates will continue to fall. When a four-year term deposit rate is exactly the same as the one-year rate from the same institution, there is a clear expectation that interest rates are going to keep declining. My concern is that investors are altering their behaviour by a:) retaining large sums of cash in the hope interest rates rise, and/or b:) investing in riskier assets (shares) to achieve a higher return. My advice is to exercise caution with both of these strategies. Foregoing a 3.25% return on a five-year bank deposit might turn out to be a poor decision in hindsight, when interest rates continue to decline. And be certain of the risks you are taking when you increase your allocation to shares. The New Zealand market dropped by approximately 40% from October 2007 to February 2009. The more you allocate to risky assets, the greater the effect a downturn will have on your financial position.

Napier Port

Napier Port Holdings Limited (Napier Port) is considering offering shares to the public as part of an initial public offer (IPO) and listing Napier Port on the NZX Main Board. Napier Port is currently a wholly-owned subsidiary of Hawke's Bay Regional Investment Company Limited (HBRIC), the investment arm of Hawke's Bay Regional Council. There will be a priority offer to local residents, non-resident ratepayers, eligible employees and eligible iwi. The product disclosure statement (PDS) is expected to be available on July 15th. Whether we can source an allocation of the IPO is debatable, however we will be doing our best.

CALL THE OFFICE TO REGISTER YOUR INTEREST IN THIS OFFER

Trustpower Bond Offer

Trustpower Limited has announced that it is offering up to NZ\$100 million (with the ability to accept oversubscriptions of up to NZ\$25 million at Trustpower's discretion) of unsecured, unsubordinated fixed rate bonds to New Zealand institutional and retail investors. The indicative margin range for the Bonds is 1.75% to 1.85% per annum over the underlying swap rate, subject to a minimum interest rate of 3.35% per annum.

- Maturity Date: July 29th 2026
- Minimum interest rate: 3.35%
- Minimum investment: \$5,000
- Interest paid quarterly: January, April, July and October
- Closing Date: July 19th 2019

Holder of the Trustpower bond (TPW160) maturing in September will be offered the opportunity to reinvest in the new bonds under an exchange offer. Trustpower shareholders and bondholders will also have a portion of the pool reserved for them.

CALL THE OFFICE IF THIS 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.

DISCLOSURE STATEMENT AVAILABLE ON REQUEST AND FREE OF CHARGE