

BRAMWELL BROWN LTD

INVESTMENT ADVISERS – BROKERS

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Bramwell Brown Limited – Newsletter – November 2019

Infratil Bonds

Infratil has announced it is offering up to \$50 million of unsecured, unsubordinated infrastructure bonds, with the option to accept up to \$75 million of oversubscriptions. Holders of the Infratil bond (IFT200) maturing on November 15th 2019 will have the opportunity to reinvest into this, and one other existing Infratil bond.

2026 Bonds – new bonds

- Interest Rate – 3.35%
- Maturity date – March 15th 2026
- Interest paid quarterly – March, June, September and December

2029 Bonds – existing bonds (IFTHC)

- Interest Rate – 3.50% until December 15th 2020
- From December 15th 2020, and on December 15th of each subsequent year, the interest rate will be reset. The new rate will be the sum of the One Year Swap Rate on December 15th, plus a margin of 2.50%. If the One Year Swap Rate falls below zero percent, the rate payable on the bonds will not fall below 2.50%.
- Maturity date – December 15th 2029
- Interest paid quarterly – March, June, September and December

Holders of IFT200 will be sent an exchange offer application form that allows them to choose which bond they would like to reinvest into. If you do not submit an exchange offer application form your November 2019 bond will be redeemed in full.

The ten-year bonds offer a certain amount of protection around further reductions in interest rates. It has a floor of 2.50% of which it cannot go below, regardless of how far rates fall. If rates begin to rise again within the ten-year period, its rate will rise also.

CALL THE OFFICE AS SOON AS POSSIBLE IF THIS IS OF INTEREST TO YOU

NZ Post Notes

A reminder to holders of the NZ Post subordinated notes that have a reset date on November 15th. New Zealand Post Group Finance has announced that it will not be redeeming its subordinated notes (NZP010) on the next reset date (November 15th). Instead the notes will roll over for a further five years at the five-year swap rate on the reset date, plus the margin of 3%. The new interest rate will apply until November 15th 2024. Based on the current five-year swap rate the new interest rate on the notes should be just under 4%. There is nothing existing holders need to do.

Risk and Return

The dramatic reduction in interest rates has many investors questioning their asset allocation decisions. How can I increase my returns is a common query now that bank term deposit rates are below three percent. Many investors are looking to riskier assets (shares and managed funds) in order to boost their income. This is an acceptable strategy in some circumstances, however I think you should exercise caution whenever you move funds from the safety of bank deposits. For me the significant decline in interest rates highlights the very fundamental need to have a diverse range of investment assets. A risk-averse investor who holds only bonds and bank deposits will have seen their income halve over the last few years. In contrast, an investor with a portfolio of bank deposits, bonds, shares and managed funds will have seen their asset values increase significantly. When one asset class is performing poorly, we hope other assets in a diversified portfolio are performing well.

This strategy of holding a wide range of investments should extend to retirees also. Too often I see elderly investors avoiding shares in favour of bank deposits due to the belief they can't afford to take the risk. Obviously there is some truth in this – as we age, we have less time to make up losses. However, exposure to a single asset class can be a risk in itself. We are witnessing this currently, with bank term deposits.

Germany

I'll be visiting my son and daughter in law in Germany over the Christmas - New Year period and will be away from the office for four weeks during that time. Details in next month's newsletter.

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.