

# BRAMWELL BROWN LTD

## INVESTMENT ADVISERS – BROKERS

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### **Bramwell Brown Limited – Newsletter – March 24<sup>th</sup> 2020**

#### **Covid 19**

How quickly our world has changed. Two weeks ago I thought the Covid 19 virus would be a fleeting event in world terms, with even less impact in New Zealand. How wrong I was. It is almost all we now talk about, and is having far-reaching implications on our lives. The announcement from the Government to move to Stage 4 will have a massive impact on the economy. Tourism is our largest export earner, and it has just driven off a cliff. There will be many people who lose their jobs, and not only in tourism. The cost to the Government will be huge, and will undoubtedly lead to recession.

Financial markets have been hit hard, with heightened volatility being a key feature. The NZX50 has dropped approximately 25% since February 20<sup>th</sup>, with the US and Australian markets shedding around 33%. The bond markets have not been immune to the panic, with yields on some bonds increasing past their par value. Much of this is due to poor liquidity, whereby very few buyers lead to sellers exiting at any price. Unfortunately panic in financial markets becomes a self-fulfilling prophecy, in much the same way panic buying of toilet paper at supermarkets does.

#### What to do:

- Don't panic – I realise this is easier said than done – nobody enjoys seeing the value of their investments decrease in such a dramatic fashion, particularly those new to the share market. However, clients of Bramwell Brown will have a wide range of investments, including bank term deposits and bonds. Not all of your investments will have decreased in value.
- Reassess your budget. You should expect income to fall in the short-term. Interest rates have already decreased in response to the crisis, and you can expect company dividends to fall also.
- If you have been investing regular sums into shares, don't stop now. You are now buying the same good quality companies at reduced prices.
- Seek advice. Phone or email the office at any time. Rest assured you are not alone in your concerns. Financial advisers have investment portfolios too!

## Office Hours

Following the announcement from Government that we are moving to Stage 4 in the fight against Covid 19 I will be working from home, with all functions operating remotely. Everything we do for you can be done from home – the only difference will be our inability to speak with you face to face. The New Zealand Stock Exchange will continue to operate, and orders can be placed as normal. April is a busy month, with March 31<sup>st</sup> reporting in full swing, combined with client meetings. We can perform these functions remotely. We can conduct our portfolio reviews via phone, email, Skype or Zoom – whatever suits you best. Our ability to have your financial data delivered to your accountant may be delayed slightly.

## NZX Companies

The table below shows the decline in the price of a number of shares listed on the New Zealand Stock Exchange. You can see the effect on companies with a direct link to the virus. Air New Zealand, Auckland Airport and Tourism Holdings have all been hit particularly hard. The retailers, banks and property companies have also experienced larger than average declines. Very few companies have been spared.

<b>Company</b>	<b>February 20th</b>	<b>March 20th</b>	<b>% Decline</b>
Kathmandu	3.55	0.93	-73.80%
Tourism Holdings	2.85	1.00	-64.91%
Air New Zealand	2.73	1.05	-61.54%
Sky City Entertainment	3.77	1.58	-58.09%
Hallenstein Glasson	5.47	2.30	-57.95%
Summerset	9.18	4.10	-55.34%
Ryman Healthcare	16.94	8.81	-47.99%
Heartland Bank	1.90	1.05	-44.74%
Arvida	1.88	1.08	-42.55%
ANZ Banking Group	28.10	16.30	-41.99%
Kiwi Property Group	1.56	0.91	-41.67%
Auckland Airport	8.18	4.85	-40.71%
Westpac	26.75	15.88	-40.64%
Stride Property	2.37	1.49	-37.13%

Fletcher Building	5.59	3.54	-36.67%
Barramundi	0.75	0.49	-34.67%
Argosy Property Limited	1.44	0.95	-34.03%
Freightways	8.48	5.74	-32.31%
Contact Energy	7.60	5.16	-32.11%
Z Energy	4.50	3.08	-31.56%
Briscoe Group	3.98	2.73	-31.41%
Infratil	5.59	3.85	-31.13%
NZX	1.46	1.02	-30.14%
Vital Healthcare	2.89	2.07	-28.37%
Meridian Energy	5.65	4.06	-28.14%
Property for Industry	2.55	1.86	-27.06%
Metlifecare	6.92	5.09	-26.45%
Mercury Energy	5.46	4.05	-25.82%
Warehouse	2.69	2.07	-23.05%
Napier Port Holdings	3.50	2.70	-22.86%
Genesis Energy	3.18	2.46	-22.64%
Trustpower	7.06	5.50	-22.10%
Port of Tauranga	7.17	5.70	-20.50%
Spark	4.84	3.89	-19.63%
Goodman Property Trust	2.39	2.00	-16.32%
Ebos Group	24.15	20.22	-16.27%
Precinct Properties	1.90	1.60	-15.79%
Vector	3.40	3.11	-8.53%
Abano Healthcare	5.37	5.06	-5.77%
A2 Milk	16.58	16.51	-0.42%
Chorus	6.12	6.32	3.27%
F&P Healthcare	25.20	26.10	3.57%

## **Official Cash Rate**

The Reserve Bank reduced the Official Cash Rate to 0.75% on March 16<sup>th</sup> in response to the Covid 19 pandemic. It is expected the OCR will remain at this level for at least 12 months. Here is part of what Adrian Orr said when the announcement was made. “An inability to predict what might happen next is no excuse for not preparing for what could happen. That’s true for businesses, governments and central banks. It is in light of both economic theory and recent global experience that we have been assessing what alternative monetary policy tools may be available to the Reserve Bank of New Zealand – and their relative desirability. We are fortunate, unlike many other OECD economies, to have the time to prepare for such possible needs.” Little did he know he only had one week to prepare! Since then the Reserve Bank has announced a \$30 billion programme to buy Government Bonds in the market, in order to increase the supply of money.

## **Newsletters**

Historically I have put out a newsletter at the beginning of each month. Given the rapidly changing nature of our economy and our financial markets I might send newsletters more regularly. I would encourage anyone who is receiving this newsletter by post to please provide your email address. Email the office at [brett@bramwellbrown.co.nz](mailto:brett@bramwellbrown.co.nz)

## **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 correspondence 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.

## **Last Word**

In times like this it’s easy to feel sorry for ourselves, but I would challenge you to consider others. Many clients of Bramwell Brown are relatively wealthy. There will be many in our community much less fortunate than we are. I would ask you to consider what you can do to help others, in what is an unprecedented event in our recent history. It might be a random act of kindness to someone less fortunate than you, a donation to a local charity, or specifically targeting someone you know who needs help.

Also – please don’t hesitate to phone, email or text message me with any questions you have regarding your investments. I can’t change the course of the market meltdown but hopefully I can provide guidance and reassurance on the financial decisions we have made over the last ten years.

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