

# BRAMWELL BROWN LTD

## INVESTMENT ADVISERS – BROKERS

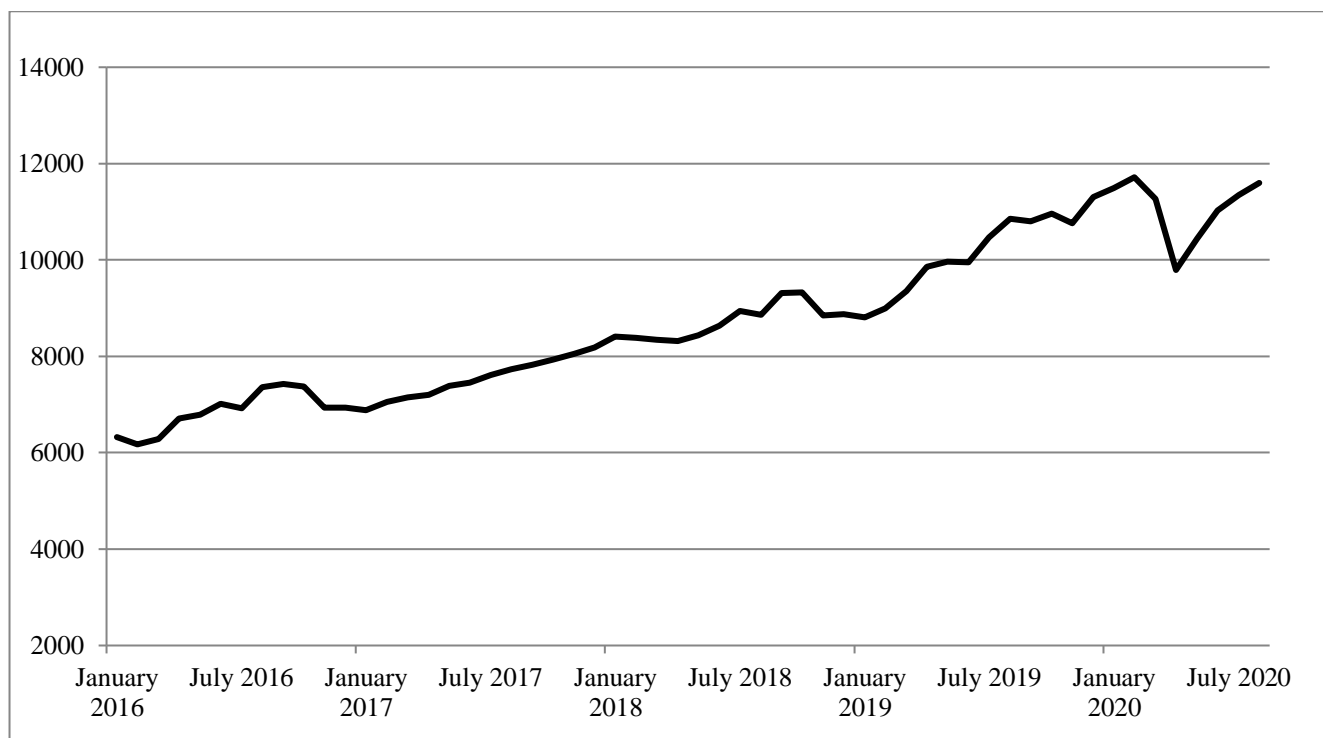
Director: Brett Dymond – AFA, BBS, GradDipBusStud (Personal Financial Planning)

### Bramwell Brown Limited – Newsletter – August 2020

#### Markets

Share markets continue to defy the Covid 19 pandemic, which appears to be far from controlled around the globe. New Zealand's isolation has provided us with a good level of protection, and our share market has subsequently fared better than most. Figure 1 shows the NZX50 Gross Index since 2016, and we can see our market appears to have shrugged off any concerns around Covid.

**Figure 1: NZX50 Gross Index**



I'm not convinced we have seen the worst yet, however as discussed in last month's newsletter there is plenty of stimulus providing momentum to our share market.

- The continuing decline in interest rates
- Government support packages
- The large amount of cash available for investment

## **Wellington Airport Bond Offer**

Wellington Airport has announced it is considering making an offer of up to \$75 million (with the ability to accept oversubscriptions of \$25 million) of 6-year, unsecured, fixed rate bonds to New Zealand institutional and retail investors. The offer is expected to open on August 3<sup>rd</sup>, and full details will be available then. No money is currently being sought, and applications for the bonds cannot currently be made. If Wellington Airport offers the bonds, the offer will be made in accordance with the Financial Markets Conduct Act 2013 as an offer of securities of the same class as existing quoted debt securities. The bonds are expected to be quoted on the NZX Debt Market.

**PLEASE CONTACT THE OFFICE IF THIS OFFER IS OF INTEREST TO YOU**

## **Politics**

What a shambles! I try and remain neutral in my newsletter regarding politics, but it's hard to get enthused about any of the parties at present, considering the way our politicians are behaving. It will be good to see some actual policy in the lead-up to the election. I'm not convinced the Green's wealth tax will gain any traction. I've written before about my belief that people who work hard, save hard and invest wisely should not be penalised disproportionately for their efforts. Our economy needs those people who take risks, invest capital and provide jobs. Here are some quotes on the subject that I think are worth considering:

- You cannot legislate the poor into prosperity by legislating the wealthy out of prosperity.
- What one person receives without working for, another person must work for without receiving.
- The government cannot give to anybody anything that it does not first take from somebody else.
- You cannot multiply wealth by dividing it.
- When half of the people get the idea that they do not have to work because the other half is going to take care of them, and when the other half gets the idea that it does no good to work because somebody else is going to get what they work for, that is the beginning of the end of any nation.

## **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.

## Fixed Interest

The relative calm that appears to have come over the share market has also meant yields on secondary market bonds have declined to pre-Covid levels. Here is a selection of commonly traded bonds listed on the New Zealand Exchange.

<b>Company</b>	<b>Coupon</b>	<b>Maturity Date</b>	<b>Yield</b>
Turners Automotive	5.50%	September 2021	5.00%
Heartland Bank	4.50%	September 2022	1.80%
Infratil	5.65%	December 2022	3.20%
Summerset	4.78%	July 2023	1.77%
WEL Networks	4.90%	August 2023	2.20%
Infratil	5.25%	September 2023	3.00%
Kiwi Property Group	4.00%	September 2023	1.65%
Z Energy	4.32%	November 2023	1.90%
Investore	4.40%	April 2024	2.15%
Infratil	5.50%	June 2024	3.30%
Precinct Properties	4.42%	November 2024	1.75%
Kiwi Property Group	4.33%	December 2024	1.70%
Synlait Milk	3.83%	December 2024	2.80%
Infratil	4.75%	December 2024	5.10%
Wellington Airport	5.00%	June 2025	3.60%
Infratil	6.15%	June 2025	3.30%
Summerset	4.20%	September 2025	2.10%
Property for Industry	4.25%	October 2025	1.90%
BNZ Capital Notes	5.31%	December 2025	2.75%
Argosy Property	4.00%	March 2026	2.05%
Infratil	3.35%	March 2026	3.35%
Trustpower	3.35%	July 2026	1.83%
Westpac Capital Notes	4.69%	September 2026	2.10%
ASB Capital Notes	5.25%	December 2026	2.30%
Infratil	3.35%	December 2026	3.30%
Infratil	4.85%	December 2028	3.90%
Trustpower	3.97%	February 2029	2.15%
NZX	5.40%	June 2033	3.00%
NZ Refining	5.10%	March 2034	6.00%
Genesis Energy	4.65%	July 2048	2.30%
Mercury Energy	3.60%	July 2049	2.25%

## Bank Term Deposit Rates

Here is a summary of some of the bank rates on offer at present.

	<b>1 Year</b>	<b>2 Years</b>	<b>3 Years</b>	<b>4 Years</b>	<b>5 Years</b>
<b>ANZ</b>	1.50%	1.50%	1.55%	1.55%	1.60%
<b>ASB</b>	1.50%	1.50%	1.55%	1.65%	1.70%
<b>BNZ</b>	1.50%	1.60%	1.65%	1.65%	1.65%
<b>Heartland</b>	1.65%	2.00%	1.80%	1.80%	1.80%
<b>Kiwibank</b>	1.65%	1.60%	1.65%	1.70%	1.75%
<b>Rabobank</b>	1.79%	1.79%	1.84%	1.84%	1.94%
<b>Westpac</b>	1.50%	1.60%	1.65%	1.65%	1.70%

## Retirement Planning

The continuing decline in interest rates is very concerning for retirees who rely on fixed interest investments to supplement their income. In 2014 we were receiving in excess of 5% on bank term deposits – now we can't achieve 2%. Unfortunately there is no easy fix to this problem. All solutions involve compromise of some description. If we have to, where do we begin to compromise? For most of us the problem is that we simply don't have the amount of capital to achieve the dream retirement lifestyle. The areas we can influence include:

- Retirement date – pushing it out allows more time to build capital, and leaves less time to use it
- Spending – it might not be palatable but we do have the ability to curb our spending
- Leaving a legacy for the kids – not necessary in my opinion – spend it yourself
- Risk – instead of investing in bank deposits, we have the ability to take on risky investments such as shares in an attempt to boost returns
- Consume capital – we have the ability to erode our capital over time
- Income – consider taking on part-time work to boost your income

If you have any concerns about your investments, and the effect low interest rates might have on your retirement please don't hesitate to contact the office for an appointment.

## Newsletters

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)