

BRAMWELL BROWN LTD

INVESTMENT ADVISERS – BROKERS

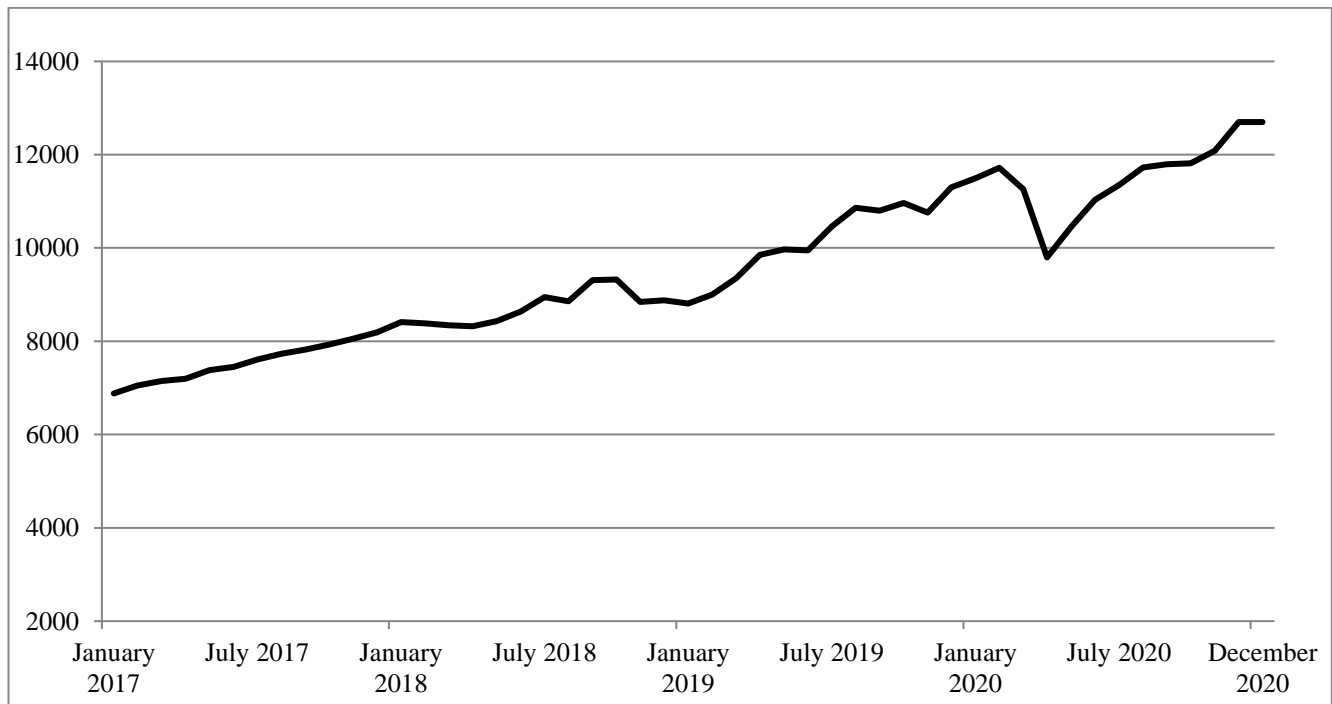
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Bramwell Brown Limited – Newsletter – December 2020

Markets

The share market (and other asset markets) continue to defy the global Covid pandemic. News of successful vaccine trials seems to be outweighing the continuing crisis around the globe that is seeing over ten thousand people dying each day. There are reports suggesting a vaccine will be available in UK hospitals before Christmas. The combination of low interest rates, and the possibility of borders opening around the world may see asset markets continue to climb further yet. Figure 1 shows the NZX50 Gross Index since 2017.

Figure 1: NZX50 Gross Index



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.

Infratil Bond Offer

Infratil has reopened their infrastructure bond offer for bonds currently trading on the NZX under the ticker symbol IFT300. These bonds were issued in November last year. They mature in March 2026, and pay quarterly interest of 3.35%. Infratil is now offering these bonds at a yield of 3.00%. How does this work in practice? Understanding the pricing of bonds in the secondary market has caused confusion to many investors. I've tried explaining how it works in previous newsletters, and will attempt to do so again here.

Coupon – the interest rate at which the bond was issued. In most circumstances the coupon rate does not change throughout the life of the bond. Some bonds are issued with the ability to reset the interest rate at various times. The coupon on the Infratil bond (IFT300) is 3.35%.

Maturity Date – the date at which the bond matures and the initial investment is repaid in full. The maturity date of the Infratil bond is March 15th 2026.

Yield – this is the return a buyer of the bond in the secondary market would achieve. If you buy a bond with a yield to maturity that is lower than its coupon rate you will pay more for this bond than the original purchaser. There is an inverse relationship between price and yield. The yield for a new investor on the Infratil bond will be 3.00%. You will continue to receive interest payments of 3.35%, but because you are buying the bond at a lower yield (3.00%) you will pay more for it.

Price – this is the amount you will pay to purchase the bond. In the case of the Infratil bond the price you will pay will be more than you would have paid if you had bought the bond when it was issued. You will be repaid the bond's face value at maturity – not the price you pay for it.

Face Value	Price to Buy Now at a Yield of 3.00%
5,000	\$5,080.95
10,000	\$10,161.90
20,000	\$20,323.80
30,000	\$30,485.70
40,000	\$40,647.60
50,000	\$50,809.50

Please note there is no brokerage payable when buying these bonds.

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

Bond Yields

Here is a selection of the current yields on commonly traded bonds listed on the New Zealand Exchange.

Company	Coupon	Maturity Date	Yield
Turners Automotive	5.50%	September 2021	4.20 %
Heartland Bank	4.50%	September 2022	1.28%
Infratil	5.65%	December 2022	3.20%
Summerset	4.78%	July 2023	1.70%
WEL Networks	4.90%	August 2023	2.10%
Infratil	5.25%	September 2023	3.10%
Kiwi Property Group	4.00%	September 2023	1.65%
Z Energy	4.32%	November 2023	1.90%
Investore	4.40%	April 2024	1.80%
Infratil	5.50%	June 2024	3.00%
Precinct Properties	4.42%	November 2024	2.03%
Kiwi Property Group	4.33%	December 2024	1.50%
Synlait Milk	3.83%	December 2024	3.15%
Infratil	4.75%	December 2024	2.95%
Wellington Airport	5.00%	June 2025	1.80%
Infratil	6.15%	June 2025	3.00%
Summerset	4.20%	September 2025	2.00%
Property for Industry	4.25%	October 2025	2.00%
Argosy Property	4.00%	March 2026	2.06%
Infratil	3.35%	March 2026	3.00%
Trustpower	3.35%	July 2026	1.92%
Westpac Capital Notes	4.69%	September 2026	1.75%
ASB Capital Notes	5.25%	December 2026	1.72%
Infratil	3.35%	December 2026	3.20%
Infratil	4.85%	December 2028	3.80%
Trustpower	3.97%	February 2029	2.01%
NZX	5.40%	June 2033	2.60%
Genesis Energy	4.65%	July 2048	2.35%
Mercury Energy	3.60%	July 2049	2.55%

You can see that all of these bonds are trading at a yield that is lower than the interest rate at which they were issued. You will therefore pay a premium for these bonds if you buy them in the secondary market. Unfortunately, the 1.00% brokerage payable to buy these bonds only decreases your return further.

Ryman Healthcare Bond Offer

Ryman Healthcare has announced an offer of up to \$100 million (with the ability to accept oversubscriptions of \$50 million) of six-year, fixed rate bonds. The bonds will be unsubordinated obligations of Ryman, and will have the benefit of a guarantee and security package provided by the Ryman guaranteeing group. The interest rate on these bonds will be set on December 10th, with our expectation being somewhere between 2.00% and 2.50%.

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Dividends

Low interest rates continue to encourage investors to look to the share-market in search of income. Here are some current share prices (November 30th) together with their most recent annual dividends. Of course, no guarantee can be given that future dividends will remain the same.

Company	Price	Dividend (Cents Per Share)	Yield
Argosy Property Limited	1.51	6.37	4.26%
Arvida	1.74	5.30	3.05%
Australian Foundation Investment Co.	7.68	24.00	3.13%
Chorus	8.21	24.00	2.92%
Contact Energy	7.80	39.00	5.00%
Freightways	9.30	30.50	3.28%
Genesis Energy	3.30	17.20	5.21%
Goodman Property Trust	2.36	6.31	2.68%
Hallenstein Glasson	6.90	39.00	5.65%
Infratil	5.88	17.25	2.93%
Kingfish	2.00	13.01	6.51%
Mercury Energy	5.95	15.80	2.66%
Meridian Energy	6.35	19.34	3.05%
NZX	1.84	6.10	3.32%
Precinct Properties	1.75	6.35	3.63%
Ryman Healthcare	15.00	21.50	1.43%
Spark	4.60	25.00	5.43%
Trustpower	7.35	32.50	4.42%
Vector	4.24	16.50	3.89%

DISCLOSURE STATEMENT AVAILABLE ON REQUEST AND FREE OF CHARGE