

BRAMWELL BROWN LTD

INVESTMENT ADVISERS – BROKERS

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Bramwell Brown Limited – Newsletter – February 2021

Regulation

In July last year I wrote about the legislative changes occurring in the financial services industry. In March this year the Financial Services Legislation Amendment Act will come into force. The Financial Advisers Act 2008 will be repealed, with adviser regulation largely covered under the updated Financial Markets Conduct Act. Transitional licences allow advisers time to comply fully with the new regulations. Bramwell Brown Limited was granted a transitional licence in January 2020, and must obtain a full licence by March 2023. There are seven standard conditions that licence holders must comply with:

- Record Keeping – a record of all regulated financial advice given to clients must be kept, and must be made available to the regulator on request.
- Internal Complaints Process – all Financial Advice Providers (FAPs) must have an internal process for resolving client complaints.
- Regulatory Returns – FAPs will be required to provide the regulator with information on a regular basis in order to ensure compliance with their licence.
- Outsourcing – FAPs must ensure that any system or process that is outsourced continues to meet their licence obligations at all times.
- Business Continuity and Technology Systems – FAPs must have and maintain a business continuity plan that is appropriate for the scale and scope of their financial advice service.
- Ongoing Eligibility – FAPs must at all times meet the eligibility requirements of their licence.
- Notification of Material Changes – any material change in the nature or manner in which a financial advice service is provided must be notified to the regulator in writing within ten working days.

I have no problem with the new regulations, however compliance is time-consuming, and expensive. We will have to review our charges based on the ongoing costs of the new regime. We will also be talking to portfolio administration clients about the advantages of holding assets in custody. This comes at a cost, however may be a requirement of our business continuity programme.

Arvida Bond Offer

Arvida has announced an offer of up to \$75 million (with the ability to accept oversubscriptions of \$50 million) of seven-year unsubordinated, fixed-rate bonds. The offer is expected to open on February 9th 2021 and close on February 12th 2021. The interest rate for the bonds will be set following a bookbuild process, which is expected to be completed on February 12th 2021, and will be announced via the NZX shortly thereafter. A minimum interest rate for the bonds will be determined and announced on February 9th 2021.

Arvida operates thirty-three retirement villages at locations across New Zealand with plans to continue to add further villages through its development and acquisition activities. The bonds are intended to provide some diversification of funding sources and tenor.

Full details of the offer are contained in the Product Disclosure Statement (**PDS**). The PDS is available by contacting your usual financial advisor, or through their website: www.arvida.co.nz/investors/bonds. The PDS must be obtained by investors before they acquire any bonds. The offer is only being made to investors in New Zealand. No action has been taken or will be taken to permit a public offering of bonds in any jurisdiction other than New Zealand.

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

Interest Rates

The persistent decline in interest rates continues to hurt those investors holding maturing fixed interest investments. Fielding calls on what options are available to boost income is a common theme now. Unfortunately there is no silver bullet. We can only increase income by taking on more risk.

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

	1 Year	2 Years	3 Years	4 Years	5 Years
ANZ	0.80%	0.85%	0.90%	0.90%	0.90%
ASB	0.75%	0.80%	0.90%	1.00%	1.00%
BNZ	0.80%	0.85%	0.85%	0.90%	0.90%
Heartland	1.00%	1.00%	1.05%	1.00%	1.00%
Kiwibank	0.90%	0.90%	0.90%	0.90%	0.90%
Rabobank	1.00%	1.00%	1.05%	1.05%	1.15%
Westpac	0.80%	0.85%	0.85%	0.90%	0.90%

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	5.00 %
Heartland Bank	4.50%	September 2022	1.15%
Infratil	5.65%	December 2022	3.01%
Summerset	4.78%	July 2023	1.62%
WEL Networks	4.90%	August 2023	1.97%
Infratil	5.25%	September 2023	2.95%
Kiwi Property Group	4.00%	September 2023	1.45%
Z Energy	4.32%	November 2023	1.58%
Investore	4.40%	April 2024	1.81%
Infratil	5.50%	June 2024	3.25%
Precinct Properties	4.42%	November 2024	1.91%
Kiwi Property Group	4.33%	December 2024	1.76%
Synlait Milk	3.83%	December 2024	3.30%
Infratil	4.75%	December 2024	3.00%
Wellington Airport	5.00%	June 2025	1.90%
Infratil	6.15%	June 2025	3.25%
Summerset	4.20%	September 2025	1.88%
Property for Industry	4.25%	October 2025	1.80%
Argosy Property	4.00%	March 2026	2.10%
Infratil	3.35%	March 2026	3.05%
Trustpower	3.35%	July 2026	2.00%
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	3.88%
Trustpower	3.97%	February 2029	2.30%
NZX	5.40%	June 2033	2.60%
Genesis Energy	4.65%	July 2048	2.28%
Mercury Energy	3.60%	July 2049	2.20%

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.

Infratil Bond

We still have available a small allocation of the Infratil infrastructure bond, for those looking for a fixed term investment. The bonds are 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%.

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TO YOU**

Dividends

Low interest rates continue to encourage investors to look to the share-market in search of income. Here are some current share prices (February 1st) 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	1.54	6.37	4.18%
Arvida	1.80	5.30	2.94%
Australian Foundation Investment Co.	8.09	24.00	2.97%
Chorus	8.43	24.00	2.85%
Contact Energy	8.20	39.00	4.76%
Freightways	11.00	30.50	2.77%
Genesis Energy	3.92	17.20	4.39%
Goodman Property Trust	2.26	6.31	2.64%
Hallenstein Glasson	7.07	39.00	5.52%
Infratil	7.20	17.25	2.40%
Kingfish	2.03	13.01	6.41%
Mercury Energy	7.14	15.80	2.21%
Meridian Energy	7.08	19.34	2.73%
NZX	2.05	6.10	2.98%
Precinct Properties	1.73	6.35	3.67%
Ryman Healthcare	15.85	21.50	1.36%
Spark	4.80	25.00	5.21%
Trustpower	8.70	32.50	3.74%
Vector	4.30	16.50	3.84%

DISCLOSURE STATEMENT AVAILABLE ON REQUEST AND FREE OF CHARGE