Bramwell Brown Ltd

Investment Advisers – Sharebrokers

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Bramwell Brown Limited – Newsletter – July 2024

Infratil Capital Raising

Infratil is raising money to invest further funds into their data management business, CDC Data Centres. One billion dollars has been raised already via a placement of shares at $10.15 per share to institutional and wholesale investors. Retail shareholders now have the opportunity to invest further funds into the business. Infratil is seeking to raise $150 million from existing shareholders. The price per share under the retail offer will be the lower of:

- $10.15, which represents a discount of 6.80% to the closing price of Infratil shares on the NZX of $10.89 on June 14th 2024.
- A 2.50% discount to the five-day average price of Infratil shares traded on the NZX during the five days leading up to and including the closing date of July 8th.

Existing holders of Infratil shares who are interested in increasing their investment in the company should submit an application, and make payment online at www.infratilshareoffer.com no later than 5pm on July 8th 2024.

Infratil has been a very well-run company for many years, and has provided investors with exceptional returns. They have large stakes in renewable energy companies Manawa Energy, Longroad Energy (US), Galileo (Europe), Gurin Energy (Singapore) and Mint Renewables (Australia). In the digital space they own shares in CDC, Kao Data (UK) and Clearvision Ventures. They also own 99.9% of One NZ (formerly Vodafone). They have a greater than 50% share in Qscan, one of Australia's largest radiology providers, RHCNZ Medical Imaging Group (radiology) and Retire Australia (retirement villages). They also own 66% of Wellington Airport.

Despite their diverse range of investments and their impressive long-term track record I would encourage investors to consider whether or not their exposure to Infratil has reached a level that is too high. Many Infratil shareholders also hold their bonds, therefore their exposure to one company is compounded. Call the office if you would like to discuss your options.

Kingfish Warrants

Those investors holding Kingfish warrants (KFLWH) have until Friday July 26th to make a decision on whether or not to exercise them. Any warrants not exercised by 5pm on that day will lapse, and all rights in regards to them will expire. What is a warrant? It is a security that entitles the holder to buy a share in a company at a predetermined price. The important terms of warrants are the exercise price, the underlying share price, and the exercise date. Kingfish investors received one warrant for every four shares held in July 2023. The Kingfish warrants have an exercise date of July 26th, and an exercise price of $1.26. Each warrant gives the holder the right to buy one Kingfish share for $1.26, up until July 26th. However, the underlying Kingfish share price is currently only $1.18; therefore the warrants are what is called "out of the money." They have no value – there is no point exercising your warrants if you can instead buy the shares on the market for a lower price. Phone the office if you hold Kingfish warrants, and are still unsure what to do.

Synlait Milk

Synlait Milk has called a special shareholders' meeting to vote on the resolution to approve the proposed $130 million shareholder loan to be made available to Synlait by Bright Dairy, Synlait's 39.01% shareholder. If the resolution is approved, Synlait will fully draw down the loan to meet the $130 million payment due to its banking syndicate on July 15th.

Markets

Relatively high interest rates continue to be a drag on the economy, with the New Zealand sharemarket (NZ50 Gross Index) showing no gain whatsoever in the first six months of this year. The Australian market (S&P ASX200) has faired slightly better, with a 2.50% increase so far this year. The US market has performed much better, with the S&P 500 Index showing a 15% gain in the last six months. This, however, is largely due to the surge in prices of some of the "Magnificent Seven" companies; Microsoft, Nvidia, Apple, Amazon, Meta, Tesla and Google. The Dow Jones Index, which is made up of thirty blue-chip companies is widely regarded as a proxy for the health of the broader US economy. Its constituents are well established companies with consistently stable earnings. The Dow Jones Index is up only 3.80% for the first six months of this year.

While interest rates may be a drag on share market performance at present, we are at least able to enjoy better returns on bonds and bank deposits. I would continue to encourage investors to take a range of maturities with their fixed interest, as history tells us rates can change very quickly.