



Dear Client

### **Interest Rates Fall to New Lows**

The big story in investments is the continuing fall of interest rates to the extent that, for the first time in New Zealand, some wholesale interest rates went negative. Government bonds for terms of 5 years plus were delivering negative yields. This means that investors in these bonds, if they held them to maturity, would receive a negative return on their investment. While it is unlikely that these negative returns will be experienced by retail investors (the likes of you and I), it does mean that returns from bonds and fixed interest will be low.

These low interest rates may continue over the next few years, meaning that some investors may need to re-evaluate their objectives and expectations. Allocating more investments to shares can increase the income as well as the return for investors over the long-term, but this will come with additional risk of the value of their portfolio rising or falling.

This decline in interest rates is one of the reasons that share prices have risen so much. Lower interest rates generally make the dividends from shares more attractive.

In this environment, investors will need to consider diversifying into to other 'stable' investments, such as quality property and infrastructure companies. These changes have been taking place in investment portfolios. In addition, changes have been made to invest more in longer term bonds to get the benefit of the current 'higher' rates, for an extended period.

Please let me know if you want to discuss or review your investments.

Best regards

**Greg McGlynn BMS / Director**

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**If you have any questions please contact us on +64 9 449 2736 or email to:  
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