

TDB Digest, March 2015

When iwi investments go wrong

It was sad to read of the losses by central North Island-based iwi Tuwharetoa of over half its \$66m Treaty settlement funds. This followed on the reported losses by Taranaki's Ngati Tama of almost all its \$14.5-million payout in 2013". At the other end of the spectrum, TDB Advisory has worked closely with highly successful iwi investors Ngai Tahu Holdings Company, Tainui Group Holdings, Tūhoe and other participants in the growing Maori economy over the last fifteen years. In our experience, good governance, well formulated investment strategies and solid risk management strategies are essential ingredients of ongoing investment success.

Strategic reviews

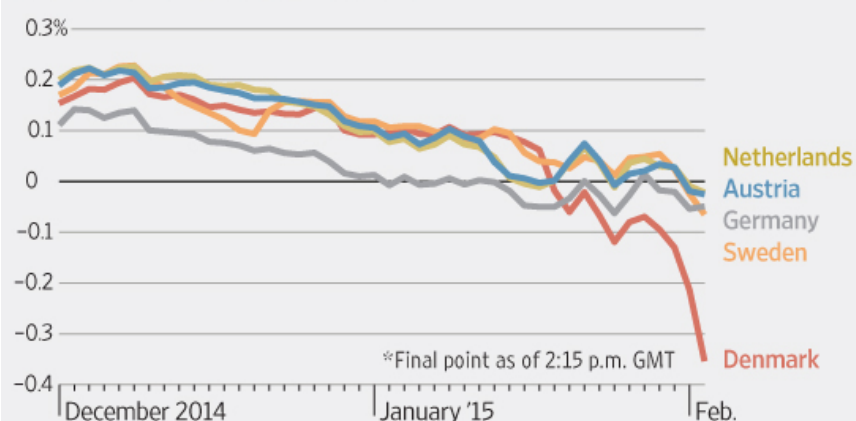
Many companies engage independent outside advisors to review and assess their performance, future direction and strategy. Such reviews can provide shareholders, directors and management with valuable insights on whether the company is on track to deliver its objectives and to guide major strategic decisions around divestments, acquisitions and other structural reforms. TDB director Philip Barry has chaired strategic reviews of several Crown companies in recent years. Two of these reviews are available at <https://www.tdb.co.nz/wp-content/uploads/2016/05/TDB-Advisory-GNS-Science-Strategic-Review-2013.pdf> and <https://www.tdb.co.nz/wp-content/uploads/2016/05/TDB-Advisory-Plant-and-Food-Research-Strategic-Review-2012.pdf>

A world of negative interest rates

A remarkable development in international capital markets in recent months has been the emergence of negative bond yields. Yields on government bonds in the Euro zone and some other European currencies have turned negative this year. Even the bonds of some blue-chip corporates like Nestlé have traded with a negative yield. That means investors are effectively paying to hold the bonds. There are several reasons investors might accept such returns: they may be expecting consumer price deflation (so negative nominal returns turn into positive real returns); they may be expecting the particular currency the bond is denominated in to appreciate or they may be betting that bond prices will rise (ie, interest rates will fall) even further. Whatever the reason, very low "risk-free" rates will have interesting consequences for corporate valuations and the pricing of products in regulated industries' if they persist for long.

Borrowers' Market

Five-year government bonds of Germany, Austria, Netherlands, Sweden and Denmark are yielding less than zero.*



Source: Tradeweb via Thomson Reuters

The Wall Street Journal

Curious Correlations

Finally, and continuing on our theme in recent TDB Digests of the challenges in determining causality in relationships, you might appreciate the following relationship:

