



Transpower Markets NZ\$75 Million of Inflation Notes (Update2)

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By Sarah McDonald

April 19 (Bloomberg) -- Transpower New Zealand Ltd.'s finance unit is selling at least NZ\$75 million (\$53 million) of inflation-linked bonds in the nation's first corporate sale of the securities.

Transpower, which operates New Zealand's electricity grid, will sell 4.115 percent notes due May 2020 that compensate investors for increases in the [Consumer Price Index](#), according to an e-mailed statement from sale manager Westpac Banking Corp. The bonds are the first inflation-linked debt to be sold by a company in New Zealand, according to data compiled by Bloomberg.

"It fills a structural gap in New Zealand's investment universe," said [Michael Lang](#), who helps manage about NZ\$1 billion as chief investment officer at Auckland-based New Zealand Funds Management Ltd. "It's an important asset class that has up to now not been represented."

[Bill Gross](#), who oversees the \$220 billion Total Return Fund at Pacific Investment Management Co., has said record budget deficits and sales of government debt, used to finance stimulus packages amid the worst global recession since World War II, will eventually lead to inflation. New Zealand's consumer prices rose 0.6 percent in the first quarter compared with the previous three months, according to a Bloomberg News survey before the statistics bureau publishes the data tomorrow.

Maturity Profile

"The bonds meet strong market demand for an investment with a built-in inflation hedge," Transpower General Manager Corporate Services Howard Cattermole said in an e-mailed response to a request for comment. "By tapping this demand Transpower can issue at a comparatively attractive funding margin, while the longer-dated nature of the issuance suits Transpower's desired debt maturity profile."

The Wellington-based company paid investors a 6.595 percent coupon when it sold NZ\$50 million of seven-year notes in February, according to data compiled by Bloomberg.

Transpower has a "natural hedge" in that its profits tend to rise in an inflationary environment, so it can "offer something attractive to the public that doesn't represent a funding risk to them," NZ Funds' Lang said.

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