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## Utilities company investment good bet in tough times

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NZPA

Share prices for water, electricity and energy stocks have stayed relatively stable and offer a good choice for conservative investors, a funds management company head says.

"Utilities are a compelling investment opportunity for sensible, conservative investors. They have a relatively low level of risk as they sell essential services in markets with limited competition and frequently have regulated prices."

Chief investment officer of NZ Funds Management, Michael Lang said a carefully-designed investment strategy, involving index investment in utilities companies, could beat inflation.

During one of the worst economic crises in the last hundred years, power companies still reported double-digit growth, he said.

"New Zealand households did not hesitate to turn on their electric heaters."

Even during the 1992 hydro-lake level crisis, efforts by New Zealanders to cut power consumption -- involving cold shower campaigns and major cuts by business users -- resulted in only 15 to 20 percent reductions, Mr Lang said.

However, he advised those looking to take advantage of the more-stable growth companies to invest overseas, and in a utilities index, rather than pick individual stocks themselves.

"The potential for an active manager to skew the portfolio towards unregulated utilities, utilities with energy `upside' or utilities with operations in emerging markets, is unattractive because it puts a utilities stable earnings growth and attractive dividend yield at risk," Mr Lang said.

Breaking story:

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