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# Manager suggests utilities

Share prices for water, power and energy firms 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,” NZ Funds Management’s chief investment officer Michael Lang says. “They have a relatively low level of risk as they sell essential services in markets with limited competition and frequently have regulated prices.”

A carefully-designed investment strategy, involving index investment in utilities firms, could beat inflation, he said. During one of the worst economic crises in the last 100 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 per cent reductions, 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,” Lang said.

NZPA



## Utilities shares offer stable returns: investment boss

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