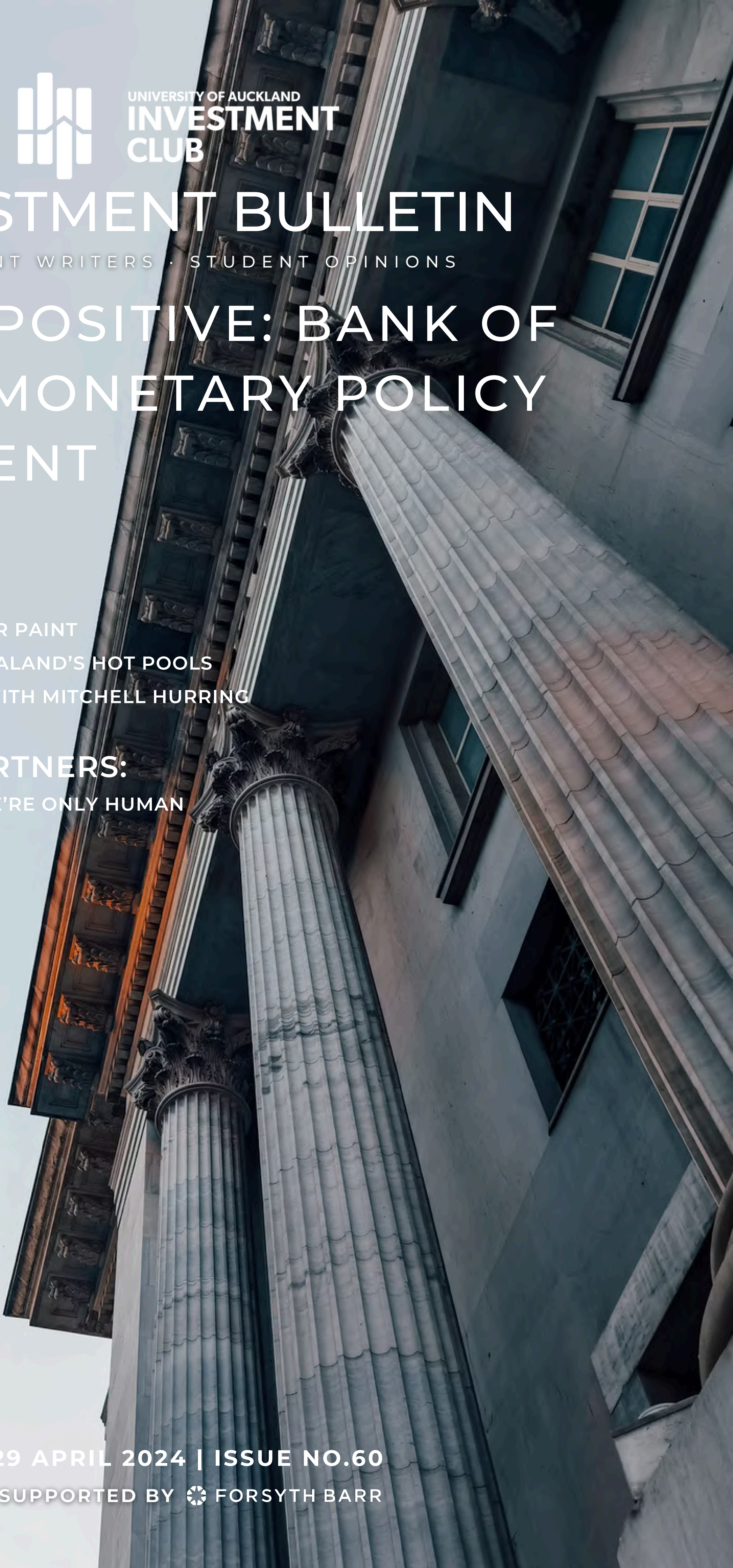
UNIVERSITY OF AUCKLAND INVESTMENT CLUB

INVESTMENT BULLETIN

STUDENT WRITERS · STUDENT OPINIONS



STAYING POSITIVE: BANK OF JAPAN'S MONETARY POLICY EXPERIMENT

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FORSYTH BARR FOCUS: WE'RE ONLY HUMAN

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A Message from the Bulletin Team

BY SKIP GEE, BULLETIN EDITOR-IN-CHIEF

WELCOME

Hi there and welcome to the first edition of the UAIC Bulletin for 2024! As Editor-in-Chief I am charged with the highly rewarding responsibility of leading a fantastic group of writers in 2024.

Born and raised in Auckland, my BCom and LLb conjoint has scuppered any plans I have had to leave the city of sails just yet. One of my best decisions since embarking upon my degree was joining UAIC and applying for a role in the Bulletin in 2022.

The club has allowed me to foster my love of economics and financial markets by providing a public forum through which I can develop and disseminate my opinions. I hope to maintain and enhance this forum for our current crop of writers.

Outside of University, I enjoy keeping physically and socially active. Those who know me well will hear me joke often about my plans to drop everything and pick up professional golf. These people also helpfully remind me that breaking 90 never earned anybody a cent. I also enjoy playing in my local Football Fix Division and going out for food and drinks.

Our plans for 2024

After a rigorous and competitive round of recruitment, I am excited to welcome five new writers to the team. The Bulletin has put in a concerted effort over multiple years to make our writing team as diverse as possible. Our new recruits and returning writers together ensure that we have a wide range of expertise and experience to draw from and form opinions with. Following the creation of the role last year, 2024's Bulletin team will also feature a sub-editor, and I am extremely pleased to announce Issie Dekker has filled the post. Issie and I will seek to maintain the high standards of writing and hard-hitting nature of the articles that Bulletin readers have become accustomed to reading.

I have thoroughly enjoyed watching the Bulletin's community of readers grow year on year and I look forward to seeing more of the same in 2024. The Bulletin Team along with our sponsors at Forsyth Barr welcome you back to another year of student opinions and industry insights.

STUDENT WRITERS · STUDENT OPINIONS

Co-Presidents' Address

BY TIM CROSS AND BEN HALL, UAIC CO-PRESIDENTS

Welcome to all UAIC members, both new and returning!

As your Co-Presidents, we are excited to offer you a year filled with valuable initiatives and some thrilling new events. Our events include a range of educational workshops, competitions, and social gatherings as well as many networking opportunities for you to find like-minded individuals. We look forward to meeting you at these events throughout the year.

Our goal is to foster a welcoming and close-knit community, aiming to support and encourage growth among all members. UAIC not only provides insights into investing and business but also nurtures friendships and delivers meaningful value to each one of you.

We are proud of our executive team, comprising of students from diverse cultural and academic backgrounds, who help create all these opportunities for our members. We would like to thank them for their commitment this year. We also look forward to reading all the brilliant articles and see what creative ideas Skip, Issie and the team can come up with.

Please feel free to contact us at any time with your questions or concerns; we are always here to help! We hope you enjoy this year's events, leaving you with a deeper understanding of investing and a strong sense of community.

INVESTING IS FOR EVERYONE

Investment Committee Chairperson Address

BY DORIS DONG, INVESTMENT COMMITTEE CHAIRPERSON

INTRODUCTION

Hi, I'm Doris! I'm in my 5th year of a Law and Commerce degree, majoring in Economics and Finance. This semester, I am the Interim Investment Committee Chairperson where I am responsible for managing a group of 16 student analysts. The group meets twice a week to conduct and evaluate stock pitches across New Zealand and Australian markets. It is our objective to find potential investment opportunities with good business models, quality management teams and at great prices as part of our value investing mandate. In the investment committee, we learn more about identifying impressive businesses, researching industries, and conducting valuations as part of becoming better investors. Stay up to date with the Bulletin to see what companies are presented to Investment Committee throughout the year!

2024 SO FAR

From 2023, several of our Senior Analysts graduated university and have embarked on their career journeys, but their legacy is still felt today!

At the start of Semester One, the Investment Committee conducted a recruitment drive to select new analyst. Recruitment this year was incredibly competitive, with a record number of applications, which made the decision process very challenging. I am delighted to welcome eight new analysts, each coming from a unique background with drive and passion to become great value investors!

Our newly formed team of 16 have undergone onboarding processes, where we teach and refresh analysts on the fundamental skills of running our fund. This process included an induction and three technical workshops with the aim of bringing all analysts onto the same page as to how Investment Committee operates. Abby Sathyendran and Freddie Clementson delivered a workshop discussing discussing the qualitative components of a pitch. Trinayan Krishnan and I then ran through both a comparable valuation tutorial and a Flow Model.

"My vision for the Investment Committee is to develop and strengthen the skills of the committee as they learn more about value investing, with the goals to increase exposure to valuation, elevate pitch quality and maximise personal development."

GLOBAL

Staying Positive: Bank of Japan's Monetary Policy Experiment

BY ISABELLA HO.

When I was young, I once came across the book, "Mr Topsy-Turvy," in the Mr Men & Little Miss children's book series. Since then, nothing has served as a better reflection of a topsy-turvy world than the idea of negative interest rates. In a significant move last month, the Bank of Japan changed the overnight rate from -0-0.1% to 0-0.1% by a 7-2 majority vote. This marks the first interest rate hike in the last 17 years and the first sign of positive interest rates in the last 8 years. But why were interest rates negative in the first place, and what did it achieve?

Firstly, how do negative interest rates work? In theory, it means lenders are paying borrowers to borrow, and depositors are paying banks to deposit. But in Japan, banks did not go as far as charging negative interest on retail deposits. The Bank of Japan's goal for imposing negative interest was to spur retail banks into lending their funds instead of holding them as central bank reserves. The idea is that increased lending will increase the money supply in the economy, spurring inflation.

Deflation has persisted in Japan since the 1990s. The deflationary period since then is often referred to as "the lost decades." Alongside quantitative easing and yield curve controls, negative interest rates are a tool in Japan's monetary policy arsenal for tackling long-term deflation.

Some would say that negative interest rates are the most interesting tool given how unconventional and controversial they are, having only been implemented in a few select countries. But the question remains: was this policy responsible for bringing Japan back to 2% inflation this year?

The Bank of Japan would say yes. The recently observed inflation coincides with wage growth. Wage growth reflects the possibility that businesses are borrowing at low interest rates to expand and hire workers. But with the growth in inflation exceeding the growth in wages last year, It appears likely that external factors such as the rising global prices of goods are contributing to the 2% inflation.

To maintain inflation at 2% in the long run, the growth in wages should outpace the growth in inflation. This is the outcome the Bank of Japan seeks to achieve when they say that achieving "a virtuous cycle in prices and wages" is key to their decision to remove negative interest rates.

If the rising price of goods is the main contributor to inflation instead of wage growth, the virtuous cycle may be on shaky grounds. More time may be required to ensure that inflation does not sink back to lower levels. Indeed, that is the view of the two Bank of Japan board members who voted against removing negative interest rates so soon.

To create the inflationary pressure or "virtuous cycle" that the Bank of Japan seeks, greater incentives may be required to encourage a continued rise in business borrowing than just setting low interest rates on loans.

There is no doubt that the negative interest rate policy has its weaknesses. For instance, it is difficult to force banks to lend when the returns on loans are reduced by low interest rates. Negative interest rates have had the effect of squeezing bank profits, causing smaller banks to merge with larger ones. Additionally, if negative interest rates were an effective policy, 2% inflation would have emerged in Japan much sooner.

Given the weaknesses of the policy, it is hard to say whether the Bank of Japan's experiment worked and whether any central bank will be brave enough to try the policy for themselves. It remains to be seen whether Japan's 2% inflation is here to stay, or whether it will disappear once global inflation slows.

GLOBAL

Shining a light on Solar Paint: Illuminating the future of sustainable investment?

BY FRANCESCA MASFEN

On a solitary Tuesday evening, amidst the glossy pages of my father's boat magazine, an article on solar paint seized my attention, igniting an unexpected fascination. As I delved deeper into its intriguing content, my mind wandered to the state of my stocks, prompting contemplation of a fresh investment opportunity. The concept of solar paint seemed to offer a glimmer of hope in addressing my somewhat dire financial situation.

What is Solar Paint?

Its technical name is Photovoltaic paint. This innovative substance has the remarkable ability to harness solar radiation and convert it into usable energy, thereby eliminating the necessity for traditional bolt-on solar panels. One of its significant advantages lies in its versatility, as it can be applied to various surfaces, including curved and uniquely shaped structures, expanding the potential area for energy generation beyond the constraints of conventional solar panels. Currently, researchers are developing three distinct types of this ground-breaking technology, each poised to revolutionise the way we harness solar energy.

1. Perovskite

Type one of solar paint, known as Perovskite, marks the pioneering creation in this field. Often referred to as 'spray-on-solar', this type of paint revolutionises solar energy harvesting. Infused with dust-sized particles of calcium and titanium oxide, Perovskite paint exhibits remarkable solar sensitivity. A wire extends from the painted surface into a transformer, then into a battery pack, mirroring the setup of traditional solar panels. Its solar performance nearly matches that of conventional panels. However, a notable disadvantage is its inherent sensitivity to moisture, necessitating the development of a protective varnish or alternative solution to mitigate this vulnerability.

2. Quantum Dot Solar Cells

Developed by researchers at the University of Toronto, this type of solar paint harnesses nanoscale semiconductors to capture light and convert it into electric current. This type represents a significant leap forward in sustainable energy technology as it eliminates the need to mine for minerals. Unlike Perovskite, it is not moisture-sensitive, enhancing its durability and reliability. Its nano-scale composition enables easy application through spraying, making it accessible for various surfaces. Moreover, the power output nearly surpasses the energy output of traditional solar panels.

3. Hydrogen Solar Paint

Originating at the Royal Melbourne Insitute of Technology (RMIT), this variation of solar paint showcases an innovative approach to renewable energy integration. Its standout feature lies in its ability to absorb atmospheric moisture, leveraging solar energy to split this vapour into its elemental components. Combining synthetic molybdenum-sulfide and titanium oxide, it catalyses the conversion of moisture into hydrogen and oxygen particles. The resulting hydrogen serves as a clean energy source, directed into fuel cells for utilisation. Versatile in application, this technology can be deployed in diverse environments that generate moisture, offering a promising avenue for producing clean fuel.

The emergence of solar paint reflects a response to compelling market drivers, primarily propelled by the collective push for sustainable energy sources from governments and public advocacy. Concurrently, the inherent drawbacks of traditional solar panels, characterised by their rigidity, land-intensive installations, and lack of adaptability, have underscored the urgency for innovation in this realm. Nonetheless, the current terrain of solar paint technology reveals its nascent stage of development.

The predominant constraint is its limited durability against Mother Nature's harsh moods while maintaining the malleability inherent to solar paint. This is of particular concern in New Zealand's climate, which is often described as having "four seasons in one day." Also, while exhibiting promise for vehicular and maritime applications, concerns persist regarding the scalability of solar paint for widespread implementation on rooftops and facades.

Compounding these challenges is the absence of established certifications or standardisation protocols, posing hurdles to widespread adoption and integration within existing infrastructural frameworks. In essence, while the conceptual potential of solar paint remains compelling, its journey towards mainstream viability demands concerted efforts to address these formidable impediments.

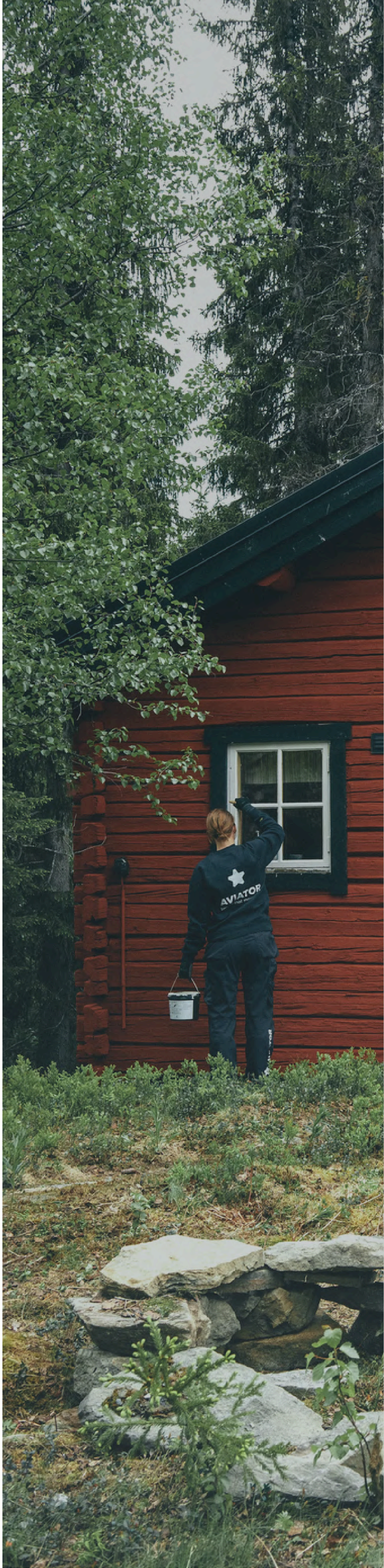
Despite the prevailing challenges, the solar paint market demonstrates robust growth potential, as evidenced by projections highlighted by Yahoo Finance.

Forecasts indicate a substantial increase in the global solar paint market, driven by escalating demand for renewable energy solutions and their associated advancements. With a reported value of USD 73.6 million in 2021 and an expected compound annual growth rate (CAGR) of 6.2% from 2023 to 2030, this market trajectory underscores a burgeoning industry poised for expansion.

Key players such as Tel Aviv-based SolarPaint Ltd., Transfer Electric GmbH, Solar Energy Corporation, and Onyx Solar feature prominently, are gameplayers, although not currently publicly traded, and should be attracting keen, focused attention. However, as emphasised by Aditya Gautam, commercial utilisation of solar paint remains a prospect for the future, indicating that significant strides are yet to be made before widespread adoption becomes feasible.

In conclusion, while it seems unlikely that solar paint will immediately resolve my current financial predicament, it undoubtedly presents a compelling opportunity worthy of vigilant monitoring and early engagement. As the market continues to evolve and overcome its current obstacles, seizing the potential solar paint offers early on may be a strategic move with significant long-term benefits.

Solar paint doesn't appear to be the instant ray of sunshine for my finances, but staying in the UV and watching the market glow up could bring brighter days to my bank account ahead.



LOCAL

The draining of New Zealand's Hot Pools

BY ANISTON INGER-HOLLAND

Many Aucklanders have vivid memories of a summer at Waiwera Hot Pools. Waiwera's well-documented downfall called for government intervention by many Kiwis, longing for another summer in the Movie Pool or down one of the many thrilling slides. Waiwera is unfortunately not the only New Zealand asset which has seen its demise in recent years. An hour's drive from Auckland, sits another "temporarily closed" memory, Miranda Hot Springs.

Miranda Hot Springs

Not to be confused with the holiday park next door, Miranda Hot Springs has been closed for supposed renovations since late 2020. Their website has cycled through messages blaming building material and Covid-19 related shortages for delays in renovations.

However, a read through their Google reviews will lead you to believe the problems are not from simple renovations, but health & safety failures or Waiwera-esque neglect by foreign buyers.

While the causation of the demise is unknown, as the Bulletin's self-appointed investigative journalist I was on a mission to document the never-before-seen state of a once-beloved Hot Springs.

In a dramatic series of events, which involved driving up a long gravel road in the Middle of Nowhere, Thames, I was greeted with a large chain barely tying the gates of Miranda Hot Springs together. Lacking the journalistic courage of the likes of Patrick Gower and David Farrier, and armed with the knowledge of what a trespass conviction would do to my budding legal career, I observed from the gates. What I saw… was quite underwhelming.

A newly-ish mowed lawn, the ticket office and exterior buildings still standing, and a pile of rubble to the right of the property.

Although there was no view of the pool, the car park was well on its way to becoming a field and there was no obvious construction in sight. The lack of cones was a red flag on a supposed construction site when Auckland Council requires a cone for a pothole.

Miranda Hot Springs is looking like another casualty in New Zealand's already draining supply of hot pools.

What about the others?

This is not to say that New Zealand is lacking quality hot pools. There are many scattered around the country. However, they are expensive and difficult to maintain. Even my favourite pools are plagued with the same problems: aged facilities and unkempt pools and slides. Covid-19 may have exacerbated Miranda's problems, but I would not be surprised if another hot pool found the same fate.

Unfortunately, the New Zealand hot pool sector is not sinking alone. Chateau Tongariro, the iconic accommodation, is now considered "derelict" according to media reports. It is estimated that urgent repairs to the Chateau will cost $5.4m, with subsequent maintenance costing $2.2m annually.

Let's not even mention the fact that the North Island almost did not have a ski resort this year due to the voluntary administration of the former operator Ruapehu Alpine Lifts (RAL). There seems to be a pattern of beloved New Zealand icons falling victim to inept management and maintenance.

Government intervention?

In good faith and with a desire to restore the nostalgia of their childhood, New Zealanders have called on the government to support and fund the rebuilding of iconic sites like Waiwera.

This is understandable, especially given the significant impact on surrounding communities. For example, Ohakune relies heavily on tourism from mountain-goers, and the collapse of the ski resorts would wipe out its income.

However, government support did not solve RAL's problems, as it continued on its downward trajectory despite a $9 million cash injection.

In relation to our treasured hot pools, government support is costly. A proposed rebuild of Waiwera to include a wellness resort and accommodation was estimated to cost a staggering $250 million. This is not a cost that the government should be expected to cover, especially for a for-profit private venture (and in fairness, the current owners of Waiwera have set no expectation for this).

Even when they are swimming in money, many hot pool operators struggle to stay afloat.

This is where the Government could step in, not to subsidise but instead to promote proper maintenance of New Zealand's beloved attractions

For example, there are regulations imposed on buildings deemed Heritage sites which sets obligations to properly maintain them. As the Resource Management Act is undergoing review, this may be a gap which could help preserve iconic New Zealand non-Heritage sites.

Although there is pushback on increased regulation, it may be outweighed by the public interest as well as long-term cost-savings.

Above all, something needs to be done to prevent the next Waiwera.

CONVERSATIONS WITH UAIC ALUMNI

MITCHELL HURRING

INTERVIEW & ARTICLE BY DEVIKA MODAK

As part of the conversation series, I recently interviewed Mitchell Hurring, an adviser at the Financial Markets Authority (FMA). Mitchell graduated from the University of Auckland in 2021, with a Bachelor of Commerce, majoring in finance, accounting and commercial law. I am excited to share Mitchell's thoughts and insights with the readers and I'd like to thank Mitchell on behalf of UAIC for participating in this alumni series.

A background into Mitchell and life before University:

Like many of us, Mitchell grew up in Auckland. He resided in Pukekohe and went to Auckland Grammar School, where he graduated in 2017. At Auckland Grammar he was involved in football and participated competitively in secondary school mountain biking competitions. Mitchell is still in touch with mountain biking, at a social level.

Life during University:

Mitchell first started his time at University, pursuing a degree in law, however since he did not have intentions to become a solicitor or a lawyer, he decided to 'call it a day' and change his degree. Considering that he took business related subjects in high school, undertaking a business degree seemed to be 'the logical progression career-wise'. He picked up majors in finance as it taught him important aspects of business such as cost drivers, valuations, returns, and accounting to 'supplement' that knowledge. He saw commercial law as the 'perfect medium between not doing a full law degree but also gaining law experience', compelling him to also pick that up as a major.

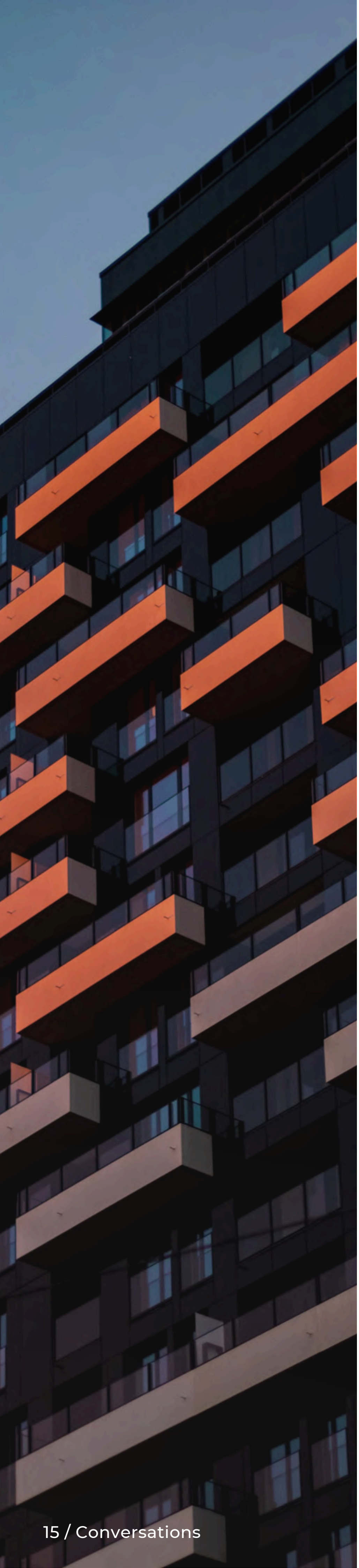
Entering the corporate world:

Mitchell worked part-time at Sky City throughout University. Upon graduating, Mitchell was hired as an associate adviser at the FMA in February 2022, where he reported to a senior adviser, after which he saw a jump to the position of adviser in January 2023. Careers at the FMA involving working in regulation, in his view, were the perfect intersection of finance and commercial law. In Mitchell's words, 'traditional investment pathways and careers at places like the Big Four were not really going to offer that exposure'. Furthermore, it made it much more convenient for him that 'every paper or project on his desk was like a commercial law essay and exam'. According to Mitchell, there are few opportunities that combine both of those majors other than a regulatory body like the FMA.

His role and working at the FMA:

Mitchell's day to day work predominantly involves monitoring entities who have a Financial Advice Providers licence (FAP). This entails activities such as reviewing reports of market misconducts, understanding the activity of entities to advise them on regulatory aspects and regularly engaging with firms. According to Mitchell, 'the FMA regulates how firms represent themselves, conduct themselves, interact with clients and provide services to clients'.

The FMA issues firms the FAP licence which 'brings them into the financial advice regime where they have duties and obligations to clients and must adhere to a Code of Conduct, including certain ethical and competency requirements'. When asked about



how the FMA contrasts against other agencies in the public sector such as the RBNZ, Mitchell said, 'The RBNZ licences, registers and supervises banks and insurers which involves placing conditions on those entities relating to capital requirements, credit exposure, liquidity risk, and solvency'. He then explained how the FMA continuously monitors these firms from a conduct perspective, ensuring that their actions reflect a fair and efficient delivery of their services. Whereas the RBNZ typically focuses on whether banks and insurers have structures in place to ensure continued financial stability.

When asked about the difference between the public and private sectors: Mitchell's thoughts were that the public sector tends to move at a steadier pace as you 'require many approvals and must act in accordance with the authority provided to the FMA'. 'The FMA is an independent crown entity created by the FMA Act and there tends to be strong governance structures in place'. He expanded on how in the public sector, you need to rigorously assess recommended actions and gain official approvals in many cases. Furthermore, projects and work often need to have a public interest. 'Another key difference between the public and private sectors is the stakeholders', he mentioned. To build on that, in the public sector, there is no obligation to have profit driven aspirations as they are working for the good of the public.

Mitchell also mentioned another reason why he is particularly fond of the regulation space: 'There is a different job duty involved. In this space, they teach you so much and you get to operate at a very high level at such an early stage in your career which is not something you would usually have the opportunity to do in another job'. This involves speaking with the senior leadership, and management teams of regulated entities and often advising them on regulatory aspects of their operations.

Apart from popular career pathways, Mitchell recommends checking out the regulation side of a career, as it is not commonly pursued or as widely known. If interested, he emphasises the importance of showing a willingness to learn as regulation is not largely taught in business schools.

When asked about whether students require a strong knowledge of or background in law, his words were, 'You don't really need to do a major in Commercial Law, but it is useful because it helps to have skills in interpreting and applying legislation. We don't set the law; we interpret and apply it. Prior legislation knowledge is always useful as you can already interpret things, but it is not compulsory'.

Advice for students:

When asked for advice for students, on a general note, Mitchell encourages focusing on and genuinely putting in time in developing skills along with knowledge in your courses.

According to him, this not only differentiates you from other job candidates but the skills you acquire makes the process of learning much easier and enjoyable when working in the corporate world. Mitchell also recommends inculcating a mindset of being curious and challenging everything you come across in terms of why things are done in a certain way as well as how they relate to each other. 'The more you do this, the better you'll get at it and the more successful you will be when it comes to using these skills in your professional life'.

On a more career - specific level, Mitchell encourages fostering genuine connections with your colleagues, especially during the early stages of your internships/job and career. 'You'll spend a lot of time with your co-workers and they're massively responsible for your level of job enjoyment and success'. This also helps increase your 'visibility' which can be beneficial. Furthermore, he recommends communicating with those further up the management chain, as that can result in some of the most valuable opportunities one may encounter according to his experience. 'They want you to succeed as much as you do yourself and will be willing to throw good opportunities your way if you put yourself out there'. And lastly, Mitchell emphasises on the importance of taking initiative and putting your hand up for work projects that interest you, while also, assuming that it is within reason, being able to say no if something does not strike you as being interesting.

Mitchell's insights and experiences shed light on a less tread but unique and fascinating pathway, available for us students to explore. I am delighted to have had the opportunity of speaking with Mitchell and share his journey with you.

Forsyth Barr FOCUS

We‘re only human

Late March, psychologist Daniel Kahneman passed away, aged 90. Kahneman, alongside his Israeli compatriot Amos Tversky, pioneered the study of behavioural economics. The pair explained how people’s decision-making is not completely rational and how it’s affected by biases and heuristics (mental shortcuts that are hardwired into our brains). These biases and heuristics are extremely useful for navigating everyday life, but unfortunately, they are less helpful when it comes to successful investing.

Read the full article here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