UNIVERSITY OF AUCKLAND INVESTMENT CLUB

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CAPM: Cricketer acquisition pricing model?

WRITTEN BY ROHAN BHATT

IF I MENTIONED THE WORD INFLATION TO YOU IN CONVERSATION, WHAT WOULD BE THE FIRST THING THAT COMES TO MIND? NEW ZEALAND HOUSE PRICES? RENT PAYMENTS? OR PERHAPS US STOCKS? I WOULD BET MY BOTTOM DOLLAR THAT YOU WOULDN'T CONNECT THE DOTS ALL THE WAY TO INDIA AND THE BOILING POT OF COMMERCIAL CRICKET – THE IPL. WELL, TWO MONTHS AGO, KYLE JAMIESON WOULDN'T HAVE EITHER. NZD $2.86 MILLION LATER, WE HAVE A SLIGHTLY DIFFERENT STORY ON OUR HANDS.

In 2008, Lalit Modi and the Board of Control for Cricket in India (BCCI) found a goldmine. The IPL was formed with a vision to emulate an NBA-esque, franchise-based league, attracting the world's best cricketers to India for an annual two-month cricketing frenzy. Sporting the shortest format of the game, T20, the IPL was as much of a play on entertainment as it was on cricketing pedigree. Modi wanted to elevate cricket, both commercially and culturally. More than a decade later, the IPL's brand value has surpassed NZD $8 billion. If the BCCI sold lotto tickets, the IPL would be its powerball.

In that case, Kyle Jamieson was, without a doubt, a division one winner this year. The second highest purchase in the 2021 IPL auction, Jamieson's pay cheque amounted to NZD 2.86 million. To place that into context, the highest-paid New Zealand cricketer is likely to receive a contractual salary of approximately NZD 400,000 for a year's worth of international cricket. One year of international cricket against two months of IPL – I'll leave the maths to you. For a player with relatively minimal international experience, such a price tag was startling. This got me thinking.

Let us put ourselves in the shoes of an IPL franchise. Prior to every IPL season, eight franchise owners carry themselves and their wallets to the IPL auction, with the aim of buying their way to the trophy, literally. Does this not make each player an asset being invested in, with the expectation of a certain return? The difference is that returns in this context are not dividends and capital gains but runs and wickets. Regardless, the question which intrigued me was twofold: firstly, from a franchise's point of view, what constitutes the pricing and valuation of a player? And secondly, how would the numbers add up if aligned with traditional financial asset-pricing models?

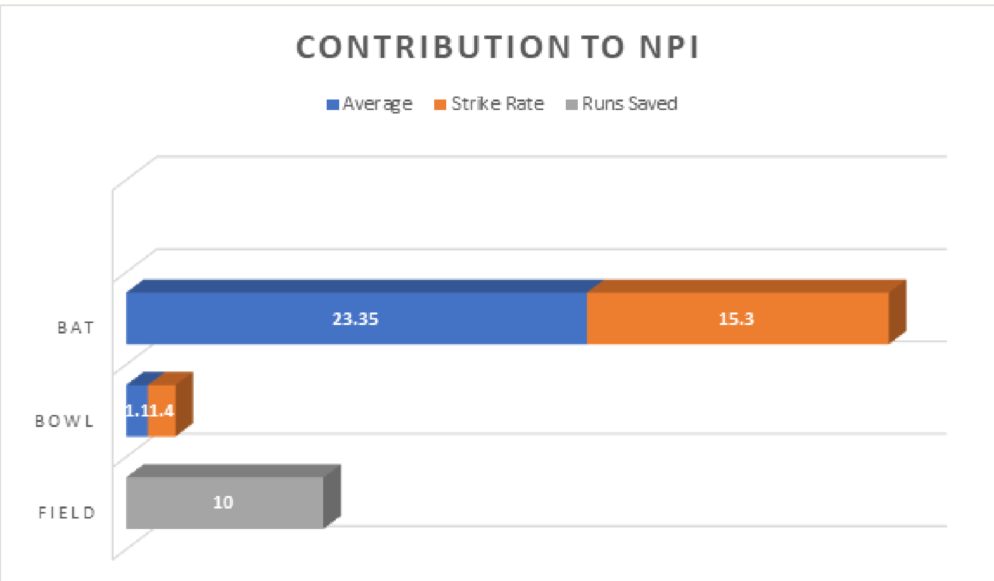
The first thing to consider is how a player actually brings value to a franchise, both tangible and

$$NPI_{bat} = Average_{bat} + \frac{Strike\ Rate_{bat}}{10}$$

$$NPI_{bowl} = 2\left(\frac{100}{Average_{bowl}} + \frac{100}{Strike\ Rate_{bowl}}\right) \times Average\ wickets\ per\ match$$

intangible. Ultimately, success on the cricket field yields revenue, making it a fundamental metric for player valuation. Every cricketer is selected with the belief that, on average, he will positively influence the game in the form of his batting, bowling or fielding. Performance within these can be our measure of an average return on investment – a net positive impact (NPI) per player, per match. This can be calculated using a player's T20 batting and bowling statistics, in particular, averages and strike rates. One's batting average is a measure of the average number of runs scored per innings, whilst the strike rate highlights the average number of runs scored per 100 balls faced. In contrast, one's bowling average refers to the average number of runs conceded per wicket taken and strike rate to the average number of balls per wicket

Using historical data, we can approximate player returns in the equation above.



Tying this approach to real-life statistics provides further insight. Depicted by the graph below, Australian all-rounder Glenn Maxwell's career IPL batting average and strike rates are 23.35 and 153, respectively, resulting in an NPI of 38.65. Maxwell's impact with the ball is minimal but not irrefutable. With a bowling average of 42.3, strike rate of 29.4 and an average of 0.22 wickets per game – 2.5 is added to the NPI. Additionally, Maxwell is arguably one of the best fielders in world cricket. It would not be unreasonable to anticipate 10 runs saved per match from this category, yielding an accumulated total NPI of just above 51.

In 2021, the average IPL international player salary was approximately NZD 964,600. If an average player NPI of 45 is assumed, then a player can be paid approximately NZD 21,450 per NPI. According to this figure, Maxwell's price should amount to just under NZD 1.1 million. In reality, Maxwell pocketed just above NZD 2.7 million.

Franchises pay for much more than just cricketing prowess. With a player comes their identity and unique characteristics. Not only can these attract sponsorships and additional revenue, but they can also do the job of putting a franchise on the map, so to speak. Furthermore, intangibles such as experience, personality and leadership are impossible to put a precise price on, despite impacting both player value and performance. Any cricket fan would agree that Maxwell is a match-winner, something not truly reflected by his statistics. Hence, premiums must be added to the NPI of a player to determine a suitable value.

As a second-year finance student, the capital asset pricing model (CAPM) was the first thing that came to mind. According to CAPM, the expected return on any asset can be calculated by taking a risk-free return and adding to it the mathematical product of the asset's market risk, known as beta, and an overall market risk premium (MRP). In doing so, a return can be determined whilst accounting for a base return, market-relative volatility and the asset's inherent nature. Here's where things start to get interesting.

CAPM's risk-free return can be likened to a player's average NPI, encompassing a return on investment purely based on

$$R_i = R_{NPI} + [\ \beta_i(Personality,\ Experience, ...) * INP\ ]$$

cricketing performance. Although not risk-free, it remains a useful base figure due to the fact that drastic changes to a player's skill levels are unlikely within a season. Rather than limiting beta to risk, it can be expressed as a function of the anticipated value added, or diminished, by a player to their NPI through the aforementioned intangible variables. Lastly, an international premium factor (INP) is applied to the calculation, to account for franchise benefits from global exposure. What we are left with is the equation above, from which estimated player returns can be carried forward to pricing and valuation.

In essence, cricket and financial marks are both fascinating. Sometimes, fundamentals are thrown out the window. Each step is as unpredictable as the last. And most importantly, perfect timing can work wonders. Perhaps this is what enriched my curiosity in aligning the two through this article.

Understandably, a much deeper dive is needed in order to reach long-term conclusions regarding the relationship between financial valuation models and the pricing of IPL cricketers. However, with the ever-increasing presence of data, fundamental investing and mathematical frameworks may well have roles to play in environments otherwise uncorrelated to finance. Recent examples of such are footballer Kevin De Bruyne and Analytics FC, a specialised football data analytics company. Through the use of statistical modelling and projections, De Bruyne numerically estimated his future contributions to Manchester City's forecasted success, allowing for a multi-million dollar contract negotiation.

In future cases, specifics may not be the same, but the holistic thought process most definitely is. A franchise willing to invest their money into a player is nothing short of a company purchasing an asset. In both cases, return on equity deployed is paramount to identifying which the right numbers can convey a powerful story. Perhaps a trip to the IPL auction is the next step, but until then, the cricketer acquisition pricing model is at your disposal.

Social impact bonds: friend or foe

WRITTEN BY ZAC GADSBY

FIRST LAUNCHED IN THE UK IN 2010, SOCIAL BONDS HAVE SHOWN PROMISE IN THEIR ABILITY TO ADEQUATELY DELIVER SOCIAL SERVICE PROGRAMS AND ADD A MEANINGFUL IMPROVEMENT TO SOCIETY. IN 2013, THE NEW ZEALAND GOVERNMENT SET ASIDE ALMOST $30 MILLION TO PILOT FOUR SOCIAL BOND PROGRAMS, THE FIRST OFFERING EMPLOYMENT SERVICES TO PEOPLE WITH MENTAL HEALTH PROBLEMS (NOW IN OPERATION) AND THE SECOND FOCUSING ON REDUCING YOUTH REOFFENDING IN SOUTH AUCKLAND. THE GOVERNMENT IS CURRENTLY AT STAGE THREE IN A FIVE-PHASE PROCUREMENT PROCESS, THE SOLUTION ESTABLISHMENT PHASE.

Known officially as a Social Impact Bond (SIB), these bonds essentially allow contracts to be given to private organisations (known as service providers) in order to fund and deliver social services. This is the broadest definition, but there are many specifics that make these bonds unique. A vital feature of a SIB is that there is a third party, almost always the government, who pays out the investors according to the quality of the service delivered and whether the service has met pre-agreed outcomes.

As service providers and private investors finance the bond to make a return, this provides huge incentives for the service provider to deliver the service adequately and aim to meet or go beyond the targets that were agreed on before the venture took place. An independent assessor is used to make sure that the services are being provided sufficiently and outcomes are measurable in order to see the progress of the social service program. Often, we will see the service providers linked to the organisations who invest, as the bonds and their return are essentially a bonus if the project is pulled off adequately.

The social bond program aims to cut costs to a government by providing programs that add real social improvement to society. An example of this is the reoffending program being run in the UK, which aims to lower reoffending in prisoners who serve less than a year by 10%. If the service provider cannot achieve this in a certain timeframe, the bond investment will not be paid back, and their contribution is effectively a donation.

One of the most significant advantages of Social Impact Bonds is the incentive it provides for investors/service providers to deliver social services effectively. That is the only way they can make a larger return on their investment. In the UK, the Peterborough prison program has shown promising results because of this incentive, with commentators claiming that the program delivers social services in a flexible, data-driven and responsive way. In 2017, investors were paid out their initial capital plus an amount estimated at 3% p.a for the period of the investment as the target for reduction in reoffending was met.

Another advantage of Social Impact Bonds is that a government only has to pay for the effective services; they do not lose taxpayer money towards a program that does not work. In theory, if the program fails to succeed, the money that was saved by using a third party to deliver the social services can be reinvested into other parts of society, creating benefits that would not be present if a government had to pay for the failure of social service programs. This, in turn, makes the money more effective, and it can be used more wisely as these programs require measurable results, so programs that are failing to meet requirements are shut down and redesigned rather than continued until a huge deficit is present.

As much as Social Impact Bonds sound flawless, they are not. They have solid strengths, but weaknesses are still present among them and their implementation as they are a very new idea.

Disadvantages and risks are ever-present among new initiatives to deliver social services. One of the main risks of outsourcing a social service is that a government loses influence on how social services are run and delivered. With investors aiming for profits, a detached delivery may arise. Due to the fragility of social services, private sector firms cannot typically provide adequate and meaningful solutions. This is ultimately because the manager's goal is to maximise shareholder wealth. Spending more money and taking the time to really dive into what is at the heart of social services isn't on that agenda.

By handing over the delivery of social service programs to investors looking for a return, delicate social frameworks may come undone. Ideally, a government is seen as a representative of its people and their interests, but by giving their responsibility and accountability to third parties, perhaps they are surrendering part of the social contract that its citizens have agreed to. This is where SIBs become innovative; they take the best parts of the private sector and merge it with the common good of progress. If the private firm fails, the money invested stays in the public, and is not siphoned away. If it succeeds, the investors are paid out a return and have positively impacted society.

New Zealand's first pilot program involves delivering employment services to the population with mental health problems. This is a particularly vulnerable section of society that requires supervision and care. APM Workcare Ltd stepped up to provide the service, and backed by investors (including its parent company), $1.5m was raised to finance the six-year bond. The Ministry of Social Development will be monitoring the outcomes and expect to see a result by early 2023.

Independent assessment of the programs is critical as the adequate delivery of a social service could be overlooked, and shortcuts could be taken to the detriment of the individuals involved in the program.

An example of where this went wrong can be seen with the UK owned Serco, who had a contract to run private prisons in New Zealand. They made their own checks of the prisons until evidence of fight clubs, illicit drugs, bribery, and abuse came to light in 2015. Corrections New Zealand immediately stepped in, and debate was sparked about the privatisation of traditionally state-run enterprises, with ideas that a private business does not follow the same public service ethos as the government would. Serco's contract was dropped in 2017, costing them more than $10.5m.

The use of Social Impact Bonds to deliver social services is a progressive move forward by the New Zealand Government. They have both their advantages and disadvantages, but you cannot dismiss the fact that a new idea will not be perfect until it is tried and improved. A careful balance must be taken in order to make sure that corners are not cut and that the programs have the priority of the individuals involved and not the profits a business seeks. An independent assessor is vital to the success of these SIB programs, and the government must maintain some responsibility for these programs and not let them turn into a money-making venture for businesses and a money-saving venture for the government.

Just in time? or not enough

WRITTEN BY JOSHUA PAUL

INFLATION IS AT THE FOREFRONT OF DISCUSSION AS THE WORLD TRANSITIONS OUT OF ITS PANDEMIC ALTERED STATE. WHILE THE TRADITIONAL CAUSES OF INFLATION HAVE BEEN WIDELY SCRUTINISED, A GLOBAL SHIFT IN MANUFACTURING PROCESSES MAY ALSO BE AT PLAY.

In 1970, the New York Times published "A Friedman Doctrine". The famous article by the renowned economist asserts that the firm's sole responsibility is to its shareholders. More than half a century on from its publication, the Friedman Doctrine continues to influence decisions made in boardrooms around the world. While the glory days of Friedman's shareholder theory appear to have come and gone, Friedman's influence has by no means disappeared. In its pursuit of profit maximisation, the corporate world has since been on an eternal crusade for efficiency. Eventually, this crusade manifested itself in a manufacturing process known as just-in-time manufacturing, or "JIT", as it is often referred to.

Just in time?

As far as manufacturing processes go, JIT is reasonably easy to understand. As its name suggests, manufacturers order production inputs to arrive "just in time" rather than making bulk orders. Generally, orders arrive within a day, sometimes even within hours of when they are required. Consequently, manufacturers spend less on the storage of inventory, reducing costs of production. Ordering production inputs closer to the time they are used also means that manufacturers generally have more accurate demand forecasts and can make more accurate orders. As a result, they end up with less wastage. Apple, Ford, McDonald's and Toyota are just a few examples of multinational corporations who have become proponents of JIT.

For all its benefits, JIT has one major caveat. When JIT fails, it fails big. Because JIT renders onsite resource storage facilities redundant, manufacturers have little to no pre-production inventory; therefore, when one component stops arriving, everything else grinds to an expensive, screeching halt. This happened to Toyota in 1997. Aisin, the manufacturer of a crucial engine component, had a fire in their factory. Over the duration of the three-hour blaze, Toyota, a carmaker, essentially lost its ability to build engines. The Aisin factory fire of 1997 nearly killed Toyota. The company lost ¥160 billion in revenues.

More recently, in the U.S., as a result of their reliance on JIT manufacturing, Ford has been caught short as access to semiconductors has diminished rapidly over the last year. Ford expects to lose 50% of its production due to its minimal inventory approach. The automaker expects the chip shortage to wipe about $2.5 billion (USD) from its earnings in 2021. In response to this, CEO Jim Farley has indicated that Ford will look to start buying chips in advance of when they're needed to compete with firms who, in his own words, "pay for chips upfront, years and years ahead of the capacity requirements". It is a purposeful move away from JIT.

Toyota's production was also more recently jeopardised by its reliance on JIT in February this year - this time, in the U.S. The freak snowstorm that hit Texas in February halted production at a facility that produces 85% of resins refined in the U.S. Consequently, Toyota was forced to cease production across the country.

The realities of changing global weather patterns conflict with one of the fundamental premises upon which JIT processes are built - consistent access to production inputs. Unfortunately for manufacturers, weather events considered to be "extreme", like the February snowstorm, have shown themselves to be part of a growing trend. A 2020 article published at the Yale School of Environment claims that "There has been a "staggering rise" in the number of extreme weather events over the past 20 years, driven largely by rising global temperatures and other climatic changes". UN figures show an 83% increase in the number of weather events classified as "extreme".

Profit; the name of the game

Efficiency is vital in the process of maximising profits, and uncertainty is detrimental to efficiency. Unfortunately, businesses around the world have recently had to deal with a spate of supply chain uncertainty. Alongside changing global weather patterns, a series of significant independent events such as the blocking of the Suez Canal and, more notably, pandemic induced lockdowns around the world has led to massive uncertainty. This all has played on bottom lines. Like Jim Farley, CEOs worldwide are looking to transition away from JIT manufacturing processes and shift towards the bulk ordering processes preferred by many Chinese manufacturers. Business leaders have had to ask themselves whether the losses incurred when JIT collapses are offset by the increased efficiency that JIT brings when it is working correctly. Increasingly, manufacturers are finding that the answer to that question is no.

As with anything, the growing consensus towards stockpiling has its flow-on effects. And they're set to affect us all. To put it in simple economic terms, as firms rush to gain the rights to raw materials, there is an increase in demand. This leads to higher costs. Take, for instance, the lumber used in manufacturing. Growers cannot quickly increase the immediate supply of lumber to match an increase in demand. It takes 15-20 years for a pine tree to reach the point at which it can be harvested. It is, therefore, likely that if the market demands more lumber, prices will increase for a sustained period (price paid to procure production inputs, costs of production). It's important to remember that a change in the cost of raw materials has profound

implications on the overall costs of production.

As I mentioned earlier in the piece, Friedman's shareholder theory continues to influence the world of business. To maintain profit margins, firms need to offset the effect of an increase in the cost of raw materials on profit. They generally take one of two options. Either they decrease other costs of production, i.e. how much they pay workers, or they pass on the burden to consumers, i.e. make us pay more for things. Neither of these is desirable. Given the global post-pandemic landscape, especially in the west, firms will most likely look to increase prices.

Looking back and to the future

That brings me to the point that I set out to address. The downfall of JIT manufacturing looks set to become yet another factor affecting inflation. As businesses pass on the incidence of increased production costs to consumers, the prices of goods around the world are rising. In a discussion at Berkshire Hathaway's annual meeting, Warren Buffet alluded to this, saying, "We're raising prices, people are raising prices to us, and it's being accepted", he continued, saying "It's an economy really that's red hot, and we weren't expecting it".

Those last two words are crucial. Around the world, governments have set inflation targets between 1-3%; this is in effect that expectation that Buffet refers to. This low, targeted inflation rate stimulates growth and offers businesses and investors alike a degree of certainty in making decisions. Issues arise when inflation rates exceed (or trail below) expectations. Despite rapidly increasing prices and extensive fiscal stimulus, the Federal Funds Rate in the U.S. (as well as the OCR in New Zealand) remains at 0.25. Clearly, reserve banks are not yet concerned. But should they be?

What's next?

It's anyone's guess, really. In writing this article, I set out to find out a little more about production shortages in the auto industry. What I found was a much more widespread issue that has not yet been significantly addressed for the most part. It appears that we are heading into what looks like a vicious combination of inflation caused by household spending propped up by government stimulus, and concurrently, increasing costs of raw materials. With this comes an increased risk of stagflation, where prices rise despite little to no economic growth. At a recent summit, Secretary of the U.S. Treasury, Janet Yellen, indicated that she did not predict, nor believe, that inflation was a threat to the U.S. economy. Her stance on the matter is likely derived from her faith in the Federal Reserve to curb spending through contractionary monetary policy.

Just last Thursday, the latest CPI numbers stated a 4.2% inflation in the U.S economy, well above predictions. In the same period, energy prices increased by a whopping 25%. The effects of the decisions made today by the likes of Yellen and her counterpart at the Federal Reserve, Jerome Powell, will have a lasting impact on the world's largest economy. One can only hope that they consider all of the many changes currently taking place in the global economy. While current opinion on their performance varies, time will be their most tenacious judge.

Healthcare: the digital age

WRITTEN BY ROHIT RAJAGOPAL

OVER THE PAST YEAR, THE WORLD HAS YEARNED FOR NORMALITY. WHAT WILL IT LOOK LIKE WHEN WE ARE NO LONGER SHROUDED BY A CLOUD OF COVID, AND WHEN WILL THIS HAPPEN? QUESTIONS LIKE THESE ARE BROUGHT UP CONSTANTLY, BUT TRUTH BE TOLD – WHETHER YOU LIKE IT OR NOT – THE WORLD WILL NEVER BE THE SAME. BUSINESSES THAT WERE ONCE SUCCESSFUL HAVE FALTERED, AND WORKERS HAVE BEEN SHOWN THE DOOR. HOWEVER, THE PANDEMIC HAS TAUGHT US TO CHANGE THE WAY WE WORK, AND THIS HAS ULTIMATELY LED TO THE DAWN OF THE 4TH INDUSTRIAL REVOLUTION.

Doctors and nurses have been working tirelessly to cope with the constant intake of COVID patients. Often, hospitals are finding themselves above full capacity amidst a shortage of supplies such as oxygen and ventilators. Whilst these circumstances are quite disconcerting, the healthcare industry has largely continued to flourish due to increased demand driven by the pandemic and technological advancements.

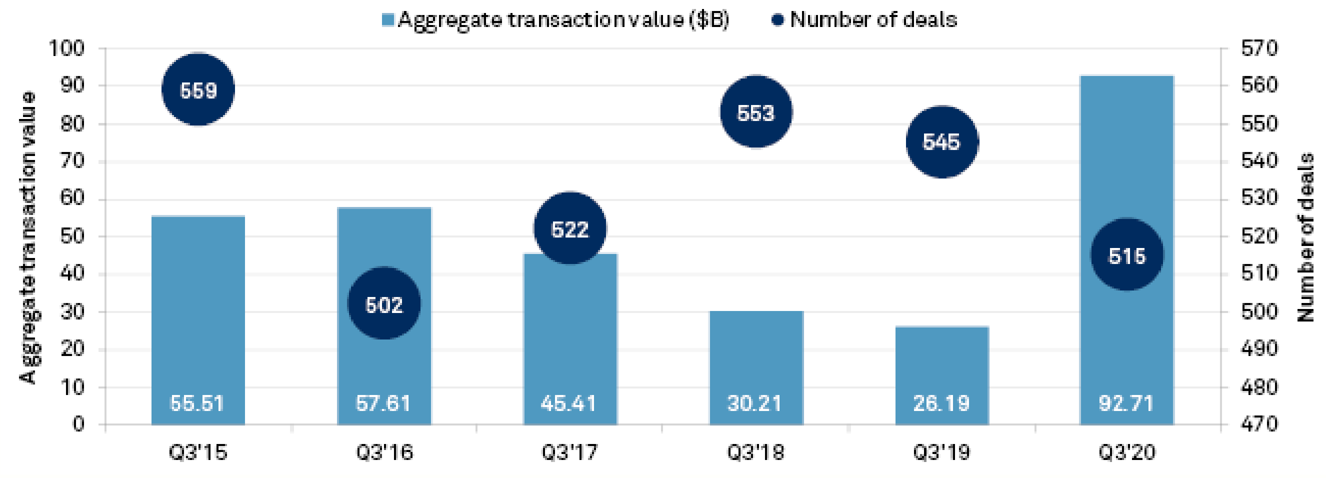
By 2022, it is expected that the valuation of the sector will top a colossal $11.9 trillion. The necessity of healthcare will push this figure upwards, especially as infectious diseases become more prevalent in our communities. In addition, medical aid must be readily accessible for everyone, creating opportunities for investments and innovation.

Recently, tech companies have explored digital solutions to provide targeted interventions to patients in the age of social distancing. Areas such as remote support, drug research and development and screening for diagnoses are being investigated so that we are better prepared for future outbreaks.

COVID has forced us to be less complacent and given businesses a chance to enter the realm of medicine. Notably, there had been a surge in global healthcare deals in the third quarter of 2020 compared to previous years. The figure below, courtesy of S&P Global, indicates the sharp rise in the total transaction value of $92.71 billion despite returning the second-lowest number of deals in the five-year period.

With the tech sector primed for diversification and a global digital-health market priced at $350 billion, it seems likely that this trend of healthcare acquisitions will persist well into the future. This leads us nicely into a massive deal

Global healthcare M&A deals in Q3 since 2015



that was signed last month.

MSFT-NUAN deal

To accelerate its cloud strategy for healthcare to create a more sustainable outlook, Microsoft (NASDAQ: MSFT) acquired Nuance (NASDAQ: NUAN) for $56/Share at a premium of 23% to the closing price on April 9th. For comparison, the median premium was 29.8% across U.S. deals in the first quarter of this year. Since then, NUAN's price has sharply climbed and plateaued at just under $53. The $19.7 billion cash transaction doubles MSFT's total addressable market (TAM) in healthcare to just under $500 billion.

Since the inception of their partnership in 2019, the two companies have been able to combine machine learning and cloud services for clinical procedures. Primarily, NUAN has focused on relieving the burden posed by clinical documentation, which is the lowest hanging fruit for AI in healthcare.

Clearly, MSFT sees this deal as an important tool to retain its position as a leader in the market. The acquisition was the largest behind the LinkedIn transaction for $26 billion, and the board of directors of both companies unanimously approved the agreement. However, it begs the question – why did MSFT decide to finally pull the trigger?

A good starting point is to assess what each company does. MSFT thrives on creating enterprise tools to drive productivity along with offering cloud-based solutions and devices to a global audience. Conversely, NUAN focuses on delivering conversational AI to different segments, with an emphasis on the clinical domain. Their products are currently used by 75% of radiologists in the U.S, with a hospital coverage of 77%. In turn, NUAN's narrow focus resonates with me as they are dedicated to ensuring their products are performing at their peak.

A symbiotic relationship?

Whilst MSFT has been on an acquisition spree. This deal builds on the company's vision to penetrate the healthcare market. CEO Satya Nadella said in a statement: "AI is technology's most important priority, and healthcare is its most urgent application". MSFT seeks to leverage NUAN's language-processing suite to stay at the forefront of the AI revolution with an ongoing race to embrace machine learning in all businesses.

MSFT has gained a competitive advantage by procuring NUAN as other tech titans such as Amazon and Google look to get their hands wrapped around the healthcare sector. NUAN's existing models, wealth of training data, and current research capacity offers MSFT a range of benefits. While it might take some time for these to have a perceivable effect on their product line, it is evident that MSFT is establishing itself in the healthcare space.

The relationships that NUAN have formed with electronic health record (EHR) providers empower MSFT to roll out its cloud services directly to the frontline crew. A consequence of this is the increased efficiency in vaccine distribution which will play an important part over the next few years.

Conversely, NUAN required a platform to elevate its presence on the global stage. Through their streamlined approach to applying industry-level AI in healthcare, the firm wished to bring a better patient experience to clinics. This could be achieved by partnering with MSFT. Essentially, this puts both companies in a fantastic position, with MSFT prepped to dominate the digital health market.

What the future holds

I have learned a lot over the past year due to COVID. I have become more adaptable, forward-thinking, and gained a newfound appreciation of the capabilities of technology. And it seems that many other people and businesses share my views. As such, the MSFT-NUAN deal reinforces the direction we are heading towards – a digital future.

The pandemic has bolstered our dependency on the healthcare industry. This has given companies from other sectors a chance to jump in and find solutions to problems that weren't identified before. The medical field is propelled by its people, yet technology can offer pragmatic alternatives when needed.

The micro-investing platform showdown

WRITTEN BY KAI YUN GAO

WITH THE PREVALENCE OF MICRO-INVESTING PLATFORMS, INVESTING IN THE STOCK MARKET HAS NEVER BEEN EASIER. HERE IN NEW ZEALAND, WE HAVE QUITE A FEW TO PICK FROM. MICRO-INVESTING REFERS TO A STRATEGY WHEREBY INDIVIDUALS CAN INVEST IN SMALL SUMS OF MONEY. THIS CONTRASTS WITH THE TRADITIONAL INVESTING STRATEGY, WHICH PUTS THOSE WHO CAN'T AFFORD A BROKERAGE MINIMUM AT A DISADVANTAGE.

For consistency sake, this analysis will be focusing on the varying brokerage fees for individual stocks rather than ETFs and index/mutual funds. There will also be a heavy focus on US Stock Exchanges, which accounts for ~85% of global investing.

Platforms available in New Zealand

Sharesies

Sharesies Ltd is a Wellington-based company offering investment options across the NZX, ASX, and US Stock Exchanges (CBOE, Nasdaq, NYSE). Their ASX partner is CMC Markets Stockbroking Ltd, and the US partner is Drivewealth. At the moment, they don't have a dedicated mobile app, though their website is UI friendly for all devices. They promote an investment strategy which they describe as the "Sharesies way" -

"Sharesies advocates a long-term investing approach—invest what you can afford, regularly, and over a long period of time."

Hatch Invest

Hatch Invest is a proudly Kiwi-run company, being the digital investment platform for Kiwi Wealth, collectively run under Kiwi Group Holdings Ltd, which is owned by a trio of NZ Post, NZ Super Fund, and ACC.

Platform	Brokerage Fees	Exchange Fees	Pros	Cons
Sharesies	0.5% on orders up to $3000 0.1% on orders over $3000	0.4%	There is no minimum buy in - this makes it super accessible to everyone as you can start with $1 There is access to multiple exchanges - NZX, ASX, and US stocks There is the option to auto-invest which takes away the hassle of manual transactions every week - very easy to set up as a dollar-cost-averaging strategy.	Investors are unable to transfer stocks to another platform - they must be sold and then rebought Brokerage fees are relatively high for smaller buys under $3000 compared to competitors Sharesies doesn't offer direct brokerage accounts with their partner Drivewealth - can't transfer stocks out of Sharesies, and don't have voting rights to US stocks - they hold your stocks on bare trust by a Sharesies Nominee with you as the beneficiary
Hatch	$3 USD flat fee for up to 300 shares $0.01 USD for every share beyond 300 shares	0.5%	Dependent on the share price of the stock, but generally offers the lowest brokerage fees, especially for higher value transactions There is no minimum buy in - this makes it super accessible to everyone as you can start with $1	Hatch is an online platform for US stocks only Offers a direct brokerage account with their partner Drivewealth - giving you more direct ownership of shares
Stake	No brokerage fees on buying or selling	1% 1.5% for express transfer	There is no minimum buy in - this makes it super accessible to everyone as you can start with $1	Takes about two trading days to exchange NZD to USD unless you pay for the express transfer of funds Offers a direct brokerage account with their partner Drivewealth - giving you more direct ownership of shares

Hatch offers access to the US Stock Market only, also with their partner Drivewealth. Similarly to many micro-investing platforms, they advocate for a long term investment strategy that caters to a wide range of people - beginners, experts, and everyone in between.

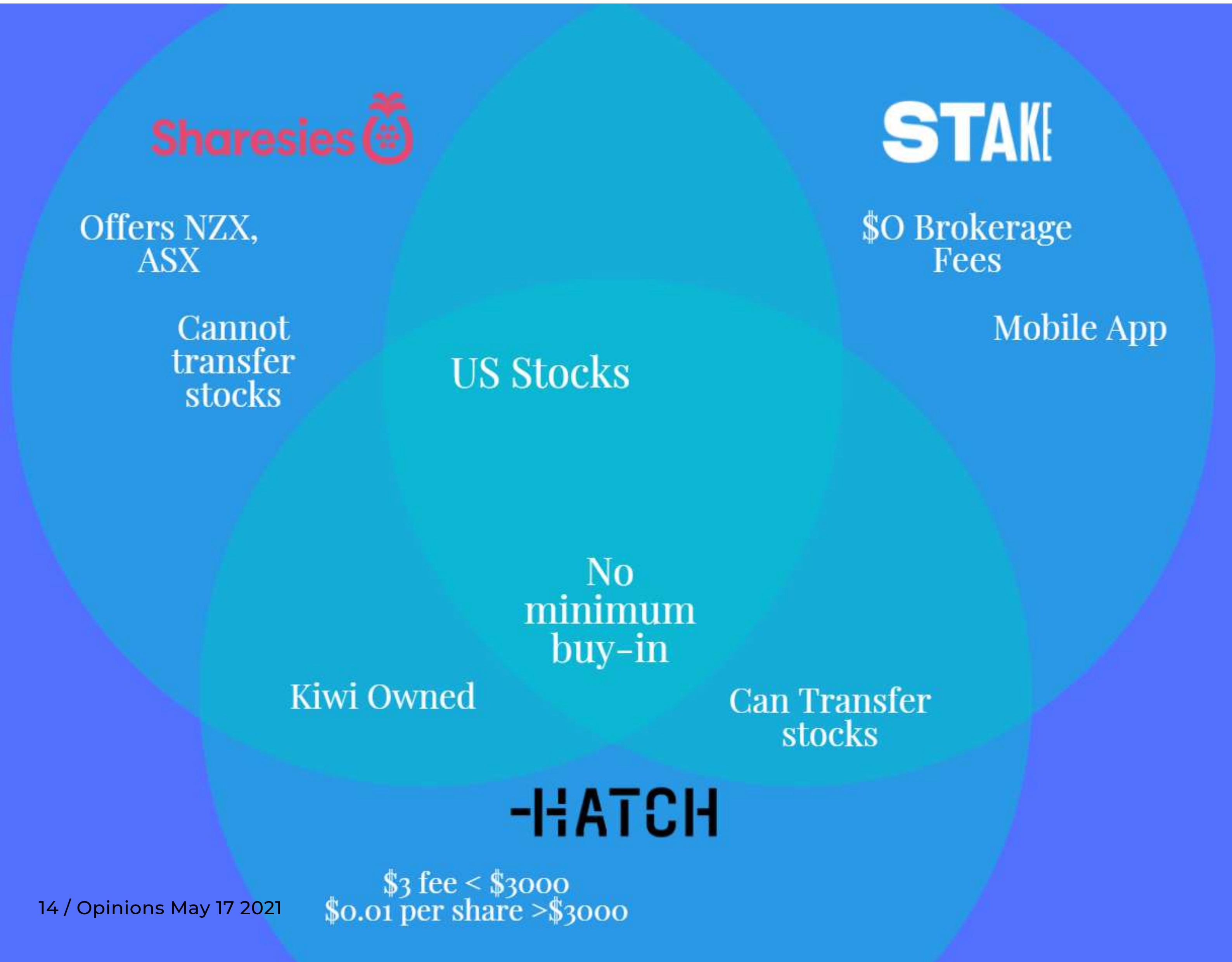
“Hatch is here to help you build long-term wealth. We’re here to help Kiwis invest in quality businesses, encourage great investing habits, and learn more about the world of investing.”

Stake

Stake as an investment platform was founded by two Australians in 2017 and has now expanded to offering US Stocks at zero brokerage fees across several countries. It launched in New Zealand in May of 2020 and has now grown to rival Sharesies and Hatch, which were established among the NZ market a couple of years prior.

Stake is also the only platform within this comparison that offers its services through a mobile app.

“We exist to break down barriers between people and financial opportunities”



MYOB column

Build a business that thrives in the digital economy

You may not realise it, but you're already an active part of the digital economy. As a business owner, how you choose to engage with it is up to you.

There's no way around it — if you're in business, chances are you're operating at least a part of that business with the assistance of digital tools and platforms.

From managing the books to managing inventory, processing transactions or producing product orders; marketing, communications, research — it's all increasingly done online.

Unfortunately for the amount of uptake there has been in digital tools across the business landscape, recent data indicates their utility may be lacking.

Here are three priorities for businesses to look at in order to get the most out of their tech tools, and begin thriving in the digital economy.

1. Drive efficiency, drive growth
2. Connect and collaborate
3. More leads, more business

Read more at the MYOB Blog here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