UNIVERSITY OF AUCKLAND INVESTMENT CLUB

INVESTMENT BULLETIN

STUDENT WRITERS - STUDENT OPINIONS

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The University of Auckland Investment Club
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Women in private investment

ARE YOU INTERESTED IN THE WIDER OPPORTUNITIES FINANCE HAS TO OFFER? HAVE YOU EVER WONDERED WHAT THE FINANCE INDUSTRY WAS LIKE FROM A WOMAN'S PERSPECTIVE? OR ARE YOU SIMPLY INTERESTED IN HEARING HOW A UNI STUDENT CAN EXCEL IN THEIR CAREER?

This event is perfect if you're interested in the wider opportunities within finance, want to know what the finance industry is like from a women's perspective or if you want to find out how you can excel in your career.

Join us to hear from our panel of talented and influential women who work across the Venture Capital, Private Equity, and Angel Investment space. They'll be sharing their stories and providing insight into their finance careers.

After the event, we'll break for food and beverages, along with the chance to interact with the speakers themselves.

Please note, this event is on a first-come, first-serve basis. We look forward to having you join us on the 25th of May from 6pm onwards!

- Event details: Where: 260-325
- When: Tuesday 25th of May, 6pm to 9pm

Register here

SPEAKER SERIES:
WOMEN IN PRIVATE INVESTMENT

Tuesday 25th May
6pm, 260-325

Our panel consists of women working across Venture Capital, Private Equity and Angel Investment
They will talk about how they got into their respective careers and offer advice to students

RSVP at uaic.co.nz/speakers/women

An update from the fund

A RUNDOWN OF THIS WEEKS PITCHES WRITTEN BY OUR INVESTMENT COMMITTEE ANALYSTS

Shaver Shop Group

Shaver Shop Group (ASX: SSG) is a small-cap retailer in the speciality retail industry, focussing on "all things related to hair removal." Listed in 2016 but founded in 1986, Shaver Shop is a well-established business with 120 stores across Australia and New Zealand. This entrenchment in the market, alongside superior customer service, provides Shaver Shop with a wide economic moat and competitive advantage against e-commerce disruptors and their competitors. Future growth lies in Shaver Shops' continued expansion into New Zealand, aiming to increase their stores from 7 to 12 and strong industry tailwinds in the personal grooming space post-pandemic. Shaver Shop also boasts strong financial statements, with P/E, P/B and PEG well below industry and market averages, zero debt, a very healthy cash position and a stable dividend of 6%. The investment committee voted to pass Shaver Shop onto the valuation stage, with the final vote being 14/17. The valuation team consists of David Saul, Daniel Mar and Donovan Rea.

"Nothing can trim the growth of Shaver Shop" - Daniel Mar, Junior Analyst

Calix

Calix (CXL) is a small-cap Australian technology company that develops patented technology to provide industrial solutions that address global sustainability challenges. Founded in 2005 and listed in 2018, Calix has numerous in-market and up-and-coming products in their pipeline. Their core technology is the reinvention of the 8000-year-old kiln, innovating to create highly reactive nano-particles on one end and near pure CO_2 capture on the other. Dabbling in industries across the board, from agriculture to carbon mitigation, to battery technology, Calix is well-diversified in its products and, therefore, industries. The mix of Calix's partnerships with industry-leading players, government banking and superior innovation gives it a competitive advantage that is unreplicable by others. Although not yet profitable, Calix has zero debt, with the majority of their cash coming from in-kind funding or awards from Governments- another testament of optimism and excitement for Calix's products. Future growth lies in Calix's ability to scale their working products to meet global demand as well as their ability to market their products. The investment committee voted not to pass Calix onto the valuation stage, with the final vote being 7/15.

"Because Mars is for quitters" - Athena Churchill, Junior Analyst

Ray(mond) of sunshine

WRITTEN BY TIMOTHY CROSS

DURING THE WEEK, I SAT DOWN WITH LONG-TIME FRIEND OF THE CLUB, INVESTOR RAYMOND WEBB. RAYMOND IS A NEW ZEALAND EXPATRIATE WHO HAS LIVED AND WORKED IN THE UNITED STATES SINCE 1997. IN JANUARY 2016, RAYMOND LAUNCHED HIS OWN COMPANY, INDUSTRIAL EQUITY, LLC, WHICH MAKES VALUE INVESTMENTS IN UNDER-APPRECIATED U.S. STOCKS AND BONDS.

Calling in from California, we sat down to discuss overall market thematics being currently seen, alongside building a better understanding of inflation and what the recent jump in American inflation (to 4.2% over the last twelve months) implies.

Equity market:

In 2021, the total return for the associated indexes are as follows:

- Dow Jones - an increase of 11.8% year to date
- S&P 500 - an increase of 10.7%year to date
- Nasdaq Composite - an increase of 4.5% year to date

In 2020, the capital markets were dominated by tech and work from home stocks such as Zoom, Microsoft and Apple. However, with the pandemic hopefully coming to an end, in 2021, the market has started to flip the other way. Energy and financial institutions, in particular banks, have done extremely well.

Bond market:

The U.S. 10-year treasury bond rate has moved up from 0.9% to 1.6% so far this year, still relatively low in an empirical sense, but a 78.3% swing within the last five months. The 10-year treasury bond rate is circulated heavily in conversation as it serves as the preferred benchmark for pricing other borrowing rates, such as mortgage rates and commercial debt instruments.

Commodities:

The S&P GSCI is the leading composite index of commodities, serving as the preferred measure of commodities performance for many. In 2021, it is up 25.0%, whereas in the previous 5 years it has only averaged a 0.78% increase year-on-year. Several commodities have reached all-time highs as the global economy reinflates, with Iron Ore (up 18.7% for May), Natural Gas (up 9.4% for May) and Biofuel (up 19.8% for May) all reaffirming significant inflationary pressures creating an upswing.

Inflation:

In the last week, most major equity indexes plummeted as investors reacted to recent inflationary data releases. Investors displayed increasing amounts of anxiety that the Federal Reserve will overcompensate when adjusting interest rates, thus limiting future growth. Although alarm bells are ringing about what may be considered rampant inflation, the chair of the Federal Reserve, Jerome Powell, is confident that the recent changes are transitory. This feeling is reinforced by Secretary of the U.S. Treasury, Janet Yellen, who

indicated that she "did not predict, nor believe, that inflation was a threat to the U.S. economy." Powell has stated that the Fed wants to help workers and hopes that this rising inflation may lead to rising wages. As a result, the Federal Reserve is willing to tolerate inflation above the 2.0% target for the foreseeable future and is waiting to see if this inflation is transitory or permanent before adjusting interest rates or other tools to control inflation.

What we do know is that times are changing, and there appears to be somewhat of a disconnect between what the Fed is saying and historic sentiments around inflation. It will be fascinating to observe these changes over the next 12 months.

So what's causing this?

1. Monetary supply:

There has been a rapid increase in monetary supply in recent times. This has occurred primarily through quantitative easing by the Federal Reserve, purchasing over $120 billion on bonds per month to help artificially keep interest rates low. For example, they are purchasing these at the treasury rate of 1.6% on a 10 year bond, which is below the targeted inflation of 2.0%.

2. Consumption spending/expansionary fiscal policy:

There has been an increase in consumption spending, especially amongst employed households who have not spent on luxury goods such as travel, renovations and dining out in the last 14 months since the lockdown. As the economy continues to open up, consumers are looking to spend some of the money that they will have been able to save. When Biden came into power, he introduced new forms of expansionary fiscal policy to keep the economy moving, as evidenced by his new spending plan that the BBC called "Once in a generation". A recent report found that 85% of Americans have received fiscal stimulus cheques. As a result of these policies, many Americans are looking to spend their discretionary income on consumer-related goods, which is raising inflation.

3. Reopened economy:

With many Americans spending most of 2020 in lockdown, demand for goods and services naturally plummeted. With almost half of Americans now vaccinated, many are looking to travel and make up for lost experiences - as alluded to earlier. This has already seen an increase in the demand for petroleum and oil products as consumers are looking to drive and fly more frequently. Due to the increase in demand, petroleum and oil providers have raised their prices to profit off this increase in demand which has led to inflation.

4. Supply chain:

As a result of the COVID-19 pandemic, many businesses suffered supply-chain disruptions as the movement of goods was reduced to a near standstill. Even now, there are still lots of empty shelves, and re-stocking is a major issue. As a result of supply shortages, companies are able to increase their prices without suffering from the expected demand decreases.

5. Business price increases:

2020 was a difficult year for most businesses, and many required government assistance to stay afloat. As a result, many decided not to raise prices. However, as the economy has started to open up and businesses are back to pre-covid levels, we've seen a rise in prices that previously may have been raised last year.

What investors can do:

Raymond recommended that investors should look to invest in businesses that have pricing power. Other key attributes include businesses that aren't severely impacted by rising interest rates, such as companies with a good balance sheet and low debt-levels. Investors could also look at purchasing hard assets so; land, minerals and commodities. In practical terms, there are some securities that investors can look at purchasing. There is an inflation ETF (INFL) which is the Horizon Kinetics Inflations Beneficiaries ETF. The fund mainly comprises 36 stocks that earn royalties on the production of oil, gas, gold and silver. The fund prioritises royalties as they are better than actual producers because they earn a better percentage of the top-line and are not exposed to cost increases. Other securities Raymond mentioned include REITs, as well as the ASX stocks or mineral producers in Australia. However, it must be stated that Raymond believes that instead of chasing your tail, you'll do better if you have a balanced, diversified portfolio of great businesses with pricing power.

NZ rugby, Silver Lake, & Forsyth Barr: for the love of the game

WRITTEN BY ANDREW MENG

NZ RUGBY'S PROSPECTIVE $387M DEAL WITH SILVER LAKE HAD SEEMINGLY REACHED A SIGNIFICANT MILESTONE WHEN IT WAS UNANIMOUSLY APPROVED BY ALL 26 PROVINCIAL UNIONS AND THE MĀORI RUGBY BOARD. BUT WITH THE NZ RUGBY PLAYERS' ASSOCIATION STILL OPPOSING THE DEAL AND STARTING TO PRESENT THEIR OWN SOLUTIONS TO NZ RUGBY'S CASH WOES, CAN THESE PARTIES EVENTUALLY WORK OUT THEIR DIFFERENCES AND GET A DEAL OF SOME SORT ACROSS THE LINE?

In my first article of the year, I briefly touched upon the news of Silver Lake Partners – a Silicon Valley-based private equity firm – angling in for a slice of New Zealand Rugby's (NZR) commercial rights. Since I wrote that article, the deal has received the unanimous backing of New Zealand's 26 provincial rugby unions and Māori Rugby Board. However, the deal also requires the New Zealand Rugby Players' Association (NZRPA) sign-off, and so far, they've made it clear that they are anything but supportive of the proposed deal. Recently, the NZRPA enlisted the help of Forsyth Barr to table a counter-proposal that would strive to keep the ownership of NZR out of the hands of foreign investors.

The proposals

The proposed Silver Lake deal would see NZR spin-off its commercial interests into a new entity called Commercial LP, with Stuff claiming that NZR will pay Silver Lake 3.5% of the revenue in the first year, 7% in the second, and 12.5% after three years. The deal will be worth $387.5m to NZR, with $39m specially earmarked to be distributed to provincial unions and creating a legacy fund – an endowment fund of sorts that will ensure rugby's sustainability at all levels.

The counter-proposal from the NZRPA and Forsyth Barr would see NZR instead sell a 5% stake in its future commercial revenues through an NZX listing, with Forsyth Barr forecasting NZR would be able to raise between $170m and $190m.

Both deals would offer a much needed financial boost to a cash-strapped NZR. For the 2020 financial year, NZR posted a total loss of $34.6 million, comprised of an $18.7 million operating loss and a further $16 million write-down of Sky Television shares. In the past 11 years, NZR has only posted one profitable year – 2017, when the British & Irish Lions toured. NZR's

cash reserve currently sits at $68 million, a figure that CFO Nicki Nicol concedes is insufficient to "fund all parts of the game."

The forsyth barr solution

The Forsyth Barr proposal is definitely attractive in an emotional sense. It keeps the ownership of NZR local and gives everyday New Zealanders up and down the country an opportunity to own a slice of our national game. It would probably be seen as a 'fun stock' by most retail investors – where the financial return is secondary to the pride of owning the asset. Forsyth Barr has also said that a number of local fund managers and high net worth individuals have already indicated they would be willing to make significant investments, despite NZR's questionable financial record.

However, it's incredibly important to note that the NZRPA President, David Kirk, is also the Chairman of Forsyth Barr. So, it just happens that one of his organisations is working to dismantle the Silver Lake deal, while another of his organisations is seeking to underwrite the IPO that would make the front page of every news outlet in the country.

But even if we pretend that this colossal conflict of interest doesn't exist – I believe the Forsyth Barr proposal fails to offer a competitive solution to the real reason NZR are insistent on bringing in Silver Lake.

The value of silver lake

Firstly, a deal with Silver Lake is not without risks. The NZRPA have rightfully outlined some concerns. They've cited issues with the financial implications of bringing on a private equity firm and the potential scenario of NZR losing control of decision-making processes. But it seems mainly; the players are concerned about how the deal could disrupt relationships with fans and the cultural implications of giving an American private equity firm a slice of our national game.

In terms of the cultural misappropriation concerns, the NZRPA are probably right. I doubt Silver Lake will care much about the indigenous values woven into our national game, nor what rugby in New Zealand means to Māori and Pasifika communities. If I'm honest, I'm not entirely comfortable with the idea either; that some American firm will be profiting off of the 129-year history of our national game, the talent developed in rural communities far from the sights of Silicon Valley and profiting off a brand that is part and parcel of the pride and identity of being a New Zealander. It's fair to be concerned about selling income-generating assets that rely on cultural aspects to Silver Lake; cultural aspects that the firm has no understanding of or connection with.

But frankly, logic needs to trump all emotions in this case. There are some aspects of partnering with Silver Lake that present an opportunity simply too good to miss.

Silver Lake is a global technology and sporting powerhouse. Their US$79b portfolio includes investments in the likes of Airbnb,

Didi Chuxing, Dell, City Football Group (parent company of Manchester City FC among others), and the Madison Square Garden Company (owners of the New York Knicks, NHL's New York Rangers, and the Madison Square Garden itself). Their experience in managing and helping grow hugely successful technology and sporting empires puts them in the perfect position to help NZR finally leverage the boom of digital platforms, develop increasingly innovative content, and execute better on current core revenue streams. They would be an excellent partner to drive the international growth that NZR – and rugby in general – craves.

Partnering with Silver Lake represents the onboarding of talent, networks, insights, and experience that sport management in New Zealand simply does not have. New Zealand sports tend to be run by career administrators who are great at managing day-to-day operations but simply do not have the business acumen to run and grow a multi-billion dollar global brand. The Forsyth Barr proposal is definitely attractive in an emotional sense, but it disregards the strategic value Silver Lake would bring. There simply isn't an individual or group in New Zealand that could offer the expertise or experience in this area close to what Silver Lake can.

Of course, there are risks with bringing on a partner driven purely by financial returns. Silver Lake won't be a passive investor. They'll likely take an active role in developing NZR's future growth strategy, their global brand, and negotiating future sponsorship deals and broadcasting rights. But if anything, that's a good thing. NZR needs the help to fully utilise rugby's global fan base and bring the sport into the digital age. Silver Lake would be invaluable to developing the All Blacks' brand into something on par with what we see in other sports.

Moreover, CVC Capital – another private equity firm – has been pouring money into rugby. They've recently bought minority stakes in the Six Nations Championship, the UK Premiership, and in the PRO14. They could also be venturing south with the news of a potential deal with the South African Rugby Union. Similarly, there's been chatter surrounding Rugby Australia and their push to sell a stake to the likes of Silver Lake, CVC, and KKR.

Like it or not, private equity has entered the game. It's possible that in the future, we see teams, leagues, and nations elsewhere get the funding and business-backing they too desperately need, while NZR is just left behind in the dust. Sure, the success of private equity in sport depends a lot on who you ask. Past deals – most notable being CVC's ownership of Formula 1 – have generally resulted in exponential revenue increases but have also left a fair share of sports purists feeling disgruntled and questioning whether these firms are really asset builders or asset strippers.

But times have changed. Sports owners can't simply ignore sports fans in their decision-making processes anymore. The spectacular collapse of the European Super League is the perfect example of this. Yes, you can argue that Silver Lake was complicit in the fiasco given their share in Manchester City, but I believe the fact that the Super League debacle happened is only a good thing for this deal. It served as a prime example of what not to do in modern sports ownership, and if it's any consolation to players and fans, I'm sure it served as a stern warning to Silver Lake that the delicate emotional equity of fans and players can never be overlooked.

Tiger brokers

WRITTEN BY NEHA KUMAR

BY NOW, MOST PEOPLE HAVE HEARD OF HATCH AND SHARESIES; THEY'VE BECOME MAINSTREAM LIKE ASB SECURITIES-EVERYONE EITHER USES THEM OR, AT THE VERY LEAST, KNOWS ABOUT THEM. AMONG THESE FAMILIAR NAMES, TIGER BROKERS STANDS OUT. THIS LESSER-KNOWN PLATFORM ACTS AS BOTH A UNIQUE TRADING OPPORTUNITY AND A CAUTIONARY TALE. LET'S GIVE OURSELVES A BRIEF INTRODUCTION.

Tiger Brokers is a trading platform available in New Zealand that offers US, Australian, Hong Kong, Singaporean and Chinese markets. They've utilised information gathered by UPFintech Holdings- a company that entices overseas investors, particularly Chinese investors, to help drive fintech innovation in New Zealand and Oceania. Using insight provided by UPFintech allows TIger to tap into vital and undervalued Asian markets that would be otherwise unconsidered by small investors in western countries like New Zealand. Tiger has three significant investors: Jim Rogers, a Wall Street investor; Interactive Brokers, a leading online brokerage company; and Xiaomi, one of the worlds largest technology manufacturers. Being backed by both Wall Street and tech once again allows Tiger to have a more expansive range in their market offers and understanding of the markets they trade within.

Before we dive further into Tiger (TIGR), let's take a look at its competition.

First up, we have Sharesies. With over 250,000 users in New Zealand, the platform saw a growth of 227% in 2020. Sharesies offers investment into New Zealand, Australian, and United States markets. According to PitchBook and Crunchbase, Sharesies is valued at around NZD 150 Million- in early December, Sharesies secured NZD 25 million in funding from investment firm Icehouse Ventures and individual investor Mark Hurley. Its defining feature is their 'Kids account' and helps young kiwis get a head start on their financial journey.

Secondly, we have Hatch. Hatch offers companies on the New York Stock Exchange (NYSE) and Nasdaq. Hatch is backed by KiwiWealth and has over 4,000 companies and ETFs listed. Its appeal came from bringing the first New Zealand platform that deals in US markets.

Up next, we have Stake; Stake is an Australian trading platform that trades in US markets. It launched in New Zealand in May 2020, Operating in Brazil and the UK. Stake's key feature has a commission-free subscription with no brokerage fees, fractional share fees or FX fees on trades.

Finally, let's take a look at ASB Securities. They offer trade within New Zealand, Australia, United States, Canada, and the UK. ASB Securities is best suited for those buying at higher quantities (their trading fees decrease at higher purchases) and active investors

who trade at least once every 90 days.

Now that we've taken a look at its competitors let's consider what Tiger has to offer. From what we've seen, most of the trading platforms provided here deviate from New Zealand to offer mainly Australian and US stocks. The markets are branched out to other Western countries such as Canada and the UK, as in ASB Securities' case.

Tiger Brokers branches out from this pattern and offers six markets: Australia (ASX), China (SZSE & SSE), Singapore (SGX), Hong Kong (HKEX), futures, and United States (four different exchanges). So far, the impression of Tiger Brokers is that of a unique opportunity for Kiwis; there's potential for us to tap into markets many other platforms available to us don't consider. China's stock market is the second largest in the world. Hong Kong is regarded as the fastest-growing stock exchange in Asia, and Singapore's market stands at over USD 730 billion and is still considered by many to be undervalued. Tiger offers around 7000 companies and funds at low costs and much higher diversity than other platforms. While it does not have the New Zealand market (NZX) available on its platform, allowing Kiwis into Asian Markets, most of which are growing significantly, appeals to innovation and a diverse portfolio.

Despite all the positives of Tiger, there have been a few missteps. In April of 2020, the Financial Markets Authority (FMA) issued a warning to Tiger for not having adequate anti-money laundering practices put in place within the company.

According to FMA, Tiger had failed to set up sufficient due diligence on customers and customer-related paperwork (verifying documents) during routine monitoring. Tiger was also unable to report suspicious activity within the appropriate time after forming suspicion and did not put measures to determine whether a user is a politically exposed person. Having political ties can mean access to information others don't have, leading to insider trading charges. According to the FMA, these issues were ongoing and could immediately damage NZ financial markets' integrity.

These concerns also meant that Tiger could be breaching the Anti-Money Laundering and Countering Financing of Terrorism Act (ALM/CFT). The FMA issued a public warning, and Tiger was given until 30th September 2020 to rectify these issues.

In July of 2020, the NZ Markets Disciplinary Tribunal found that Tiger Brokers breached NZX participation rules by depositing client funds into an account that was not the clients' and then failed to follow the directions NZX to cease using the account. Tiger Brokers was said to be showing "willful disregard" by failing to comply with directions given by NZX and were penalised for paying $160,000, along with the cost of the Tribunal and NZX. The Tribunal also suspended Tiger Brokers as an NZX participant indefinitely.

Finally, on 12th May 2021, Tiger Brokers resigned as an NZX advising participant; to be an advising participant of the NZX means to advise clients on the

markets that the NZX has to offer. By resigning as an advising participant, Tiger is essentially removing the option of trading within the NZX market. So, New Zealanders can trade on the platform, but not within New Zealand Markets.

Being removed from the NZX transforms Tiger into a cautionary tale; despite presenting a fantastic opportunity for Kiwis to invest in Asian markets, the issues it had within New Zealand show concerns about their conduct. The issues raised aren't unique requirements of New Zealand, they are anti-fraud requirements that every country has, and every brokerage platform must comply. It begs how reliable Tiger is and whether it is safe for New Zealanders to trade there. Being one of the only western countries Tiger offers its platform is a great advantage when trading in Asian markets. Still, users would have to be okay with Tiger's unreliability as a platform.

My opinion on this would be to proceed with caution; unless you're looking to invest in those Asian markets that Tiger offers, you're better off with Sharesies or Hatch. If you're a little more experienced and can use platforms that aren't precisely beginner-friendly, I suggest trading on them instead; Interactive Brokers mentioned above may be a good option.

The trading platforms available in New Zealand are growing, and our market is growing with them. More than that, our influence on other markets is also increasing, and we need to continue to understand the markets we enter. With Tiger, we saw how New Zealand could have a real opportunity to impact these prospering markets and how we should always proceed with caution when investing. While Tiger may have become more of a cautionary tale, Kiwis should keep a lookout for unique opportunities like Tiger presents.

KiwiSaver & the big shakeup

WRITTEN BY ANISTON INGER-HOLLAND

DO YOU KNOW HOW MUCH YOUR KIWISAVER FEES ARE? CHANCES ARE YOU'RE PAYING TOO MUCH - AND THE GOVERNMENT AGREES. RECENTLY, MULTIPLE KIWISAVER PROVIDERS HAVE COME UNDER FIRE FOR HIGH FEES FOR DEFAULT ACCOUNTS, AS WELL AS A LOW LEVEL OF SERVICE.

Default accounts are those where if an employee doesn't specify when registering for Kiwisaver, they are automatically placed into a fund. Default funds are selected by the Government, and the system is reviewed every seven years. Default funds are typically conservative and have lower risk - and thus returns - than other types of funds, such as balanced and growth funds. The Government has made considerable changes, including selecting funds that have low fees and are balanced and ethical so New Zealanders get the best deal.

The Government's main intention was to promote competition between providers. According to the Financial Market Authority for the year ending June 2020, Kiwisaver providers received a combined $538.9 million dollars in fee revenue - this is in stark contrast to -$820.9 million in investment returns. The Financial Market Authority noted that the greatest impact on Kiwisaver funds in 2020 was fees - not returns. Whilst 2020 had major financial ramifications in terms of the stock market. Questions should be raised when a providers' revenue is a lot more than what Kiwisavers actually made. In addition, overseas funds have seen a decline in fees, whereas in New Zealand, they are continuing to increase over the years despite no significant increase in service. The Government is addressing this with their framework of reducing fees in default funds.

The Government has slashed default providers from nine to six, with well-renowned fund managers such as ASB, ANZ, AMP, Fisher Funds and Mercer getting the boot. However, fund providers Simplicity and NZX's Smartshares have been welcomed on board. They join the existing Kiwi Wealth, BNZ, BT Funds (Westpac) and Booster in providing a default option to Kiwis. Minister for Commerce and Consumer Affairs, David Clark, stated: "The six default providers were selected because they offer the best value for money for their members in terms of lower fees and higher levels of service." Clark also noted that those aged 18 joining Kiwisaver could have an extra (nominal) $143,000 through lower fees and higher investment returns as a result of the shakeup. Adjusted for inflation, that is an extra $56,000 over their lifetime.

How do their fees compare, and why does it even matter?

As demonstrated by the table below, all percentage fees in the Kiwisaver default list have decreased.

	Current Default Fund Fees*	Default Fund Fees* (from 1 Dec)	Current Fund Fee $**	Fee (From Dec 1 $)**
Smartshares	NA	0.20%	NA	3.1
Simplicity	NA	0.30%	NA	4.7
Booster	0.38%	0.35%	5.9	5.5
BNZ	0.50%	0.35%	7.8	5.5
Kiwi Wealth	0.52%	0.37%	8.1	5.8
Westpac	0.47	0.40	7.4	6.2
AMP	0.39%	NA	6.1	NA
ASB	0.40%	NA	6.2	NA
ANZ	0.44%	NA	6.9	NA
Mercer	0.47%	NA	7.4	NA
Fisher Funds	0.52%	NA	8.1	NA

*These fees do not include yearly/monthly administration fees.

**Average yearly balance is based on contributions of $1042.86 plus the Government's contribution of $521.43. (A total of $1564.29).

In addition, Kiwis can expect to save thousands of dollars in the long run from these changes. While the numbers in the charts above may not be inherently large, the calculations they are based on are very minimum contributions and do not include employer contributions or extra contributions. However, they still show a story of how dropping six funds will improve the financial future of New Zealanders by giving them more money to retire with. The increased competitiveness of default funds may also impact the fees of other types of funds such as growth, conservative, etc. But those are changes that won't be seen immediately.

Fund	Average Return (%)	Over a lifetime (not adjusted for inflation) with current fees**	Lifetime (not adjusted for inflation) with new fees**
SmartShares	5.34	NA	$324,367.32
Simplicity*	9.61	NA	$1,300.551.48
Booster	4.30	$222,691.16	$224,711.84
BNZ	4.24	$210,994.17	$220,691.19
Kiwi Wealth	4.32	$214,813.27	$227,438.67
Westpac	4.36	$220,691.19	$225,390.04
AMP	3.87	$195.320.83	NA
ASB	4.44	$194,745.34	NA
ANZ	4.33	$220,691.19	NA
Mercer	4.34	$219,369.26	NA
Fisher Funds	4.83	$250,658.93	NA

*Simplicity's balanced fund is now the default fund. Simplicity's data is also post-management fees and is based on a three year average return, as 5 year data isn't available.
**Calculations are based on the contribution set out in the previous table of $1564.29 and are based on contributions beginning from the age of 18 with the assumption of retiring at the current set age of 67. It does not account for any withdrawals.

As the table above highlights, another government strategy will also significantly affect Kiwisaver funds: returns on investment. Historically default accounts have been conservative, meaning that it is a low-risk fund and will see lower returns. The Government has decided to change requirements to ensure new investors are getting balanced funds with better average returns. This is particularly useful since the current statistics show that out of 600,000 people who have entered default accounts, nearly 400,000 have not made an active decision. This means that those 400,000 may not be in the most appropriate fund and thus miss out on returns - especially if they stay in that fund for their lifetime. In conjunction with making default accounts balanced, the Government has also made requirements for default providers to reach out to new sign-ups and ensure they're in the right fund for them. This is an excellent idea as people have different goals depending on their life stages. For example, a young student has different goals and risk appetite than someone considering purchasing a home with their Kiwisaver or someone on the verge of retirement. A balanced default fund may be the right investment choice for some. However, providers should be encouraging this communication to ensure the investor is in the right fund.

Another priority that the Government considered was where these funds were allocating their assets. The Government believes that New Zealanders should not be automatically placed into funds that support controversial activities such as investments in fossil fuels and illegal weapons; thus, it wanted to ensure that these default funds invest ethically. This means that Kiwis aren't unknowingly investing in activities they want no part in - but it does highlight the concern that New Zealanders aren't doing their due diligence into what their funds are invested in. However, limiting this to default funds means that investors can then make decisions upon their own beliefs as to what they want to invest in and then can make those active decisions to invest in funds that may not have an ethics-focused investment mindset.

This shakeup is just the latest reminder to check your provider's product disclosure statement - and that you're actually in Kiwisaver or a retirement fund of some sort. Become educated about your risk appetite and set a goal for your retirement. There are numerous calculators online that estimate how much you'll need and how you're tracking, depending on your circumstances. It might not seem like much, but keeping on top of your Kiwisaver may save you hundreds of thousands in the long run.

Endeavor to public offer

WRITTEN BY MATT ATTWOOD

AS AN AVID MIXED MARTIAL ARTS FAN, IT'S INTERESTING SEEING THE UFC TRADE PUBLICLY THROUGH ITS OWNERS ENDEAVOR GROUP. HOWEVER, QUESTIONS ARISE AROUND THE COMPANY'S VALUATION, PARTICULARLY IN TODAY'S HYPE-BASED INVESTMENT LANDSCAPE AND THE POTENTIAL IMPLICATIONS THIS WILL HAVE FOR THE SPORT OF MMA.

Endeavor Group Holdings is an American holdings company and a significant part of the ownership group of the UFC (Ultimate Fighting Championship). Founded in 2009 after the merger with William Morris Agency, the William Morris Endeavour Group (WME) initially focused on artist representation and agency within the film, television, music, theatre and digital media industries.

WME rapidly expanded to include subsidiary companies as CEO Ari Emanuel exercised corporate growth strategies that are acknowledged in his nomination for Fortune's 2010 Business Person of the Year. In 2012 WME agreed to a deal with Silver Lake, a tech private equity firm making monumental movements in the sports industry, for Silver Lake to acquire a 31% minority stake in WME.

In 2013 WME and Silver Lake acquired IMG for $2.4 billion, and in 2016, WME-IMG led a group purchase of Zuffa, LLC (the parent company of the UFC) for $4.025 billion. At the time, this was the largest acquisition of a sports company in history. In 2017, WME-IMG was restructured and renamed to Endeavour Group.

In May 2019, Endeavor filed the initial public offering to the SEC with an initial valuation of $7.6 billion based on financial reports stating revenue of $3.6 billion and net income of $100 million. However, this IPO was withdrawn based on complications with lawsuits against the UFC based on adverse neurological effects of fighting, monopolising the MMA industry, and collective bargaining to unionise the MMA athletes.

These lawsuits made for an unfavourable valuation of Endeavor, coupled with the market conditions at the time, meant Emanuel had to withdraw the initial IPO strategically.

Endeavor Group refiled the IPO paperwork on April 20 2021 and had its official IPO on April 29. Endeavour raised around $511 million after selling 21.3 million shares at $24 per share. The share price rose by approximately 19% during the IPO before closing at $25.2. As of today's date (May 20 2021), Endeavor is valued at $29.9 per share.

Is Endeavor over-valued? In the case of many IPOs in today's investment environment, the hype factor can cause the overvaluation of the companies. This is particularly true when Elon Musk is

associated with the company. In Endeavor's case, Musk is part of the board of directors. The UFC has grown into a household name and has gained millions of viewers globally, which also significantly contributed to the popularity of the IPO. Despite the hype, there are a few concerning factors with Endeavor's valuation: the complex financials and accounting, large debt, and lack of shareholder decision-making.

Endeavor categorises its business operations into events, experiences, and rights and representation. They aim to provide premium intellectual property and content within the sporting industry with a direct-to-consumer model. However, the rights to such content are extremely costly, and Endeavor has committed to purchasing such rights regardless of profitability. For example, there was $2.2billion in guaranteed payments for rights to sporting events, which poses a large risk factor for the company.

Endeavor's largest asset on its balance sheet is goodwill at $4.1billion. This reflects their aggressive acquisition strategy and is subject to many risk factors such as degradation of brand name, image, intellectual property and customer relations, and if acquisitions do not meet expected performance. Additionally, goodwill is a complex asset to value, noting that Endeavor's auditors stated 'significant judgements' were made by management during the valuation.

Endeavor is highly leveraged with long term debt of $5.9 billion, interest expense of $284 million, and operating expenses at $3.6 billion at the end of 2020. Despite this Endeavor uses non-GAAP metrics to turn an operating loss into profitable 'adjusted net income' and 'adjusted EBITDA'.

CEO Emanuel and Executive Chairman Whitesell, along with affiliates of Silver Lake, currently hold a majority of the Class Y and Class X stock. This maintains their corporate governance of the company. Their interests may not align with those of other shareholders, such as profitability and implementation of dividends. At this stage, investors can only profit through share-price appreciation.

According to the SEC, Endeavor is using the IPO to gain 100% ownership of UFC. Endeavor previously owned 50.1% and is heavily banking on the UFC's future. The IPO proceeds were repurposed towards a deal of $1.7 billion to acquire the rest of the UFC.

Ultimately, the Endeavour IPO is a bet on the future of the UFC. 43% of Endeavor's revenue stream came from events and rights, 36% from talent representation, and 20% from owned sports properties (such as UFC). In 2020, Endeavor burned $1.3 billion in free cash flow, and since 2018, Endeavor Group has burned $2.3 billion in free cash flow.

Whilst the UFC has a very loyal fanbase and financial success, there is a downward trend in viewership, and it's questionable what changes Endeavor will make to counteract this. The debt and operating expenses of Endeavour drastically limit its flexibility to experiment in new developments of the sport.

From an investment perspective, Endeavor isn't portraying itself in the most favourable light for long-term success. And from a fan's perspective, the loss of star power in the UFC, declining viewership, and newfound competition in boxing social media, married with Endeavor's diminishing ability to adapt, is presenting a troubling new era for MMA.

MYOB column

Latest MYOB Report from across the Tasman – Closing the digital gap: an incentive for SMEs

Nearly half a million Australian SMEs have no or very low levels of digitisation in their business and getting them online would be worth a $10 billion injection to the Australian economy.

MYOB calculates 466,062 SMEs – approximately 20% of the 2.29 million sector – are not engaged with digital tools across critical areas of their business workflow, such as compliance and supplier management.

Fresh research of 1000 SMEs from MYOB delves further into typical digital use among the small business community, finding 40% of businesses use digital cloud-based software for work in progress (WIP) management, 38% for managing their people and 37% for growth opportunities, such as marketing. Just 26% of SMEs are connecting with their customers on social media.

With SMEs with advanced levels of digitisation 50% more likely to grow revenue, MYOB views support packages that bridge the digital gap for the one in five left behind as an economic imperative. MYOB forecasts a 1.8 per cent increase in the SME GDP contribution, or a $10.5 billion gain for the Australian economy, if remaining SMEs are brought up to speed.

Read the full report here

Closing the digital gap:
an incentive for SMEs

May 2021

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