UNIVERSITY OF AUCKLAND INVESTMENT CLUB

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STUDENT WRITERS - STUDENT OPINIONS

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Contents

An update from the club

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

YETI®

Texas Instruments

YETI Holdings (NYSE: YETI) is an outdoor lifestyle goods company based out of Texas that designs and sells a range of coolers, insulated beverage vessels and various other outdoor lifestyle goods. YETI has experienced tremendous growth from inception and has gained a dominant position in the market due to its cult-like following coupled with impeccable quality. With a sophisticated R&D, hyper effecting marketing and strong relationships, YETI has successfully begun moving into new geographical markets, which will help continue this growth long into the future. The Investment Committee passed YETI to the valuation stage by a vote of 14/16. Donovan Rea and Michael de Boyett will run the valuation.

"It may just be a cooler, Yet Everyone Touches It.... hah!" - Donovan Rea

Met Gala: museums, models and marketing

WRITTEN BY ISSIE DEKKER

BOOKMARKED BY THE FIRST MONDAY OF MAY, THE MET GALA HAS BECOME SYNONYMOUS WITH OUTRAGEOUS, OUTLANDISH FASHION. THE METROPOLITAN MUSEUM OF ART COSTUME INSTITUTE RAISES FUNDS BY SELLING HIGHLY SOUGHT-AFTER TICKETS AND TABLES FOR THE THEMED MET GALA TO FASHION HOUSES, BRANDS AND EVEN SOCIAL MEDIA GIANTS LIKE YOUTUBE. THESE COMPANIES THEN INVITE AND DRESS VOGUE APPROVED CELEBRITIES WHO PARADE THE ELABORATE RED CARPET BEFORE EXPLORING THE MUSEUM AND BEING SEATED FOR DINNER. WITH THESE HUGE AMOUNTS OF MONEY BEING THROWN AROUND FOR FIRSTLY THE TABLES AND THEN THE OUTFITS, IS THE BRAND ENDORSEMENT WORTH IT FOR THESE COMPANIES?

The event is centred around the theme of the exhibition set to open at the Costume Institute. This year's theme being "In America: A lexicon of Fashion", inspired by political activist Jesse Jackson's 1984 speech describing America as a "quilt – many patches... colours, many sizes" rather than a blanket of the same fabric. This exhibition is curated of 100 encased fashion pieces, each representing a fabric square in the patchwork and depicting an important aspect of American fashion. The Costume Institute is the sole curatorial department at the Met responsible for raising its own funds, and in 2021 raised a record USD 16.75million from the Met Gala to fund future exhibits.

As the hosts, Vogue implements numerous rules for guests to follow. From deciding on the final guest list and approving each outfit to curating the seating chart, Vogue and Wintour have the final say on everything. Photographers and the media are restricted to the red carpet, giving exclusive photo opportunities and access from inside the Gala to Vogue, a clever marketing strategy. With just enough photos of the attending celebrities and their outfits on the red carpet circulating social media and news stations, it creates a veil of mystery around the actual proceedings once everyone gathers inside. Akin to a movie premiere, people are enticed to rip this veil back and trawl the Vogue website to glimpse celebrities in all their glamour conversing and partying with other celebrities. With endless Met Gala exclusive interviews, videos and photographs from the inside, Vogue ensures their website traffic increases and stays this way for as long as the Met Gala remains relevant each year. Vogue benefits from Wintour being the Met Gala chairwoman each year promoting its own brand.

Tickets to the event, often compared to the Oscars alone, are notoriously expensive. In 2021, a seat would set you back $35,000USD, with tables ranging between $200,000 and $300,000USD depending on the size of the company purchasing. These costs are completely absorbed by the companies, which are then allowed to invite celebrities to fill these seats. Even if a company or individual can afford to make this investment, American

Vogue Editor in Chief Anna Wintour must approve anyone they intend to invite to the Met Gala. After Kim Kardashian's first Met Gala in 2013, it was rumoured that Wintour rejected her attendance for multiple years, proving that not even having $35,000USD to spare guarantees attendance. Once approved attendance, outfits also must be passed by Wintour.

On top of this is the cost of each piece worn. Met Gala dresses cost between $4,495USD to $35,610USD and above, and in 2019 $2million USD worth of jewellery was lent to Blake Lively for the red carpet. Simone Biles's showgirl-inspired Swarovski crystal embroidered dress took 100 workers around 6,650 hours to make. Along with the cost of tables and tickets, this spikes the cost to designers and sponsors with attendees at the Met Gala. With so many thousands of dollars spent on just making it to the red carpet, it is no wonder that designers create such ostentatious outfits. With up to 600 celebrities each, a walking advertisement of the brand who invited them, being as eye-catching as possible, directs the attention to the designer.

As the outfits are often so unconventional, admiration of each outfit is completely subject to personal preference. Some websites gush about celebrity looks that get slammed by others. The Met Gala presents an opportunity to designers to market their brand by pushing their limits and giving them a chance to explore what they can create alongside their celebrity models. The social media content that celebrities post from the Met Gala generates significant interactions. Kim Kardashian's two Instagram posts in her outfit from the 2021 gala received 7.5 million likes and up to 86.1 thousand comments, significantly higher than other posts on her page.

The celebrity looks, such as Kim Kardashian's full-body black Balenciaga ensemble this year (check it out here), are custom designed for each attendee. It is hard to imagine anyone wearing them more than once, and certainly not as an everyday outfit for work or the supermarket. This raises questions about what messages of sustainable fashion the design houses are sending to the public. With the rise of anti-fast-fashion movements across the world, is this really the best way to draw in customers? In a McKinsey survey, 65% of surveyees expressed their intent towards a more environmentally friendly fashion world by building their wardrobes with clothing that is versatile and timeless. While these wild outfits do raise people's attention to the designer, they are not usually representative of the designer's label and collections available to the public. As the Met Gala is widely advertised, the public is well aware of this, and a quick google confirms you cannot buy a black full-bodysuit from Balenciaga yet. People know that these designers also carry everyday wear that is much more suited to their lifestyle.

Additionally, there are many articles sharing the stories inspiring the looks, many of 2021's stemming from social and political justice issues (see here). So, while the Met Gala looks may not look like something you would ever wear, they are highly effective in getting people talking about the brand and looking at their story is an excellent advertisement for their values. It drives people towards learning more about the designers work and looking at their comparatively "normal" editions lures in customers.

Luxury goods company LVMH which owns Louis Vuitton, Dior and Tiffany & Co, among others, spent $7.3 billion USD on advertising and promotion in 2020. A full-page colour advertisement in Vogue magazine is $157,734 USD. Given how much these design houses already spend on advertising, the Met Gala demands significantly more attention than an ad in a magazine for slightly over double the cost. The brand awareness Met Gala induces makes the decision to purchase tables and dress celebrities well worth it.

Despite the large upfront cost's brands pay to have celebrities walk around in their flamboyant creations on a large red carpet, designers such as Balenciaga, Versace and Gucci all purchase tickets for the Met Gala each year. As adventurous as the dresses may seem, it weirdly works well as a massive advertisement opportunity for each of these brands. These designers and other big brands certainly think it is worth the investment.

How to get rich in a financial crisis

WRITTEN BY ANISTON INGER-HOLLAND

AH, THE SEPTEMBER EFFECT. IF YOU HAVE ANY SKIN IN THE FINANCIAL MARKETS, YOU WOULD'VE NOTICED THE DOWNTURN. HISTORICALLY SEPTEMBER HAS PROVIDED WEAK RETURNS IN THE UNITED STATES STOCK EXCHANGES, WITH THE BELIEF THAT AFTER SUMMER VACATION, INVESTORS RETURN TO LOCK IN GAINS AND TAX LOSSES BEFORE THE END OF THE YEAR. LIKE CLOCKWORK, PUBLICATIONS RUN STORIES ON HOW YOU CAN MAKE MONEY IN RECESSIONS - AND IT'S A GOOD IDEA, RECESSIONS CAN BE GREAT PLACES TO MAKE MONEY (I'M LOOKING AT YOU, MICHAEL BURRY). SO I THOUGHT, AS A WRITER AT AN INVESTMENT-FOCUSED PUBLICATION, I AM OBLIGATED TO SPIN OUT ONE OF THOSE PIECES.

Gold? Silver? Oil? Index funds? Where is the best opportunity in a downturn?

It all depends on why the market is falling, but historically there have been some common equities that have shown decent returns. Many financial experts suggest gold as it is typically a stable store of wealth. Whilst that's true and a recession investment strategy should be diversified, there is money to be made in common stock.

Firstly, let's think about what happens during a recession: consumers are strapped for cash, and their livelihoods are uncertain. As in 2008 and March 2020, many lost their jobs and their livelihoods. Even the best emergency funds may not be sufficient for consumers to live comfortably until a financial crisis simmers. Until then, many consumers have less discretionary spending and thus can't spend much on luxuries.

So how can anyone make any money if consumers are tightening their belts?

We're bringing in another effect: the Lipstick Effect. How is this relevant? Well, the Lipstick Effect details a common phenomenon where sales of small indulgences such as lipstick increase during a recession. This occurs because consumers cannot afford large ticket items due to being strapped for cash. Instead, consumers treat themselves to small indulgences to temporarily forget their financial problems. Does this mean you should buy up equity in beauty conglomerate Estée Lauder? Not necessarily, but it sheds light on a potential opportunity: discount retailers.

Discount retailers are a great opportunity for sustainable investment in an economic downturn. Dollar Tree had a compound annual growth rate of

17% during the global financial crisis, therefore, beating the S&P500. Whilst privately owned during the recession of 2008, Dollar General performed well during the recession of 2001 and also sustained decent returns during the pandemic. Other viable options that tap into this discount market include Walmart and Amazon. For New Zealand and Australian investors, The Warehouse Group and Wesfarmers - the owners of Kmart, Bunnings, OfficeWorks and farming-specific businesses - firms have benefited significantly from the 2020 pandemic.

Whilst you can buy into the Lipstick Effect in a literal way by investing in such companies such as Estée Lauder, who returned gains of 90% during the 2020 pandemic, a diversified strategy could be investing in discount retailers who have provided sustainable returns in economic uncertainty.

Disclaimer: this article is not financial advice.

Wokeism and CSR: the catch-22 of the business world

WRITTEN BY LUKA BORICH

AT WHAT POINT DOES CORPORATE SOCIAL RESPONSIBILITY (CSR) BECOME 'WOKEISM'? THE ANSWER TO THIS QUESTION IS SIMULTANEOUSLY OBVIOUS YET OBSCURE. IN A WAY, IT CAN SEEM CLEAR WHEN A BUSINESS IS JUST PAYING LIP SERVICE TO SOME SOCIAL JUSTICE CAUSE. BUT THE MORE YOU ZOOM OUT, THE HARDER IT BECOMES TO DISTINGUISH ACTIONS IN LINE WITH CSR AND THOSE THAT COULD BE CONSIDERED 'WOKE'. WHAT WE MUST REALISE IS THAT THIS IS A FRUITLESS EXERCISE.

CSR is an emergent concept where companies factor environmental and social concerns into their decision-making process and operations. The goal is for businesses to use this model to self regulate their activities as they seek to maximise value for all stakeholders. This includes the environment and the wider community in which they operate. In 2021, it is rare to find a public company that does not actively engage in some form of CSR.

'Wokeism' can be challenging to define. Vivek Ramaswamy is the former CEO of pharmaceutical company Roivant Sciences and wrote Woke, Inc: Inside Corporate America's Social Justice Scam. He is arguably the commander in chief of the anti-woke brigade. According to Ramaswamy, wokeism is a "religious-like response to the 'moral vacuum' created by the loss from public faith…". Ironically, Vivek is as guilty as his counterparts when it comes to hitting the 'business buzzword counter'. Wokeism, in my eyes, is reducible to five words – 'for the sake of it'. This is how we should think about wokeism. Fundamentally, it is a claim about the societal goals of a business, or lack thereof. It is both a criticism and accusation, specifically that a company lacks the social consciousness it claims to exhibit.

Tracing the history of CSR and wokeism reveals little insight into the difference. The pitfalls of capitalism exposed the need for CSR, and the profitability of CSR birthed the phenomena of wokeism. Both can exist. But when does one become the other?

What we are really saying when a company is labelled woke is a trendy way of saying 'we don't buy it'. Judging intent and authenticity is unfalsifiable, and therein lies the Catch-22: People will never be convinced of a company genuinely committing to CSR when they can equally be convinced of 'wokeness', because they can never be proven wrong. The cynicism of the consumer lies at the crux of the conundrum.

Whatever one believes about the ethical responsibility a company has for its stakeholders, it is clear that the pressure society now puts on businesses to operate transparently has led to positive outcomes. Investments in the community, however insincere, still benefit the community. When Nike factory conditions were exposed at the turn of the century, it forced

them to adjust. Even if you feel the changes were inadequate (recent history suggests as much), many Southeast Asian families gained access to better education.

This does not mean we must pretend like they are ethical or stop pressuring businesses to be better. Businesses care primarily because caring can be monetised, and to not care is a PR disaster. Companies spend billions on advertising campaigns that are designed to associate their brand with values like diversity, inclusion, equality. People can laugh at the transparency of the exercise, but if a company is actually closer to those values as a result, are we not in a better world?

Besides, active members of society shaped this landscape. People have, on some meaningful level, made the proverbial bed on which people now lie awake complaining about. Maybe it runs deeper than this. In a way, wokeism and CSR are analogous to anxiety and excitement. Physiologically, anxiety and excitement are extraordinarily similar. The framing is therefore instructive on how we interpret the experience.

Attempting to expose wokeism, either by accusation or boycott, can also be demoralising. Don't get me wrong: it is necessary for certain instances. Challenging a company to be better by labelling them as woke can hurt their stock price, which will undoubtedly prompt reform.

But we are all on the same side. Celebrating wokeism is a tacit acknowledgement of the impossible scenario we find ourselves in. For all of its positives, CSR as a solution to ruthless profit maximisation of businesses is flawed. Companies care about whether society believes that they care. The primacy of that over the care they have for humanitarian concerns is dubious and unprovable. Ultimately, when a company is labelled part of the 'wokeism' movement, and it's humiliated into submission, we are often just scoring own goals. And that's no way to win the game.

Barings bottoms out

WRITTEN BY ZAC GADSBY

THE STORY OF BARINGS BANK AND ITS EMPLOYEE NICK LEESON IS A HUGELY FASCINATING LOOK INTO HOW ONE ROGUE TRADER COLLAPSED A BANK THAT HAD STOOD FOR MORE THAN 230 YEARS THROUGH ROGUE TRADING.

Barings Bank was founded in 1762 and focused on wool trading. As it grew, it diversified its trading to a number of other commodities. A dark patch in its history was its involvement in the highly lucrative slave trade, which enriched the business so much that it could expand further into the UK and abroad. Another landmark event in the history of the bank was that Barings helped finance the huge piece of land that eventually became the US state of Maine.

Towards the end of the 17th century, Barings Bank was seen as a 'great European power' and dominated the market of financial institutions. However, this did not last. Barings was heavily involved in underwriting debt for Argentina and Uruguay, and when the 'Revolution of the Park' occurred in 1890, the Argentinian government collapsed after failing to meet debt payments., Barings' overexposure led to a near collapse in the bank. This led to the acute recession known as the 'Panic of 1890'. The Bank of England and a number of other UK banks agreed to bail Barings out, providing it was restructured and would keep sufficient reserves to fend off times of instability.

Barings never returned to the levels of dominance it held in the 17th century but continued to be a key player in the banking market in both the UK and abroad. That was until 1995.

Nick Leeson was born in Hertfordshire in 1967 to working-class parents. He started his banking career as a clerk at Coutts, a private bank, before moving to the back office of Morgan Stanley's Futures and Options desk. He applied to move to the front office but was turned away, and with few prospects at Morgan Stanley, he left to chase his dream of being a trader. After a couple of stints at other banks, he ended up at Barings Bank, where he was briefly seconded to Jakarta.

On his return to London in 1991, he investigated a fraud claim between a Barings employee and a client and discovered the employee had been using the client's account to trade before margin calls alerted the clearinghouse to the transactions. This may have sowed an early seed in the mind of Leeson as he uncovered what not to do when committing fraud.

In April 1992, Barings opened a Futures and Options office in Singapore to trade on the SIMEX. Leeson's hard work was finally paying off as he was appointed general manager of both the front and back office. It is worth noting that Leeson applied for a UK broker's licence before leaving London, but it was rejected as he committed fraud on the application. He was, however, approved for his Singapore broker's licence but didn't disclose his reason for rejection in the UK.

Almost immediately, Leeson started making unauthorised speculative trades which at first made huge profits for Barings. In his first few months, he made £10 million, almost 10% of Barings annual profit. His managers in the UK thought he was a trading genius and were overjoyed with their new star trader. Things quickly turned south, as luck always runs out. He used one of the bank's error accounts to begin hiding losses. The '88888' account was opened for another member of staff's trading error earlier that year, and Leeson realised this was the perfect place to begin hiding losses.

By the end of 1992, the 88888 account held losses of £2 million. By the end of 1993, it was in excess of £23 million. In order to try and cover the losses, Leeson began an aggressive doubling strategy where he doubled down on his trades in an attempt to cover the loss of previous trades. This did work a handful of times, and, at one point in 1993, he recouped £8 million to clear the error account.

Leeson was under pressure to uphold his reputation as a star trader and continued hiding losses in the error account whilst showing his few profitable trades to managers in London. When he began asking for more capital, Barings continued to send him millions of pounds with no scrutiny of his reasons. Had they looked a little deeper into their accounts, they would have realised that Leeson was forging documents and financial statements to hide the losses.

By the end of 1994, the error account held losses of more than £208 million. It's unbelievable that this went unnoticed. Leeson's luck went from bad to worse in early 1995 when he made a bet that the Japanese Nikkei index would not move significantly overnight. To his dismay, an earthquake struck Japan that night, killing 6,500 people and damaging 400,000 buildings. The Nikkei index fell dramatically when trading opened in the morning, and Leeson suffered huge losses.

In order to recoup these, Leeson made even riskier long-term arbitrage trades, hoping that the Nikkei would recover quickly. It didn't. Leeson left a note on his desk with the words "I'm sorry" written on it and fled to Malaysia in February of 1992 with his wife, who at the time had no idea what was happening.

The losses eventually totalled £827 million, more than twice the available capital Barings had for trading. Barings failed to be bailed out, and with that, the UK's oldest merchant bank closed its doors for the final time on February 26, its demise down to one man. Even Her Majesty the Queen had her account closed.

Leeson was eventually arrested in Germany and extradited to Singapore. He served four years of his six-year sentence before being released for good behaviour. He was interviewed in prison and came across as confident but accepting that he had made the losses. He criticised his managers in the UK for their complacency and hinted at blaming them for letting it spiral out of control.

I almost have to agree with him here. Had the managers in London questioned him once, or asked for trading statements, or even investigated themselves, they would have discovered the error account much before everything turned to chaos, and the bank might still stand today.

After his release, he wrote his book 'Rogue Trader', and documented his side of the story. The book was later picked up and created into a feature film of the same name.

The story of Nick Leeson and Barings Bank is a fascinating tale of fraudulent trading, overconfidence and a lack of supervision from management. One would think that banks would have put measures in place to make sure that this would never happen again, but banks can often be complacent like that. When a trader is making money on unauthorised trades, he's a genius, and when he's not, he is a rogue trader.

Cue the story of Jérôme Kerviel, a trader who lost more than €4.9 billion for Société Générale in 2008...

MYOB column

Supply chain security: why data-led insights are big business

Covid-19 has changed a lot of processes in business, while revealing changes required in many others, such as our global over-reliance on opaque supply chains. Not knowing who's in your supply chain – or perhaps having the ability to even find out – is causing big concerns worldwide.

Whatever your business, the past two years have demonstrated that being able to access in-depth data about your supply chain partners (and even their partners) is essential for using data-led insights that will assist you to navigate through any future disruptions, no matter how they materialise.

Read the latest article on the MYOB Blog here.

Featuring:
- What is supply chain risk?
- What is supply chain security?
- How to strengthen supply chain security
- How data can be used to inform business leaders
- What are market innovators doing in 2021?

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NZFMA New Zealand Financial Markets Association

BDO

FRIDAY
3 NOV 2021

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Fireside chat with founders Laura Bell Safestack, angel investor Marissa Fong, chair ArcAngels Cecilia Tarrant and MC Amy Stevens.

THURSDAY 11 NOVEMBER 2021

5.30 – 7.30 PM
NETWORKING + DRINKS

AT THE GRID, 101 PAKENHAM STREET WEST,
WYNYARD QUARTER, AUCKLAND

PATHWAYS TO CFO

INFINZ
YOUNG FINANCE PROFESSIONALS

Panel Discussion & Networking

PHIL NEUTZE CFO AUCKLAND AIRPORT, LYNDAL YORK CFO FISHER & PAYKEL HEALTHCARE + MORE

Hear from renowned New Zealand Chief Financial Officers about the different paths they have taken in their careers, and the advice they would give to young aspiring financial professionals.

WEDNESDAY 17 NOV 2021

5.30 PM– 7.30 PM
NETWORKING + DRINKS

AT BELL GULLY, VERO CENTRE
48 SHORTLAND ST, AUCKLAND

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Looking outside of the traditional exchange platforms, we explore what other options are now available for investors, and companies looking to raise capital.

WITH COLIN MAGEE, FOUNDER & CEO, CATALIST | ROSS VERRY, CEO, SYNDEX
SIMEON BURNETT, FOUNDER & CEO, SNOWBALL EFFECT | DAVID WALLACE, MANAGER USX

THURSDAY 2 DEC 2021

5.30 PM - 7.30 PM
NETWORKING + DRINKS

At Link Market Services *NEW* offices
Level 30, PwC Tower, Queen Street,
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