UNIVERSITY OF AUCKLAND
INVESTMENT CLUB

INVESTMENT BULLETIN

STUDENT WRITERS · STUDENT OPINIONS

THE RISE OF DECENTRALISED FINANCE

BY FAHEEM IBRAHIM

+ MORE ON:

MANCHESTER UNITED'S TAKEOVER
THE 'GREAT BRAIN DUMP'
DISTINGUISHING TRASH FROM TREASURE

& FROM OUR PARTNERS:

MYOB'S BUSINESS EVOLUTION
BANKING PANIC CROSS THE ATLANTIC

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A Message from the Bulletin Team

BY TIM CROSS, BULLETIN EDITOR-IN-CHIEF

WELCOME

Ahoy, welcome to the first edition of the UAIC Bulletin for 2023! As Editor-in-Chief, I am fortunate to be leading such a talented group for 2023.

Born and raised in Otautahi, Christchurch, I moved up to Auckland in 2020, enrolling in a BSc and BCom conjoint. At high school I developed a love of economics and so UAIC was a natural fit. I joined the club as a bulletin writer in my first year, joined the exec in my second year and am now leading the bulletin team this year.

Since starting University, I've undertaken internships across technology, venture capital, and investment banking. I hope to leverage my previous experiences to help improve upon the quality of articles released this year.

Outside of work, I love to be active. In my spare time I enjoy skiing and tramping in my native South Island and am slowly learning how to swing a golf club. I grew up playing hockey competitively and represented Canterbury at an age-group level. I also love Indie music and try my best to get to a few gigs a year.

Our plans for 2023

2023 marked a record year of bulletin applications and I'm excited to welcome seven new writers to the team. Alongside our returning writers, we've built an incredibly diverse team that spans a wide range of degree backgrounds and year levels. This year also marks the introduction of a new role, the sub-editor. The sub-editor serves as my right hand man, helping with formatting and editing. I am excited to announce Ben Hall will serve as the inaugural sub-editor this year. Expect to see more of the same hard-hitting, opinion pieces the UAIC bulletin has become revered for.

Now in my fourth year in the Bulletin, it's been fantastic to see the community of readers grow year on year. This growth would have been unattainable without the generous support of our industry sponsors MYOB and Forsyth Barr. We're excited to welcome back both our sponsors for 2023 and I look forward to taking the bulletin to new heights.

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STUDENT WRITERS · STUDENT OPINIONS

Co-Presidents' Address

BY NANCY WU AND ROHAN BHATT, UAIC CO-PRESIDENTS

A very warm welcome to all UAIC members this year, new and returning alike!

As your Co-Presidents for this year, we are thrilled to continue delivering the Club's value offering to all members through our legacy initiatives and a few exciting fresh events. From educational workshops and a UAIC podcast, to competitions and social events, we look forward to meeting all of you at our events throughout the year.

Through creating a welcoming and tight-knit community, we are striving to cultivate an environment of support and growth for all our members. In this way, the Club serves to not just educate members about investing and business, but also help create friendships and ultimately deliver value in some form or another to each member.

Our executive team, composed of students from a range of cultural and academic backgrounds, are working relentlessly to help provide opportunities to our members, and we would like to thank them for their dedication to the Club this year.

Feel free to reach out to either of us at any time during the year with any questions or queries, we're always happy to help! We hope you enjoy all our events this year and come out the other end with a deeper understanding of investing, as well as a sense of community on campus.

INVESTING IS FOR EVERYONE

Investment Committee Chairperson Address

BY JARROD ONG, INVESTMENT COMMITTEE CHAIRPERSON

INTRODUCTION

Hi, I'm Jarrod! I'm in my 3rd year of a BCom degree with majors in Business Analytics and Finance. This year, I am the Investment Committee Chairperson where I am responsible for administering a group of 17 student analyst. This group of students meet twice a week to conduct and evaluate stock pitches across New Zealand and Australian markets. It is our objective to find potential investment opportunities with good business models, quality management teams, and at great prices as part of our value investing mandate. In the investment committee, we learn more about identifying great businesses, researching industries, and conducting valuations as part of becoming better investors. Stay up to date with the Bulletin to see what companies are presented to Investment Committee throughout the year!

2023 SO FAR

From 2022, several of our Senior Analysts graduated university and have embarked on their career journeys. Former Chairperson Michael Smith and Senior Analysts Daniel Mar, Joe Strawson and Raewyn Leow have planted the foundations for the continuous success of Investment Committee, and their legacy is still felt today!

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

Our newly formed team of 17 have undergone an onboarding process where we teach and refresh analyst on the fundamental skills of running our fund. This included an induction and three technical workshops with the aim of bringing all analyst onto the same page as to how Investment Committee operates. Abby Sathyendran and Gavin MacMillan delivered a workshop discussing the qualitative components of a pitch. Wynton Brick then ran through a comparable valuation tutorial followed by Katy Qiu and myself discussing the Discounted Cash Flow Model.

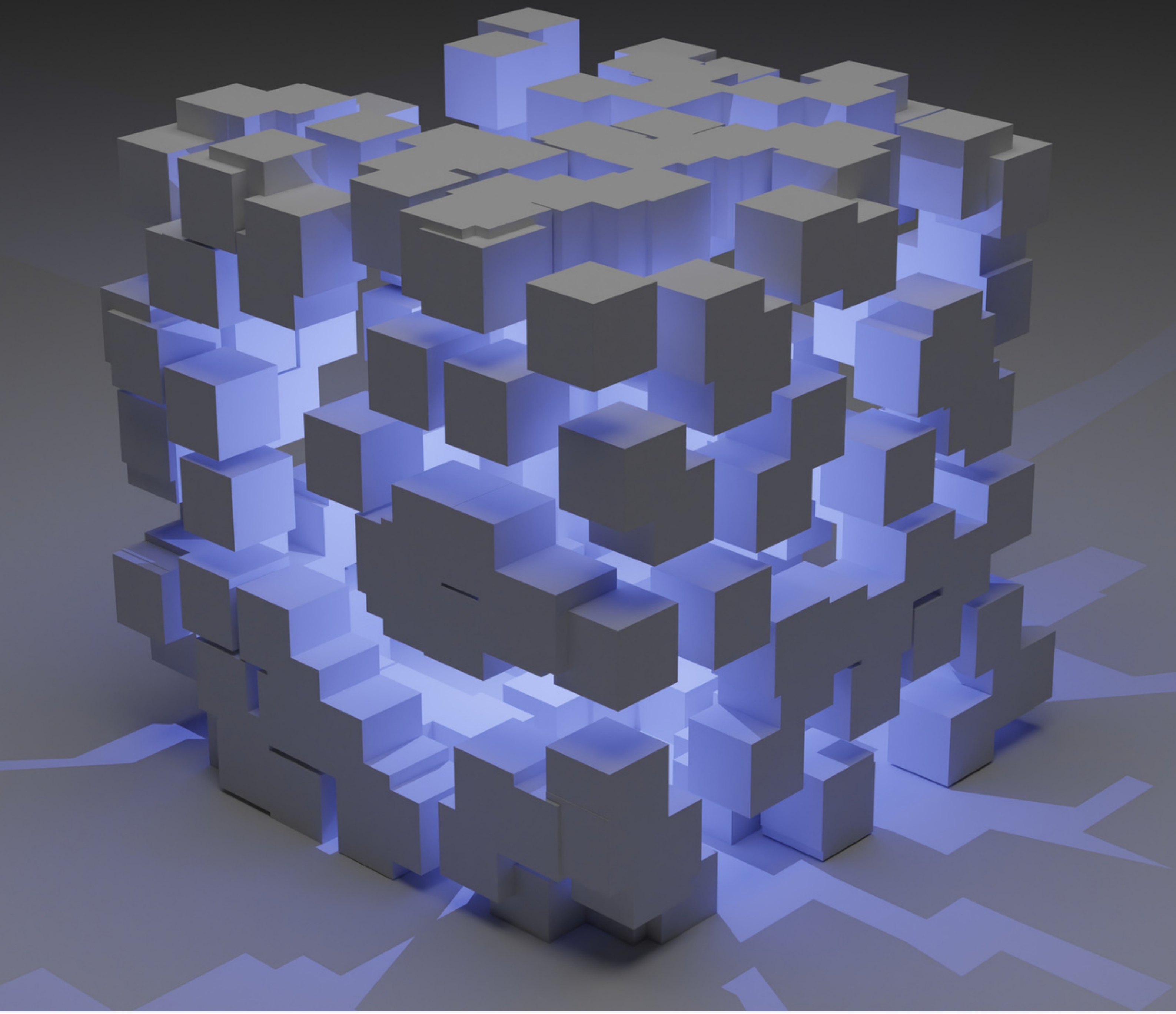
"My vision for the Investment Committee is to create opportunities for our analyst to become better investors through education, with the goal of elevating pitch quality and maximising personal development. "

FINANCE

The rise of Decentralised Finance

BY FAHEEM IBRAHIM

The world of finance has undergone significant changes recently, with decentralised finance (DeFi) growing in popularity. DeFi is a new way of doing finance that's based on blockchain technology, which lets people do things like lending, borrowing, and trading without having to go through traditional banks. DeFi’s growth has caused headaches for regulatory bodies in the banking sector



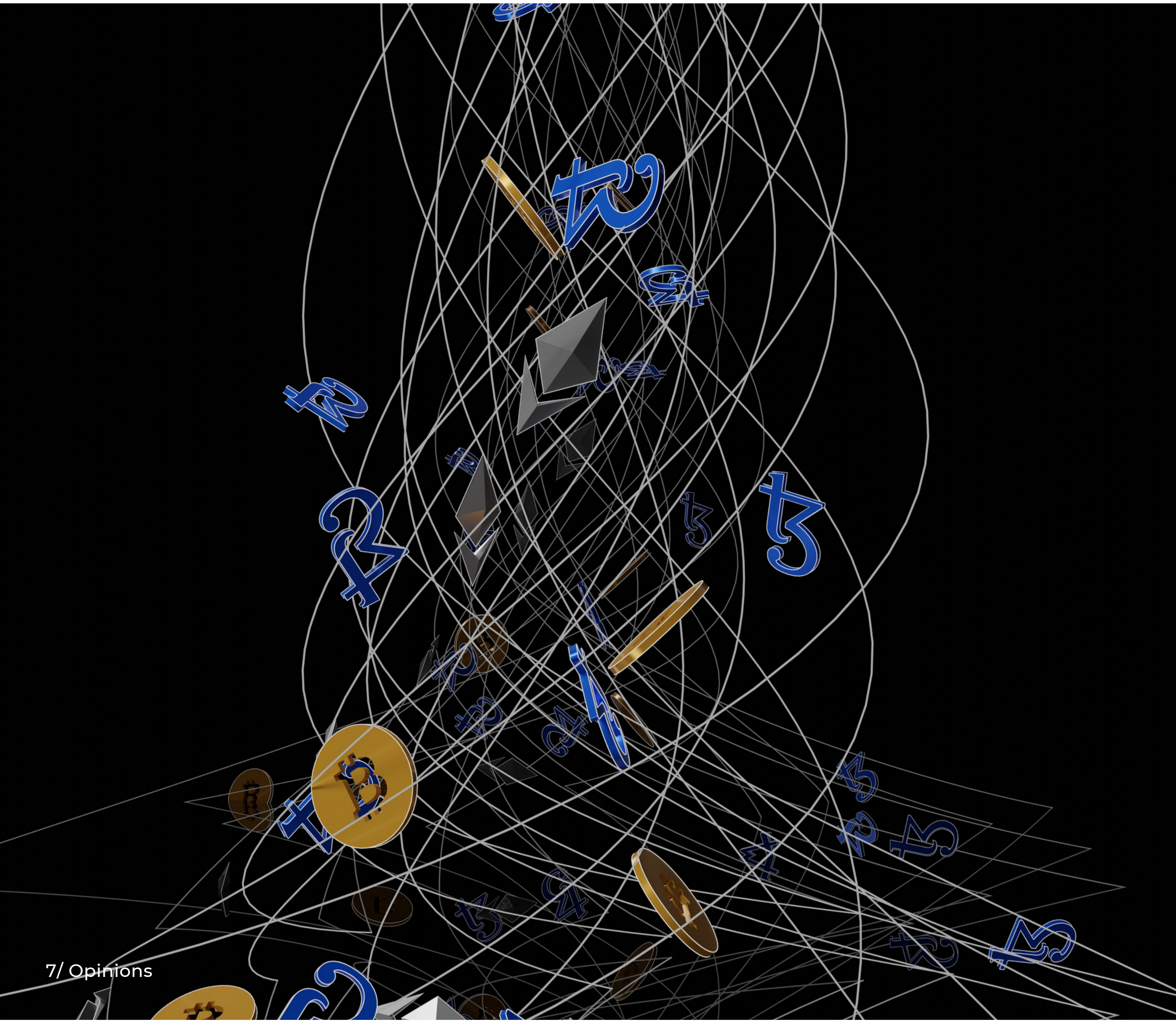
DeFi emerged as a result of digital assets such as Bitcoin and Ethereum. These pioneering cryptocurrencies introduced the concept of financial instruments that operate independently of a central governing body. DeFi takes this idea even further by creating financial services on top of blockchain technology. Smart contracts, which are like digital agreements that run themselves, are the main building block of DeFi and make transactions super transparent. DeFi has grown rapidly in the last few years. In February 2023, more than $50 billion was locked up in DeFi platforms according to Bitcoin.com, showing just how big this new way of doing finance could become.

A significant impact of DeFi on banks is the heightened competition it introduces within the financial sector. DeFi platforms offer a lot of the same services that banks do, like lending and asset management, but they can also offer better interest rates on savings and lower fees on transactions. It is understandable why DeFi is an attractive prospect for users. Because of this, banks have to figure out how to adapt to a world where the financial landscape is always changing. Banks need to come up with new ideas and figure out how to use blockchain technology and DeFi in their own systems. This could lead to new types of finance models that mix the best parts of DeFi and traditional banking. For example, banks might start using smart contracts for things like trade finance and sending money abroad, which could make those processes faster and transparent.

Regulatory bodies are still struggling with how to best regulate DeFi. This can be viewed positively or negatively by banks. On one hand, banks can use this uncertainty to their advantage by promoting themselves as trustworthy and regulated alternatives. However, as governments begin to establish regulations surrounding DeFi, banks may face increased scrutiny and need to follow new regulations.

DeFi holds the potential to increase accessibility to financial services for everyone, particularly in developing countries where many individuals lack access to traditional banks. The high costs of establishing physical branches and inadequate infrastructure have made it difficult for traditional banks to serve these populations. However, DeFi platforms, with their decentralised nature and internet-based operations, can operate at lower costs and reach a broader audience. This situation presents both challenges and opportunities for traditional banks. They may need to leverage DeFi technology to enhance the accessibility and affordability of their services. By collaborating with DeFi platforms or even developing their own DeFi solutions, banks can maintain relevance and attract customers.

In conclusion, DeFi is causing a big shift in finance, and banks need to be proactive to stay ahead in the game. If banks can work together with DeFi platforms, they might be able to create new financial services that combine the best of both worlds. This could make finance more efficient, transparent, and available to everyone, which would be good for both consumers and businesses. By embracing the opportunities that DeFi offers and addressing the challenges it brings, banks can make sure they remain at the forefront of the financial services industry in the years to come. By being open to change and collaborating with DeFi platforms, banks can continue to play a major role in the ever-evolving world of finance, benefiting both themselves and the people they serve. The rise of DeFi is an exciting development, and it'll be interesting to see how traditional banks and the financial landscape continue to adapt and grow alongside it.



INVESTING

United under the flag of Qatar

BY RILEY BOGARD-ALLEN

Ownership of the world's most revered football clubs is increasingly falling into the hands of wealthy investors looking to capitalise on the Beautiful Game. Most accept this as an inevitable, albeit troubling reality. But what if these owners were entire nations? This too is the lived reality of a select few and, in the face of a proposed takeover by one Qatari banker, Manchester United, quite possibly the most widely recognised club on the planet, looks set to be next.

Currently controlled by the Glazer family, Manchester United's ownership has been a hot topic in recent memory. After a long period of commercial and footballing success since Malcolm Glazer acquired the club in 2005, many supporters have now become disillusioned with the American owners. TV pundits are divided as to the owners bearing on events on the pitch - more later. It is for all these reasons that bids for the club have been met with mixed feelings.

One of these bids comes from Sheikh Jassim bin Hamad al Thani to the tune of four billion pounds. Among other posts, Sheikh Jassim is chair of Qatar Islamic Bank and the Nine Two foundation. Purpose-built to head up the takeover, the latter's name is an ode to United's star 'Class of '92'. Sheikh Jassim is also the son of former Qatar Prime Minister Hamad Al Thani. It is important to acknowledge there is no explicit link between Sheikh Jassim and the state of Qatar, however his family ties and commercial interests are undeniable. Supporters of United have the right to feel sceptical.

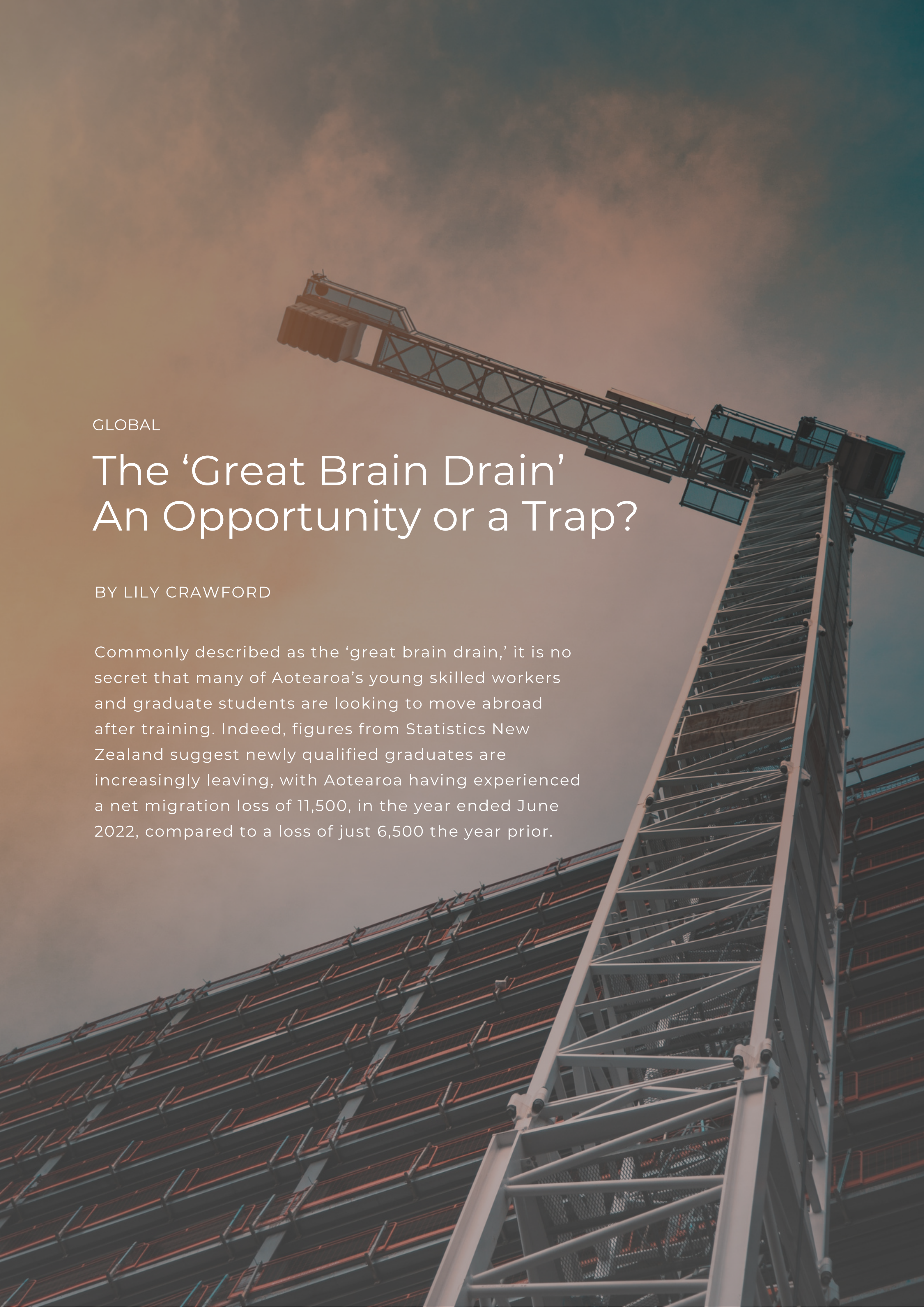
A perception of state ownership, or something akin to it, is justifiable in light of other ownership structures that bear a striking resemblance. United's cross town rivals, Manchester City are 81% majority owned by City Football Group, which are in turn owned by Abu Dhabi United Group. Its head is one Sheikh Mansour bin Zayed Al Nahyan, whose long list of titles includes royal, politician, vice president and deputy prime minister of the United Arab Emirates. More recently, Newcastle United was sold to a consortium led by Saudi Arabia's sovereign wealth fund, the Public Investment Fund, or PIF. Most damning is Paris Saint-Germain, owned by none other than Emir of Qatar Hamad Al Thani, the country's monarch and head of state, through Qatar Sports Investments (QSI).

We might compare these ownership structures with that of Germany's top-flight clubs. Regulations prohibiting majority control from a single entity have given way to the phenomenon of fan ownership. Shares of Borussia Dortmund, for example, are largely held by fans. Consistently a top competitor, Bayern Munich is said to be run mostly by past players, who have garnered the full support of fans as a result of their service to the club. Indeed, RB Leipzig was a club vehemently condemned for appearing to dodge these regulations. Under the fan-owned model, German clubs have some of the most dedicated fan bases in the world and consistently turn over a profit. The contrast is a stark one.

If the bottomless bucket of cash that groups like QSI and PIF offer could solve all problems, many United fans would be willing to turn a blind eye with regards to Sheik Jassim. However, it is not necessarily true that the injection of capital to the tune of millions, even billions of dollars translates to a better performance on the pitch. The results of Paris Saint-Germain, namely its continued struggle to succeed in Europe, stand out as a prime example. The fact PSG's latest Champions League campaign was cut short by Bayern Munich is ironic and hugely illustrative of this point.

The same could be said of affairs off the pitch. One finds it hard to imagine the United faithful would relate any better to billionaire Sheikh Jassim than they did to billionaires Joel and Avram Glazer. There would be no great culture shift; if anything, the culture surrounding the club would deteriorate. Such is life for Manchester City and PSG, who have been accused of lacking real substance as a club, regardless of their success (or lack thereof) on the pitch. Again contrast this with the fan-based model championed in German football - a glittering example of football done right.

As the sale of football's most celebrated club proceeds, it is worth asking what we want the sport to look like. Fans would surely reject owners located a world away, unreachable and existing only to sign cheques; they would surely reject owners with ties to any government or monarchy and who were actively operating to serve those institutions; they would certainly reject flying any flag other than their own. The fabric of the Beautiful Game is at stake. Let us work hard to preserve it.



GLOBAL

The 'Great Brain Drain' An Opportunity or a Trap?

BY LILY CRAWFORD

Commonly described as the 'great brain drain,' it is no secret that many of Aotearoa's young skilled workers and graduate students are looking to move abroad after training. Indeed, figures from Statistics New Zealand suggest newly qualified graduates are increasingly leaving, with Aotearoa having experienced a net migration loss of 11,500, in the year ended June 2022, compared to a loss of just 6,500 the year prior.

For New Zealanders, Australia is widely recognised as the most popular international destination for newly qualified graduate students, with 670,000 New Zealanders currently residing there. Recently announced policy changes, effective 1st July 2023, have resurfaced discussions around this "great brain drain." The changes will make applying for citizenship even easier for Kiwis, who will be able to apply for Australian citizenship after just four years of living in the country - provided they pass citizenship tests and attend a ceremony. But, some experts have raised concerns that easing the process will cause Aotearoa's young graduates to exit en masse.

This article will discuss the drivers for so many moving across the ditch. It will then explore why the "great brain drain" concerns many New Zealanders, using the construction industry as a case study.

We have all heard the many reasons behind this 'great brain drain.' Students waste no time moaning about the lack of career opportunities domestically, as well as the meagre pay and compensation packages even the big cities have to offer. They dream of greener grasses overseas, having glimpsed glamorised careers from their television screens (think Suits, Industry, and Emily in Paris).

The promise of adventures overseas is another draw card for youth, many of whom were prevented from completing their OE after COVID-19-related lockdowns and border closures.

But is life much better across the ditch?

The results may not come as much surprise - but yes, pay is, on average, better in Australia. According to Statistics New Zealand, in the year ended June 2022, the median weekly income for New Zealanders was $1,189 NZD. In comparison, figures from the Australian Bureau of Statistics show that in Australia, the median weekly earnings in the year ended August 2022 was $1,375 NZD (as per a 1.1 exchange rate).

In commerce-related industries, the difference is even starker. A graduate consultant at Ernst and Young in Australia can receive a base pay of around $70,000 NZD annually, according to The Aussie Corporate (as per an exchange rate of 1.1 at the time of writing). While in New Zealand, a graduate consultant at Ernst and Young can receive an annual base pay of around $54,000 NZD. A key cause of this difference is the greater number of firms in Australia, which means there is more competition for top graduates, and firms are more willing to pay higher salaries.

New Zealanders are also flocking to Australia because they have more to offer in terms of career opportunities. This is true in various industries, but specifically in investment banking. For example, New Zealand has only two Bulge Bracket Investment Banks, UBS, and Goldman Sachs. In contrast, all Bulge Bracket Investment Banks have a presence in Australia (given its larger population, access to natural resources, and larger economy).

Additionally, the size of these firms means they often service more clients and can offer a broader range of work opportunities.

So, there are benefits to making the shift. But why are some people concerned by this “great brain drain”?

Some experts have raised concerns that losing top talent may harm profit margins, prevent innovation and hurt New Zealand businesses’ competitiveness internationally. Furthermore, New Zealand is already facing severe worker shortages in many industries, and it is feared the exit of graduates could worsen these shortages. This will put further strains on workers in critical sectors. Aotearoa’s construction industry is a prime example of this.

The industry is currently experiencing a shortage of an estimated 20,000 workers, according to New Zealand Building Industry Federation chief executive Julien Leys. This is in the context of a housing crisis.

Stonewood Homes director, Chow, has explained how labour and material shortages have meant that “build time [for Stonewood] had increased from about 26 weeks to about 32 weeks.” Shortages make doing business, including building homes, more time-consuming and expensive. As profitability decreases, so too does the level of investment. These factors create the perfect storm for bankruptcy. Indeed, 92 construction companies filed for bankruptcy in the year ended May 2023, according to the Ministry of Business, Innovation, and Employment.

This is not unique to the construction industry. Businesses across many industries may go under due to labour shortages and the ‘great brain drain.’ However, the closure of companies will likely create new opportunities in the market for the next generation of workers to enter the starving industries. Hence, the labour shortages combined with the exit of so many top graduates offer an opportunity to youth willing to stay and commit to a career in New Zealand.

Only time will tell what impact this ‘brain drain’ will have on New Zealand’s economy and whether these concerns will be realised. Regardless, the benefits of moving are undoubtedly attractive. It will be interesting to see what decision the rest of my class and I will make in the future. To move or to stay?

GLOBAL

Distinguishing Trash from Treasure

BY ANDREW HUANG

There is an age-old saying — one man's trash is another man's treasure. In the comfort of your own home, in plain sight, or even left to rot in a corner, you may be able to catch sight of your nan's, china collection; pop's, timepieces; pa's, coin collection; or even indiscernible junk? One should think twice before haphazardly throwing away such items, or even selling off so items cheaply!

Look, I understand that time is very valuable and that you may not have time to waste on researching whether or not what you have at home is trash or treasure, but the story of what was found in Pinner, England, within the modest house of Patricia Newman is one to marvel at and perhaps incite you to dream big. What had occurred was that Newman's sister and nephew had been clearing out her estate, while doing so they had found an antique Chinese vase which was eventually sold for $43 million pounds! Similarly, another vase was found at a country home sitting and surrounded by multiple pets in an unspecified European country was sold for $9 million.

Now what exactly did the two vases that were found have in common? The antique Chinese vases mentioned were neglected and left to rot. Taking a little guess as to how some of the more passionate antique collectors feel about this, to a collector who can appreciate such antiques they would probably spew blood.

Moving back onto topic, if Newman's sister and nephew had thrown away her belongings rather than had them appraised, there would be no big story.

This story may have occurred in England, but there is a New Zealand story waiting to happen! Hearing all this, I hope that you are all fired up and ready to go hunting for treasure around your home. The question now is, what exactly should I be looking for to be taken for appraisal? Some of the obvious categories of items that you should be attempting to inspect are art, jewellery, watches & clocks, militaria, stamps & coins, furniture, oriental art, and tribal artefacts.

Just wait a moment before you take an item for appraisal — lest you waste a tidy sum on an appraisal!

Well first off before you take your item for appraisal, a very simple thing you can do would be to check if the item that you are inspecting has a maker's mark present anywhere on or in the item. Such marks can be in many forms such as a seal, tag, stamp, or anything else that may provide a hint as to who it was produced by. From this you should be able to do a rough google search and be able to discern the background of the item that you are inspecting.

Secondly, in combination with attempting to spot any identifications of the item's manufacturer it is worth googling keywords in relation to the appearance of the item you are inspecting. This could be colour, motifs, and styles.

Lastly, would be to look at the items age, condition, and the materials that it is made of. Is the item handmade or factory made? Is it built to last? Does the item show signs of age such as chips or cracks?

I hope I have inspired a fire inside you and stimulated sweet dreams. To end off, best wishes to you and may fortune shine upon you during your basement inspections!

MYOB Column

MYOB CEO Greg Ellis explains how the OG fintech transformed to keep its customers at the digital edge

For over 30 years, MYOB has been shaping and shaking-up the small business sector. The business technology landscape is almost unrecognisable from when they began. Small and medium-sized enterprises (SMEs) operate in a rapidly changing environment, where business owners are expected to have knowledge and visibility of every critical workflow of their business, and every minute counts.

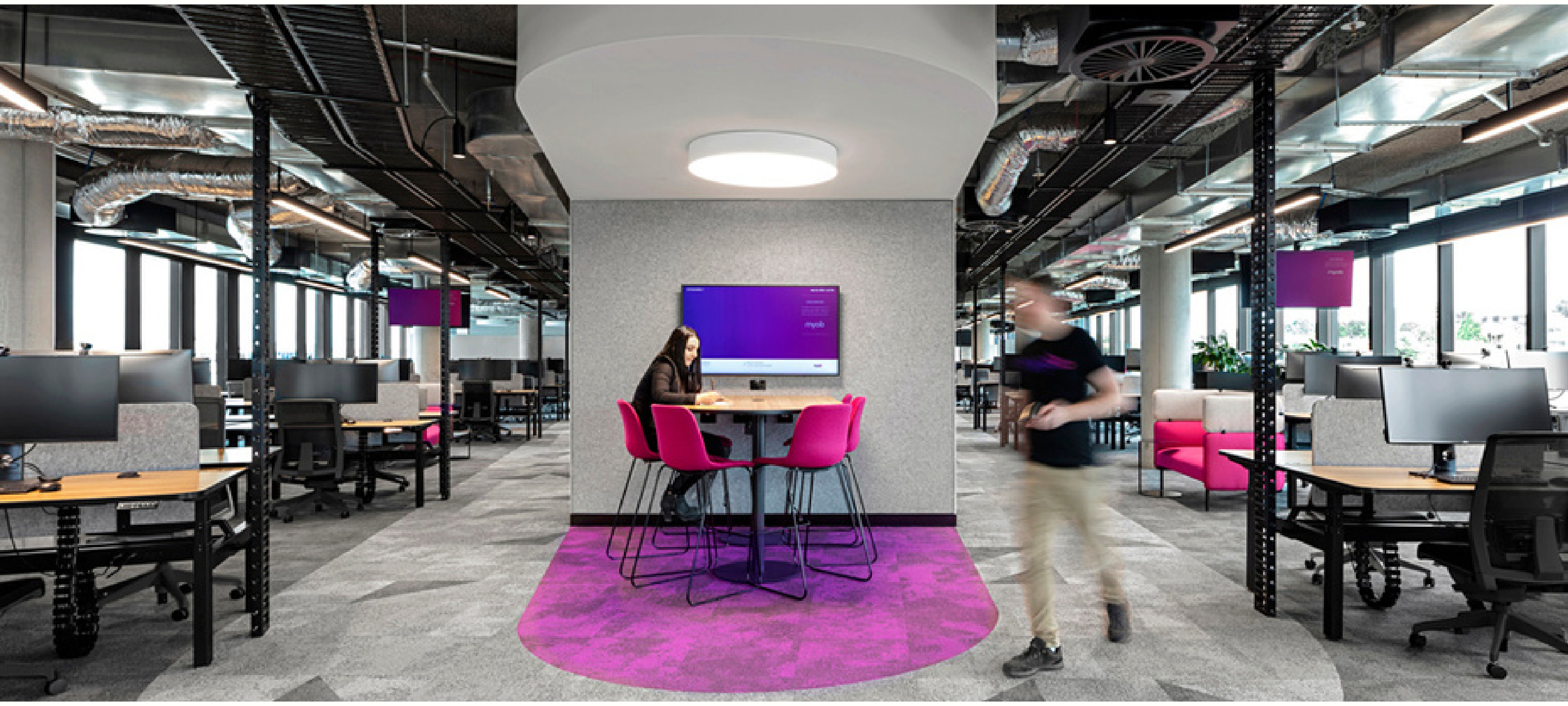
Challenges are coming from every direction – from natural disasters and a global pandemic to interest rate rises and cost-of-living pressures.

Now more than ever, business owners need to maximise every opportunity to increase their efficiency, productivity and return on investment.

Digitisation helps. Highly digitally engaged businesses earn 60% more revenue per employee and grow 28% faster than businesses with poor digital engagement.

So investing in digital tools and processes makes a lot of sense for startups and SMEs in 2023, but with an abundance of solutions available, how can businesses streamline their tech approach? This was the question MYOB asked themselves in their own business evolution.

Read the full article here.



myob

Forsyth Barr FOCUS

Banking Tremors Cross the Atlantic

Ructions across the global banking sector has spread to Europe. On the heels of the collapse of Silicon Valley Bank and Signature Bank, the biggest US bank failures since the Global Financial Crisis, Credit Suisse has been rescued by Swiss rival UBS. The failure of one of the world's 30 systemically important banks is both remarkable and disconcerting. That said, all the banks that have failed in recent weeks faced idiosyncratic issues that are not widespread across the industry. Credit Suisse had been plagued by a series of scandals which had undermined customer confidence in the bank. While further failures are possible, even likely, we do not expect the crisis will become systemic across the industry.

Read the full article here.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