UNIVERSITY OF AUCKLAND INVESTMENT CLUB

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STUDENT WRITERS - STUDENT OPINIONS

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The editor's note

WRITTEN BY NIKHIL LUTHRA

Welcome to the fifth edition of the UAIC Investment Bulletin!

A week into level 3 and talk of the new budget is fairly promising. However, countless posts on Instagram of make-shift graduations does little to deter from the unfortunate uncertainty surrounding job prospects for the class of 2019 and 2020 semester 1.

To further on my comments from last week, we as a nation appear to be lacking a long-term plan for sustained economic prosperity. Granted, the government has been doing a good job in the last 6 weeks; one of the best in the world. Hopefully, the release of the new budget will make inroads into this matter. But as Robett Hollis said to Paul Henry, "I haven't seen a long-term plan yet. I think the last six weeks I've seen us fighting a fire and trying to get back on our feet. We need a long-term plan. The world's changed, and it's changed for many years to come." I agree wholeheartedly.

The talk of a trans-Tasman bubble most definitely a step in the right direction. Yet, it will be interesting to see when our gaze turns towards China, Korea, and Singapore. Bringing back international students from well-contained nations would boost the economy and make a great initial step.

I believe former Air NZ chief executive Rob Fyfe said it best - "We need to attract investment into our country, we need to attract people into our country that can create jobs, that can re-stimulate our economy and bring value to New Zealand. We need a whole new mindset for what the next five to 10 years look like."

CONTRIBUTORS THIS WEEK

Saeyavan Sitsabesan has taken a look into the millennial-fuelled world of ethical investing. Commenting on the underlying motivators that apply to the everyday investor.

Jerry Ren has chosen to provide a short bit of commentary on the yearly investor equivalent of Coachella, the Berkshire Hathaway AGM.

Tim Cross is taking a look at the rapidly expanding RTD industry in New Zealand. Specifically, those drinks targeting millennial and Gen Z values. The day of the Billy Mav and Double-Black may be gone, make way for Pals and Part Time Rangers!

Kyle Quindo is certainly one of the more unique writers on Bulletin. When I interviewed him at the start of this year, we talked about this particular industry for 15 minutes. Boy, do I wish I had invested in it then.

An update from the fund

A RUNDOWN OF THIS WEEKS PITCHES WRITTEN BY IC CHAIRMAN NEHAAL RAM

SIMS METAL MANAGEMENT AND QANTAS AIRWAYS LIMITED VOTE OUTCOME

In previous issues of the Bulletin, we shared how the Investment Committee voted to move Sims Metal Management (ASX:SGM) and Qantas Airways Limited (ASX:QAN) to the valuation phase. After constructing valuation methods that demonstrated a strong implied share price for each equity, the valuation teams presented both equities to a club-wide event on Thursday, the 30th of April. UAIC members had a chance to hear both investment pitches and how a valuation supplemented both positions. After both pitches were presented, UAIC members asked a variety of questions to the equity analysts and moved to a vote. QAN passed with 61% and SGM passed with 83%, resulting in both positions being added to the IC Fund.

CLEANAWAY

Pitched by Hamish Marsden, Senior Equity Analyst

Cleanaway (ASX: CWY) is Australia's market leader in waste management and environmental services. With 250 branches spanning across Australia, Cleanway demonstrates a well-balanced exposure to a range of waste disposal market segments within an economically resistant sector. Its market position is underpinned by a revolving cycle of contracts, fixated with assets irreplaceable to the economy and a closed-loop partnership network. However, Cleanaway is also prone to a plethora of risks spanning across regulatory pressures and asset management. We see Cleanaway as a defensive stock that is well-placed to generate cash flows in a turbulent macro-economic environment. The Investment Committee moves to pass Cleanaway, with the valuation headed by Hamish Marsden, Nehaal Ram, and Louis Sykes.

MERCURY NZ LIMITED

Pitched by Athena Churchill, Junior Equity Analyst

Mercury NZ Ltd (NZX: MCY) is one of New Zealand's leading gentailers. As one of NZ's few electricity generators with 100% renewable sources and retailing to 395,000 customers, Mercury has emplaced themselves soundly within our national energy network. Furthermore, pioneering solar solutions, strategic partnerships, and security of supply have solidified their market segments. While risks have been reduced across stagnating retail demand and emission restrictions, Mercury is still exposed to wind farm short-term inefficiencies and natural calamities. The Investment Committee moves to pass Mercury to the valuation stage, with the final vote being 9/12. The valuation team is headed by Athena Churchill, Michael de Boyett, and Nehaal Ram.

"To most people waste is worthless, but to Cleanaway waste is everything" - Hamish Marsden, Senior Equity Analyst

"Buzz buzz. It's the sound of an electric revolution." - Athena Churchill, Junior Equity Analyst

Exploring index funds

PART 5: WRITTEN BY CHRISTOPHER WONG

LIMITATIONS OF INDEX INVESTING

There are limitations commonly associated with index funds, three of which will be addressed. Firstly, there is a supposed lack of control over holdings as an investor who purchases units(A) of an index fund has no control over the constituents. To illustrate, the investor may believe that one company has a competitive advantage over another due to superior management. An additional example would be if the investor believes that a company's operations did not align with her/his principles and/or morals. In both of these circumstances, the investor is unable to pick and choose which companies to invest in and which to avoid. However, this issue is parallel to that of an actively-managed fund (e.g. a hedge fund) where the investor has no control over which stocks the fund manager selects for the portfolio.

Another related limitation is the lack of downside protection. This can be concerning when the market takes a turn for the worse. An example would be the 2008 Global Financial Crisis (GFC). Within this context, it can be argued that a professional or retail investor could have been able to mitigate, avoid, or even profit from the GFC. This may be true for a very small percentage of cases. Nevertheless, an overwhelming majority of professional teams were unsuccessful in navigating the GFC. This is exhibited by institutions such as Bear Sterns, Lehman Brothers, Merry Lynch, Washington Mutual that were acquired or filed for bankruptcy. The reality for retail investors is even more unpalatable. This due to the reason that an average investor lacks the collective skill, resources, or expertise possessed by institutions.

Lastly, index investing can stifle excitement associated with making a profit on your stock pick after weeks spent on analysis and research. As aforementioned, the long-term return of an index fund has been proven to outperform actively managed funds over one, three- and five-year period. By choosing the 'boring' approach, an investor would save time and stress whilst also outperforming the most actively-managed funds. This notion is furthered by Nobel laureate, Paul Samuelson who proposes that 'investing should be like watching paint dry or watching grass grow'. In sum, if it is boring, you are doing it right.

Unit = A unit to an index fund is analogous to a stock of a public company.

Constituent = One company which is included in the index

Ethical investing isn't about virtue signalling

WRITTEN BY SAEYAVAN SITSABESAN

ETHICAL INVESTING IS AN INVESTMENT STRATEGY WHERE FINANCIAL RETURN IS NOT THE SOLE FACTOR CONSIDERED IN MAKING INVESTMENTS. SOCIETAL AND/OR ENVIRONMENTAL IMPACT ARE ALSO FACTORS THAT ARE PARAMOUNT WHEN CONSIDERING INVESTMENTS.

Ethical Investing was brought to life in recent times by Vietnam War protestors, predominantly students, demanding university endowment funds divest from defence contractors. Ethical Investing also played an important role in the end of Apartheid in South Africa. As International opposition to apartheid strengthened during the 1960s, General Motors drafted and implemented a code of conduct for conducting business in South Africa. Mounting political pressure in the US-led to a large-scale divestment away from companies operating in South Africa. The subsequent capital outflow led to the South African business community, comprising of 75% of SA's employers, campaigning for the end of Apartheid.

Ethical Investing is emerging as a fundamental practice for New Zealanders. Seventy percent of assets under management are classified as responsible investing, according to the 2019 benchmark report issued by RIAA. Globally it's becoming a mainstay, with the United States investing US$11.6 trillion in ESG (environmental, social and governance) strategy in 2018. This was a sharp increase from the US$3 trillion in 2010.

This rapid rise can be attributable to two major reasons. The decline of defined benefit plans and the rise of the contribution defined plans led to investors having greater control over their investments. Thus leading to a decline in the passive investor population. Millennials and younger investors are more actively involved in their investments, this coupled with greater social awareness has been a major driving force of this growth.

Ethical investing advocates claim that ethical investors are not only catalysts for change improving environmental and societal outcomes for everyone, but also significantly improve their future profit potential. The financial times notes 62% of global environmental, social and governance-focused large-cap equity funds outperformed the global tracker, during the first quarter of 2020.

Millennials and younger consumers have always been described as being more conscious of their decisions as consumers, most famously for buying goods such as fair-trade coffee and free-range eggs, as a way of aligning their values with their consumer habits. As these consumers became older and accumulate wealth, they began aligning their investment portfolio with their investment values. A Morgan Stanley report from 2017, highlighted millennials are twice as likely to invest in companies targeting social/environmental goals than the total individual investor population. With more than 95% of millennials interested in sustainable investing, it is incredibly important that they are well informed about the decisions they make, and how they achieve impact.

The two major ESG strategies are negative screening and shareholder activism. Negative screening is when investors filter out specific industries/investments they consider unethical and then focus on other criteria such as returns for selecting other investments. Shareholder Activism is an ESG strategy in which the investor seeks to achieve a positive impact from the inside by utilising voting rights.

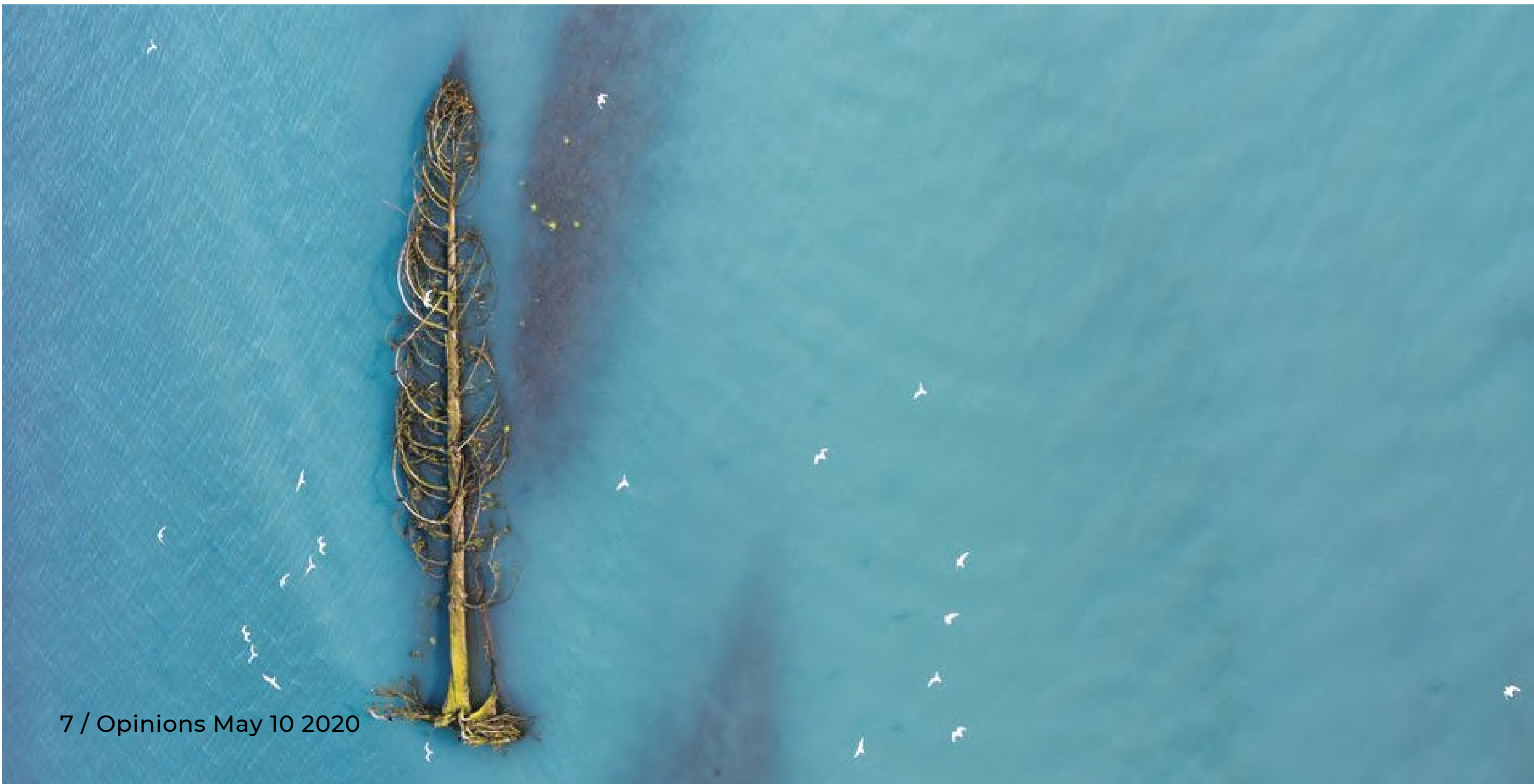
Shareholder activism is a strategy that can be utilised to coerce corporate's into incorporating social and environmental concerns

into the corporate's strategy. For example, if a lithium mining company has a poor human rights history, encouraging the company to provide better worker rights through shareholder activism would be an effective use of the strategy.

Negative Screening is a useful ESG strategy if a significant proportion of the population view the business model of a company and their products as entirely unethical and believe the firm's products have no place in the future of our world. Theoretically, if a large proportion of NZ's population believed that tobacco consumption should be entirely prohibited, then negative screening the tobacco industry would be an effective use of the ESG strategy to create impact. However, the use of negative screening to blacklist all unethical companies is ineffective in creating meaningful impact. If we all blacklist unethical companies, and we all stop investing in unethical companies, it effectively reduces the demand for unethical company shares. But, us all blacklisting unethical companies, doesn't stop other investors, who only prioritise returns, from investing in these unethical companies. Wouldn't it be more effective if shareholders rallied the board of directors to establish more ethical practises? Negative screening is a strategy that is only effective if it is utilised effectively, and not over-utilised.

A Kiwi Wealth survey of its members in 2018 found that 45% of respondents think it's more important to avoid the worst companies in any sector than engage with companies to improve poor practices (39%). But the survey also highlights that more respondents thought that keeping its investments and using its right as a shareholder to change company direction (31%) is more likely to influence company behaviour than selling its investment in the company and having no further involvement (22%). In NZ, over the course of the year, the amount of money invested in ESG strategy of shareholder activism increased by 15%, whereas ESG strategy negative screening grew by 2649%. This highlights an over-emphasis on utilising negative screening ESG strategies.

Ethical Investing is not about virtue signalling by blacklisting companies that are considered unethical. It is about incorporating the ESG factors and ethical concerns into the assessment of the fair market value of a company. Improving investor value by engaging and voting for more ethical practises. Ethical Investing is about aligning our investment decisions with our values to achieve a positive impact on societal and/or environmental area's. To achieve this impact, we must be educated about our investment decisions and make sure we utilise the best ESG practises for our intended impact.



A snapshot of the Berkshire AGM

WRITTEN BY JERRY REN

ON MAY 2ND, BERKSHIRE HATHAWAY HELD ITS 2020 ANNUAL SHAREHOLDER MEETING. THIS ANNUAL EVENT IS AN IMPORTANT ITEM FOR ALL INVESTORS, AS THEY ARE EAGERLY WAITING TO HEAR THE LATEST MARKET OUTLOOK AND GET THEIR QUESTIONS ANSWERED BY THE BERKSHIRE CEO, MR WARREN BUFFETT.

Traditionally, the Berkshire Hathaway annual meeting would attract more than 40,000 people to attend. Warren Buffett and his business partner Charlie Munger would discuss the latest on-goings with the global economy and the stock market, as well as comment on the company performance. However, due to the COVID-19 pandemic, the annual meeting this year has moved online. It is held by Warren Buffett and Greg Abel, the chairman and CEO of Berkshire Hathaway Energy and the vice-chairman of non-insurance operations of Berkshire Hathaway. Due to travel restrictions, Munger was absent at the meeting this year. However, Buffett assured investors that his partner, who is 96 years old, is in "fine shape" and will be back next year.

In sharp contrast to the empty conference arena, the annual meeting this year attracts a lot more attention from around the world due to the unprecedented uncertainty in the market. This article will highlight some of the key messages from the meeting, and if you are interested in more detail, a full recording of the webcast is available on Yahoo Finance.

Q1 PERFORMANCE OF BERKSHIRE HATHAWAY

The Berkshire Hathaway 10-Q filing is made public shortly before the annual meeting. The Q1 operating earnings were $5.871 billion, which exceeded the last year figure of $5.55 billion and the analyst forecast of $5.56 billion. However, due to the COVID-19 outbreak, the investment losses in Q1 summed up to be $54.517 billion (include $55.5 billion of unrealised losses), and the Q1 EPS for class A and class B shares were -$30,652 and -$20.44 respectively.

The large investment losses are due to the government's effort to contain the spread of the pandemic. Given the conglomerate nature of Berkshire Hathaway, Buffett warned that "a very significant percentage of our businesses" are being affected by the lockdown and overall decrease in demand.

However, Buffett mentioned that the GAAP investment gains/losses should be ignored because it over-emphasises unrealised gains/losses and can be very misleading to the investors.

Berkshire Hathaway (BRK: A) 1-year return on 3 May 2020 is -15.93%.

BUFFETT'S TAKE ON AIRLINE STOCKS

During the meeting, Buffett has noted that he does not "envy anybody with the job of being CEO of an airline," and he states that the airline business will be changed in a significant way by the coronavirus crisis. Given the uncertainty ahead, Berkshire Hathaway has exited all of the investments in the four largest US airlines - American Airlines, Delta Airlines, Southwest Airlines and United Airlines, which are worth at least $4 billion.

BERKSHIRE HATHAWAY IS SITTING ON CASH

Berkshire Hathaway currently holds $137 billion in cash and cash equivalents on its balance sheet, $10 billion more than their cash holding in December 2019. With the huge pile of cash, Buffett has been very cautious about making any new investments during the pandemic. "We haven't done anything because we don't see anything that attractive to do. That could change very quickly or it may not change," Buffett said during the meeting Q&A, "our position will be to stay a Fort Knox."

BERKSHIRE HATHAWAY IS SITTING ON CASH

Currently, the yield on the 30-year Treasury bond is 1%. Buffett believes that over the long term, investments in the stock market will outperform the investment-grade bonds. However, he emphasises the importance of making long-term, value-based investments. His suggestions to retail investors are to understand the difference between investment and speculation, taking advantage of the benefits of diversification by investing in index funds.

THERE WILL BE STRUCTURAL CHANGES AFTER COVID-19

The virus outbreak is changing people's behaviour. It may accelerate the declines in some sunset industries. Buffett said that "there're some businesses that weren't doing that well before, and what happened in the last few months may have accelerated the declines in those businesses." When asked about providing funds to the portfolio companies, Buffett answered: "We will not fund a company where we think that it is going to chew up money in the future."

Moreover, the pandemic may be fatal to many small local businesses with limited cash flow. When asked about the small business aids, Buffett states that "I think that's a very good idea to take care of the people having terrible trouble taking care of themselves in a period like this. I am 100% for taking care of the people that really get hurt by something that they had nothing to do with."

On the other hand, he also expressed concerns about the consequences of extreme policy aids, Buffett said: "I think in general they're the right thing, but I don't think they're without consequences, and I think they could be of extreme consequences if pushed far enough."

SHARE BUYBACKS

Many investors are concerned about the future share buyback plans of Berkshire Hathaway. According to Buffett, they will repurchase shares when it's advantageous to do so, when the share price is underestimated, and when there is sufficient cash for it. He adds that share repurchase is just another way to distribute cash to the shareholders.

OIL INVESTMENT IN OCCIDENTAL PETROLEUM

When Buffett is asked about the investment in Occidental Petroleum he made a year ago, Buffett admitted he made a mistake in the oil price prediction. He states: "If you're an Occidental shareholder or any shareholder in any oil-producing company, you join me in having made a mistake in where oil prices went. The investment was attractive at oil prices that then prevailed. It doesn't work obviously at $20 a barrel, certainly doesn't work at -$37 a barrel. It doesn't work at these oil prices. That is why oil production is going to go down in the next few years because it does not pay to drill. This situation is you don't know where you're going to store the incremental barrel of oil, oil demand is down dramatically. For a while, the Russians and Saudi Arabians were trying to outdo each other in how much they could produce. When you got too much in storage it doesn't work its way out of that fast."

US DEFAULT ON ITS DEBT?

An investor asked about the risk of the US government defaulting on its national debt. Buffett's answer is that there is no way that the US treasury securities will default. A country who can issue debt in its own currency and prints its own money will never default because the government can always print more money. This is why Argentina whose debt is issued in USD may end up defaulting but the US would never have such issues. However, Buffett notes that increasing debt may impact the exchange rate and affect the economy negatively.

NOTHING CAN STOP AMERICA

Despite the panic caused by the virus, Buffett is still optimistic about the future of the American economy. In his initial remark, he states that "the American miracle, the American magic has always prevailed and it will do so again."

Even though the challenges we are facing this time is unique and difficult, and even the most experienced investors like Buffett himself admits that no one knows "exactly what happens when you voluntarily shut down a substantial portion of your society", he still thinks America is up for the challenge. Using the Great Depression and the Civil War as examples, Buffett believes that America is a country with great resiliency, and the end answer is "never bet against America".

KEY TAKEAWAYS

Personally, I have learnt 3 key lessons from Buffett's speech. Firstly, from Berkshire's cash position, it is obvious that Buffett is not convinced that the market has reached its bottom yet. He repeated several times that "no one knows what the market is going to do tomorrow."

Secondly, what we can learn from from Buffett's sale of airline stocks is that when the situation changes, the strategies should change accordingly. The best investors act rationally during crises when the risk exceeds their risk tolerance, even if that means selling at a loss. Whereas most retail investors would choose to hold the stocks longer due to loss aversion - a behavioural bias that drives people to hold losing stocks for too long. Lastly, Buffett has explained the meaning of "value investing" for us. He used a farm analogy to show that value judgement and investment decisions should not be based on short-term price fluctuation. "You bought into the business, and that's what you're doing when you buy stocks."

RTD's in the eyes of a first-year

WRITTEN BY TIM CROSS

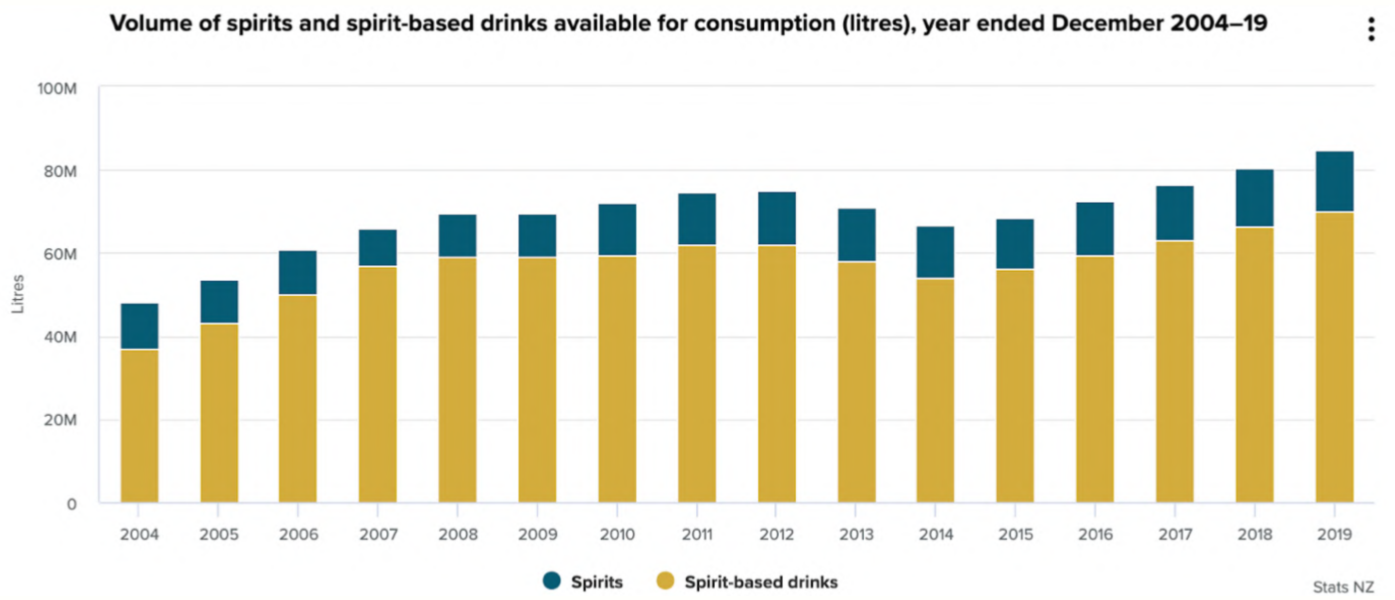
IN 2014, READY TO DRINK (RTD) ALCOHOL SALES WERE AT A LOW AND THEY WERE THE POOREST PERFORMING DRINK IN THE MARKET. THE INDUSTRY WAS IN DIRE STRAITS YET FAST FORWARD TWO YEARS AND THE INDUSTRY IS MAKING MONEY FOR NOTHING. SALES IN 2019 WERE UP 5.6%. SO WHAT CAUSED THIS CHANGE? TO EXAMINE THIS, WE MUST FIRST LOOK AT WHAT CAUSED THE DECLINE IN SALES.

A BRIEF HISTORY OF THE ALCOHOLIC RTD INDUSTRY IN NEW ZEALAND

For many years, the alcoholic RTD market was dominated by Michael Erceg's company - Independent Liquor. Independent Liquor developed and owned brands such as Cruisers, KGB's, Long Whites, Woodstocks and Cody's to name but a few. These drinks are high in sugar and ranged from 5-7% alcohol percentage. Yet the main market for these drinks were young people, 18 to 24-year-olds. Times have changed. Generation Z consumers no longer want those outdated drinks. Consumers were craving a new-type of RTD. Less sugar, environmentally friendly, cooler packaging. Mike Brown the founder and owner of the brand Wild and Soda told me that "Those old school RTD's who are very high in sugar and sweetness, that's we see ourselves taking market share from as consumers start to shift their drinking habits to this more 'better for you' type of drink."

THE EMERGENCE OF A BIG FOUR

To meet the needs of the market, many entrepreneurs set out to make the perfect product. Last year, 50 different flavour options were released by 17 separate brands. Yet some companies will always emerge more successful than others. There is a "big four" in the accounting world, the RTD market has also seen an emergence of a big four. Greenroom, Pals, Part-Time Rangers and Wild and Soda are the four companies who have managed to seize control of the market. As can be seen below, the products are very similar. All companies have charitable interests as shown by this quote from the Part Time Rangers website; "For every Part Time Rangers sold, we/you will invest 10% of profits towards animal conservation initiatives from around the globe. Our mission is to support organisations that we think are making a real difference." The marketing campaigns for these products are similar down to



the images all having condensation on the cans. These products are low in sugar, help save the environment and look awesome on Instagram - what's not to love about them? This quote from Mike Brown outlines whom he believes his company, Wild and Soda's target market is. "Our target market is mainly Millenials and Gen Z - The more health-conscious market that enjoys House parties, festivals & BBQ's rather than heading out to the bar.

THE FUTURE

A growing or saturated market? This is the question on many investors' minds. Whether the industry has room for growth or is currently oversupplied. It is likely that many of these SMEs may look for crowdfunding or external investment in the future and it will be interesting to see what kind of response these companies generate. Personally, I think this market is slightly oversaturated but there is still room for growth - particularly in the better for you category. Yet I think any of the "big four: will be a solid investment due to the huge growth that I believe the industry will experience over the next few years. Even if sales are down this year as a result of coronavirus, I fully expect the market to recover. This is due to the rising demand for environmentally friendly products and healthier options.
Global demand for alcoholic RTDs is growing. According to a study by Business Wire, the U.S. is expected to have a CAGR (Compounding Annual Growth Rate) of 4.6% a year from 2019-2027. This could be a very lucrative market and it might not be long until we see some of these companies move into these overseas markets. This could be a time when these companies look at external investment and I think that they could be a very profitable venture.

ACKNOWLEDGEMENTS AND FURTHER READING:

I would like to thank Mike Brown, the founder and owner of Wild and Soda. The information he provided me really helped shape my piece and I am grateful for his time.
https://www.newshub.co.nz/home/lifestyle/2020/01/kiwi-made-rtd-founders

Gold isn't the only thing outperforming the market

WRITTEN BY KYLE QUINDO

A MARKET WHICH HAS OUTPERFORMED SP500 BY 24%, THE SP500 IS THE REDLINE. WHAT'S THE BLUE ONE?

IF YOU GUESSED GOLD – YOU WOULD'VE BEEN WRONG. BONDS? NOPE, STILL WRONG. HERE A CHART WITH GOLD IN THE ORANGE, BONDS IN TEAL

All right, they're all bunched up in there and depending on the timeframe of the chart, one could be outperforming another. But I guess that adds another dimension to the question. Taking a look at the first chart, the blue line tends to follow the SP500 up but continues to increase once the peak of the Coronavirus hits in March. What else has a "risk-on" attribute in a bull market, but also a "risk-off" attribute in a bear market?

The blue line – is rice. Yup, the market for rice.

Agriculture isn't as sexy as investing in the Google's and the Tesla's of the world, nor is it as exciting as investing in a pharmaceutical company who is most poised to develop the vaccine for the Coronavirus. But what makes the Agriculture market so fascinating in this day and age, is its simplicity. The force that drives the price is even older than Adam Smith himself – supply and demand.

Sure, at a high-level, buying equities is essentially supply and demand. But why should I choose to buy shares in Citibank as opposed to JP Morgan? There aren't that many substitutes for rice since, well, rice is rice. Maybe noodles? I don't know. It doesn't soak up stews as well, so I wouldn't call it a substitute.

Fundamentals are talked a lot about when investing in the long term. However, there is nothing as fundamental as the supply and demand for a good such as food.

Let's do some hypothetical back of the envelope economics here (also, assume a relatively perfect world). Statista stated that global rice consumption in 2019 was around 486.62 million tonnes. Let's say supply increases by a bit, but for some reason, the global population increases more than expected therefore the demand for rice outpaced Supply?. Demand for rice should go up!

I know you can chuck in a bunch more factors in there, but in essence, it's just the supply and demand for rice dictating the price.

As the world abruptly went offline due to the Coronavirus, supply chains were disrupted therefore the supply for rice dipped. And by disrupted, I mean Vietnam and India, the third and largest exporter of rice respectively suspended exports, "both facing export disruptions of the strategic staple food due to the outbreak of the coronavirus", CNBC reports.

However, the demand? Well, relatively speaking, people who were going to eat rice before the Coronavirus are still going to eat rice during, and after the Coronavirus. This was also on the back of "expectations of higher demand for thai rice" due to India and Vietnam Supply disruptions.

The Coronavirus not only disrupts the current supply for rice but potentially the future supply of rice. Samarendu Mohanty, Asia's Regional Director at the International Potato Centre said in a blog post, "Unlike other sectors, agriculture is heavily affected by the timing of the lockdown rather than the duration because of the strict planning and harvesting calendar - if the planting season is missed, there will be no crop for the season or the entire year".

However, in general, it is evident that if demand stays relatively constant alongside supply reducing, we have the price going up.

There are a very limited amount of ways to invest in rice. You could just buy rice I guess? But the primary way to take a position in rice is by trading their futures or a CFD (Contract for difference). The former requires a margin account, the latter requires excessive leverage. In non-turbulent times, predicting the price of rice would be very difficult. However, in unprecedented times like this, where oil prices reached negative for the first time, it may be a solid trade as you only have to concentrate on two factors – supply and demand.

Regardless of the financial outlook of rice in the future - I know who is bullish on rice once level 2 is over - my stomach, demolishing as much sushi and curry as possible.

MYOB's column

6 THINGS BUSINESS CLIENTS MUST FOCUS ON IN A CRISIS

There are few businesses that aren't somehow impacted by COVID-19. Caren Hendrie, director of The Hendrie Group, offers six core areas of focus for business owners in crisis.

The COVID-19 emergency has presented us all with an unprecedented set of challenges to overcome. This is particularly true of accountants and bookkeepers, tasked as we are with maintaining our own businesses and supporting our clients through potentially the most trying time in their professional lives.

But it's this unique situation that also places accountants and bookkeepers at the forefront of business advisory at this time. And, time and again, we see these professionals rising to the challenge in order to share their knowledge, training and skillsets to do whatever they can to help business owners deal with the crisis.

While they may not be magicians, these advisors have been known to pull their fair share of rabbits out of hats. Sometimes life-changing solutions can come from very simple, perspective-shifting conversations and practical advice.

As for that advice, the first thing that comes to mind is my firm's motto: 'Plan for the worst and expect the best'. This is not the time for operators to bury their heads in the sand and hope for positive change.

Instead, sound planning will make the difference between gaining a competitive edge, or potential failure.

According to the conversations we've had most with our business clients of late, here are the top six areas to focus on in your planning.

- Cash flow
- Production
- Staff
- Existing clients or customers
- Be Proactive!
- Personal state and mindset

Read the full article on the MYOB Blog here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