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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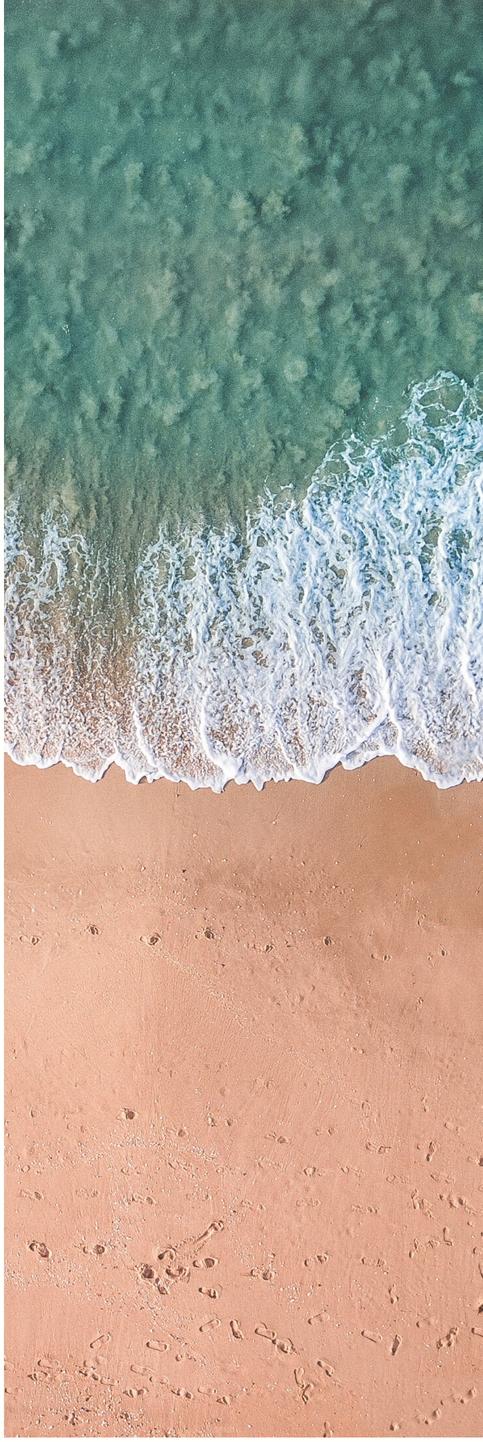
Contents

An update from the fund

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



SANFORD LIMITED

Pitched by Nehaal Ram, Investment Committee Chairman:

Sanford Limited (NZX: SAN) is New Zealand's largest integrated fishing and aquaculture company. With roots preceding over 150 years, Sanford has established itself as an ingrained player within New Zealand's primary industries, championing the future of national fishing and aquaculture farming. In a slow-moving industry, Sanford has focused on innovation and is well-structured to realise upon upcoming movements across Open Ocean Aquaculture and the recently published NZ Aquaculture Strategy. Whilst competitive moats revolve on their geographical and biological placement, Sanford is still reeling off the recent departure of long-standing CEO, Volker Kuntzsch and is ever prone to weather and disease-centred risks. Whilst acknowledging that the investment timeline may even stretch beyond our value-investing mandate, the Investment Committee moves in favour of passing Sanford to the valuation stage, with the final vote being 10/16.

WISETECH GLOBAL

Pitched by Kevin Li, Junior Equity Analyst:

WiseTech Global (ASX: WTC) is an Australian software company operating in the logistics industry. Their cloud-based software solutions simplify the complexity of logistics, delivered through their flagship product CargoWise One. Functionalities include managing tariffs and handling freight forwarding, making WiseTech's solutions applicable across the entire value chain. WiseTech also has a strong customer base with the majority of the world's largest logistics companies as customers and an attrition rate of less than 1%. The increasing demand for e-commerce is a key driving factor for the logistics industry and WiseTech is well placed to capitalise on this. Central to the company's strategy is acquisitions of smaller players in the logistics industry, as a way to leverage the network effects in the industry for expansion. WiseTech looks to be nearing the end of their aggressive acquisition strategy and shifting their focus towards profit maximisation in the future. The Investment Committee voted 8/14 to pass WiseTech Global onto the valuation stage, with the valuation led by Kevin Li and Nehaal Ram.

"With such a strong reel-lationship with New Zealand fishing, I thought I'd grab the chance to pitch it before salmon else does." - Nehaal Ram, Investment Committee Chairman.

"WiseTech plays a vital role at the intersection of two significant sectors: logistics and tech" - Kevin Li, Junior Equity Analyst

Introduction to insider trading

PART 2 WRITTEN BY PERRY HO

WHO ARE INSIDERS? WHY DO WE CARE IF THEY TRADE?

INSIDERS ARE THE DIRECTORS OR THE HIGH-LEVEL MANAGEMENT OF A PUBLICLY-TRADED COMPANY. THIS TERM ALSO INCLUDES ANY PERSON OR ENTITY THAT HOLDS MORE THAN 10% OF VOTING SHARES. HOWEVER, UNDER LEGAL CIRCUMSTANCES, THE TERM "INSIDERS" MAY INCLUDE ANYONE WHO USES NONPUBLIC INFORMATION TO TRADE.

INSIDER TRADING AS COMPENSATION FOR ENTREPRENEURSHIP

Despite the negative connotation in the public's eyes and the strict restrictions from regulators, there is still a big debate among economists of whether insider trading truly damages the market. The pioneer argument for insider trading is from a book called "Insider Trading and the Stock Market" by Henry G. Manne. Citing different works, he argues that insiders provide innovations for the companies and this service is not properly compensated by the existing salaries and rewards system. Allowing the inventors to trade on valuable information can reimburse them for the inventive steps they take. Professor Manne also points out that in the long-run, most investors are not worse off because of insider trading. For these reasons, insider trading is good for the market and therefore, should be legal.

INSIDER TRADING INJECT INFORMATION INTO THE MARKET

Another common argument for insider trading is that it helps the price do a better job at reflecting information in the market. With insider trading, not only public information but also the nonpublic information will be incorporated into the price. This makes the market more efficient. When the insiders trade on nonpublic information, this information is communicated to other traders through price changes. Current investors, as well as prospective investors, can trade based on the direction of these changes. The current investors could get a better selling price and the prospective investors can get a better buying price.

Advocates for insider trading also claim that restricting insider trading is just postponing the inevitable, which results in investor errors. Material information can increase or decrease the security's price. Let's say a director knows some good news about a firm yet is not allowed to trade the firm's stock. During the period between when the information is known to the director and when it is made public, other investors could be selling the stock, meaning they cannot benefit from the price increase. When information fails to reach the general investors either directly or indirectly through price changes, errors will occur. The investors will buy at a price that is too high or sell at a price that is too low, which might not happen if they get their hands on the information earlier.

Additionally, with the lack of it can be argued that the government is better off spending its finite resources to catch worse frauds than insider trading. Catching and prosecuting illegal insider trading can use up millions of dollars and a lot of labour resources in the process while the damage it causes is rather little. The government could have used those resources to detect and prevent larger schemes like the one of Bernie Madoff, whose Ponzi scheme ran for possibly decades, costing investors roughly USD 65 billion.

The USA election...so what?

WRITTEN BY JERRY REN

2020 HAS BEEN A STRANGE YEAR. A STRING OF BLACK SWAN EVENTS SUCH AS COVID-19 AND US-CHINA TRADE WAR HAS LED TO UNPRECEDENTED MARKET VOLATILITY. AND IN NOVEMBER, WE HAVE THE 2020 US ELECTION COMING UP. WITHOUT QUESTION, IT IS GOING TO BE ANOTHER SIGNIFICANT EVENT AND WILL MOST LIKELY DETERMINE WHERE THE STOCK MARKET GOES IN THE REST OF 2020. THIS ARTICLE WILL BRIEFLY DISCUSS HOW THE ELECTION RESULT CAN IMPACT THE STOCK MARKET AND HOW WE SHOULD PREPARE AS INVESTORS.

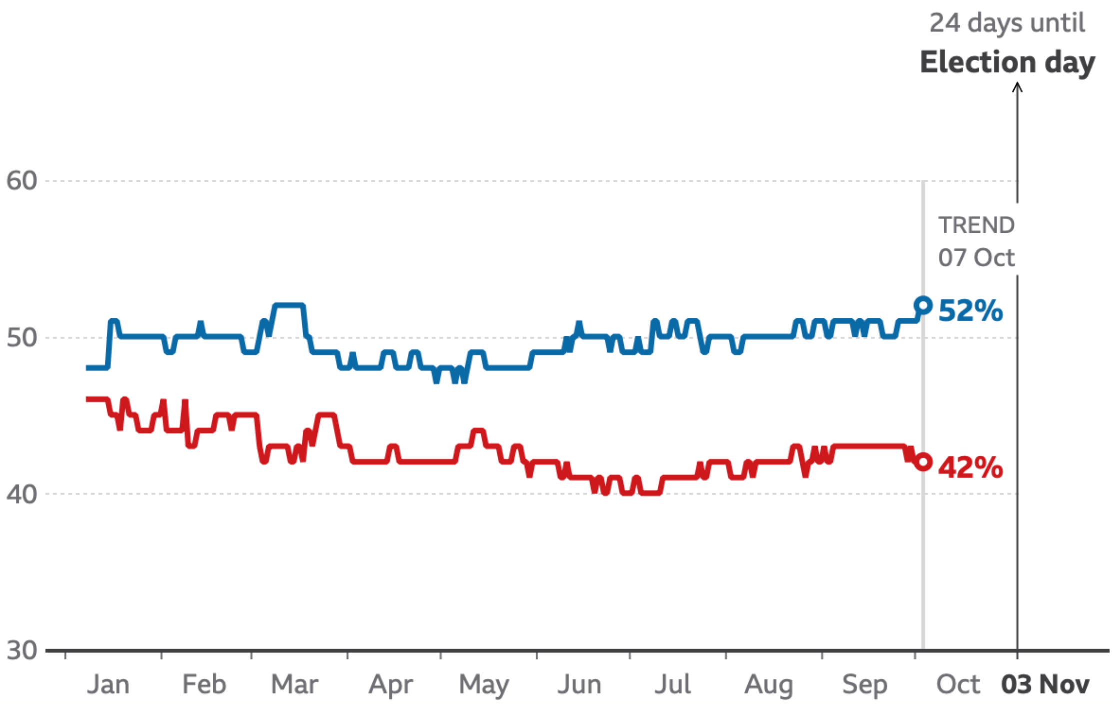


Figure 1: Poll of projected election results as at 7th Octover, source: BBC

At the time of writing, the Democratic party representative Joe Biden is leading the National poll at 52%. In other words, the outcome of this upcoming election is extremely uncertain. In the next few months leading up to the election, this uncertainty will be reflected through higher stock market volatility and lower administrative efficiency.

It is going to be harder for the current government to implement any new policies that may benefit the economy before the election. At the moment, the two parties cannot agree on the size of the second stimulus package. These macroeconomic uncertainties further add to the volatility in the stock market.

Once the election result comes out, we can expect significant movements (often short-term) in the stock market. The direction of the movement is uncertain, but the rule of thumb is that the stock market reacts favourably if the Republicans win and unfavourably if the Democrats win. This is due to the policies they each promote. Trump and the Republican party tend to focus more on economic growth, employment rate, reduce government regulations, infrastructure and trade protectionism. Whereas Biden and the Democratic party tend to focus more on environmental issues, increased corporate tax, healthcare, income equality, infrastructure, multilateral trade agreements and immigrants.

Another important factor is the control over the Senate. The US Congress is made up of the house of representative and the Senate. These two chambers largely affect what policies can become effective. It is almost certain that the Democrat party will gain control of the house of representatives. Therefore, control over the Senate would directly impact how effective the next government can be.

The following table summarises the 3 possible outcomes:

SCENARIO 1: TRUMP WINS THE ELECTION AND THE REPUBLICAN CONTROLS THE SENATE.

This would be perceived as the most favourable outcome by the market. The Trump government will most likely keep the corporate tax rate low and continue to deregulate and provide firms with more flexibility. However, the government deficit may continue to increase and lead to a higher debt level, which is a problem in the long-term.In this scenario, investors should look into sectors that benefit from fewer government regulations, such as finance, energy and communication firms. Investors should also consider small-cap firms who have suffered the largest loss during the pandemic, they tend to outperform as the economy recovers. On the other hand, investors should be more cautious with firms that generate a large portion of their revenue in China. The China-US relationship will most likely worsen and impose extra risk in these firms.

SCENARIO 2: BIDEN WINS BUT THE REPUBLICAN CONTROLS THE SENATE.

In this case, it is uncertain how the market would react. It will be difficult for Biden to implement his policies due to the resistance from

Scenario	**1**	**2**	**3**
Election	Trump wins	Biden wins	Biden wins
Senate	Republican wins	Republican wins	Democrat wins
Market Reaction	Very positive	Uncertain	Negative
Possible Policy	Deregulation, maintain a low corporate tax rate. This will increase government deficit and debt.	Uncertain what policies are able to be implemented.	Corporate tax increase. Higher minimum wage.

the Senate. Investors can pay attention to the sectors that benefit from both parties' policies, such as healthcare and technology.

SCENARIO 3: BIDEN WINS AND THE DEMOCRAT CONTROLS THE SENATE.

This is the worst scenario for the stock market. In the short-term, Biden will most likely increase the corporate tax rate which would reduce firms' profit margin. Investors should avoid sectors that are highly sensitive to regulatory risks, such as energy and technology. Biden may also increase minimum wages which negatively impact firms that are labour intensive. In contrast, green firms such as Tesla and first solar may benefit from this scenario.To conclude, if you invest in the US stock market, it is certainly worthwhile to consider how the election impacts your portfolio. Even though historical data indicates that the election's impact on the stock market is mostly short-lived, it is still important to monitor the regulation and geopolitical risk exposures and pay close attention to firms that are directly affected by the potential policy changes.

The Litchman Model

WRITTEN BY SAM JAIN

THE LICHTMAN MODEL FOR PREDICTING US PRESIDENTIAL ELECTIONS HAS ACCURATELY FORECAST US PRESIDENTS FOR 40 YEARS. WILL IT STAND IN 2020?

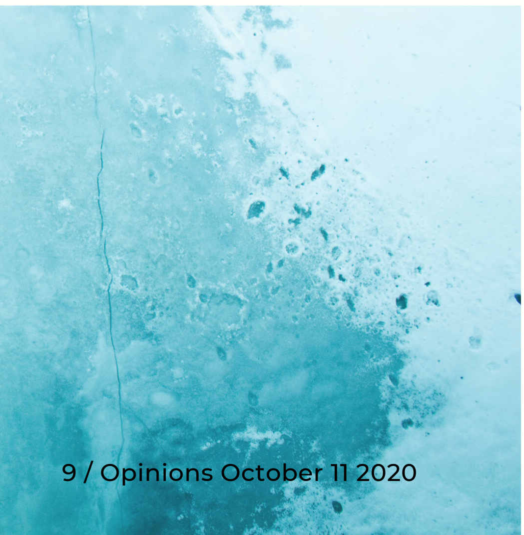
PROFESSOR ALLAN LITCHMAN HAS BEEN DUBBED THE “NOSTRADAMUS” OF US POLITICS. HIS MODEL, COMMONLY REFERRED TO AS THE “KEYS TO THE WHITE HOUSE” HAS ACCURATELY PREDICTED THE OUTCOME OF ALMOST EVERY US PRESIDENTIAL ELECTION SINCE 1984. IN FACT, LICHTMAN WAS ONE OF THE ONLY POLITICAL PUNDITS WHO ACCURATELY PREDICTED THE ELECTION OF DONALD TRUMP IN 2016, DESPITE THE OVERWHELMING CONSENSUS BEING A SWIFT VICTORY FOR HILLARY CLINTON.

The model was developed by Litchman and a Russian academic by the name of Dr Vladmir Keikilis-Borok in 1981. Surprisingly, Borok is neither a political scientist nor a historian. In fact, Dr Borok was a well renowned expert in the fields of… Geophysics and Seismology. Basically, the science of predicting seismic events like Earthquakes. Borok reasoned that pattern recognition methodologies applied in geophysics for the purposes of predicting seismic events, could be modified to predict political events as well.

Litchman and Borok pored over vast amounts of historical information regarding US presidential elections and came up with 13 key analytic factors which could foresee the outcome of the race. The model works by providing a series of 13 statements regarding political, social and economic trends that are taking place in the United States. These statements are answered by either true or false.

When fewer than six of the statements are false, the model predicts that the party currently in power will retain the white house. However if six or more of the statements return true, then the challenging party takes the White House. The 13 Statements are as follows:

1. ***Party Mandate:*** *After the midterm elections, the incumbent party holds more seats in the U.S. House of Representatives than after the previous midterm elections.*
2. ***Contest:*** *There is no serious contest for the incumbent party nomination.*
3. ***Incumbency:*** *The incumbent party candidate is the sitting president.*
4. ***Third party:*** *There is no significant third party or independent campaign.*
5. ***Short-term economy:*** *The economy is not in recession during the election campaign.*
6. ***Long-term economy:*** *Real per capita economic growth during the term equals or exceeds mean growth during the previous two terms.*
7. ***Policy change:*** *The incumbent administration affects major changes in national policy.*
8. ***Social unrest:*** *There is no sustained social unrest during the term.*
9. ***Scandal:*** *The incumbent administration is untainted by a major scandal.*
10. ***Foreign/military failure:*** *The incumbent administration suffers no major failure in foreign or military affairs.*
11. ***Foreign/military success:*** *The incumbent administration achieves a major success in foreign or military affairs.*
12. ***Incumbent (party) charisma****: The incumbent party candidate is charismatic or a national hero.*
13. ***Challenger (party) charisma****: The challenging party candidate is not charismatic or a national hero.*



1. *Party Mandate: FALSE*
2. *No Contest: TRUE*
3. *Incumbency: TRUE*
4. *No Third Party : TRUE*
5. *Good Short term economy : FALSE*
6. *Good Long term economy: FALSE*
7. *Policy Changes: TRUE*
8. *No Social Unrest: FALSE*
9. *No Scandal:FALSE*
10. *No Foreign Military Failures: TRUE*
11. *Foreign Military Success: FALSE*
12. *Incumbent Party Charismatic: FALSE*
13. *Challenger Party Not Charismatic: TRUE*

These factors tallied up give 7 false and 6 true and therefore predict that the winner of the 2020 US Presidential Election will be... Joe Biden.

However we could play devil's advocate to some of Professor Lichtman's classifications. In Factor 6 (Good Long Term Economy), he classifies the statement as false, due to the economic impact of Covid-19 on the US economy. However it could be argued that Covid-19 is a once in a generation outlier. In this regard, voters might not necessarily blame the current administration for the economic loss. The counter-argument to this is that voters might criticize the administration for the poor US response to Covid-19. In either case, it could be argued that Factor 6 is uncertain, given that the US economy was performing remarkably well before the advent of Covid.

Furthermore Factor 11 could also be arguably challenged. Professor Lichtman argues that the current administration has not really had much military success or failure. However, the US involvement in the defeat of ISIS in the middle east could be argued to be a military success for the US. If either of these two factors were classified as false rather than true, then the model would shift the other way and predict Donald Trump as the winner.

The only appointment the model has incorrectly forecast was the highly controversial election between Al Gore and George W Bush that took place in 2000. The model predicted that Al Gore would be the winner, but as we all know it was George W Bush who became the 43rd president of the United States. However, even in this case the model got it correct to some extent. Lichtman has explained how the model predicted the candidate that would get the greatest popular vote. In 2000, it was Al Gore who received this honour. However, in the US, presidents are not selected by popular vote but by the electoral college, and in the year 2000, the electoral college chose George W Bush to be the next US president. In regard to this, Lichtman updated his model to predict the overall winner rather than the candidate with the most popular vote.

Overall, because of the chaos that this year has brought us, and the massive socio-economic and political issues erupting all over the world, it appears that the 2020 US Presidential Election will be a defining event that shapes the future of America and the rest of the world for years to come.

National: The better economic managers?

WRITTEN BY SAEYAVAN SITSABESAN

WELCOME TO OUR ELECTION 2020 SERIES, AS PART OF UAIC'S GENERAL ELECTION COVERAGE, THIS WEEK FEATURES ANALYSIS OF THE NATIONAL PARTY'S POLICIES AND HOW THEY AFFECT STUDENTS AND THE ECONOMY.

Conventionally, across the world right-wing politicians have proclaimed themselves to be better stewards of the economy. Most notable examples include Malcolm Turnbull, the Australian Liberal party leader at the time, positioning himself as a successful manager of economic transition, before the 2016 election. As well as the National party every time an election rolls around.

The latest NZ Herald Kantar Vote 2020 (27/09/2020) poll seems to back up this perception with 43% trusting National to rebuild the economy as opposed to Labours 39%.

Authors Note; The Newshub-Reid Research poll (28/09/2020) indicates 55.1% support for a labour-led government to manage the economy post COVID-19 against Nationals 34.9%, showing a bag of mixed results.

Nonetheless the party's financial spokesperson, Paul Goldsmith, is still positioning his party as a 'better manager of the New Zealand economy.'

But is this the case?

Nationals Alternative Budget has several errors;

A $4.3 billion overestimation in superfund contributions. It was calculated National would save $19.1b over the next decade by stopping Super Fund contributions using projections from the May budget. The September projections indicate only $14.8b worth of savings. A $2 billion fall in future tax-takes due to lower profits from a smaller super fund has also been ignored. The smaller fund being a direct consequence of cutting super contributions. Nationals Finance Spokesperson Paul Goldsmith again used the May budget figures instead of September when calculating capital allowance resulting in

another $88 million 'irritating' error.

The final major mistake is a $3.9 billion shambles. The plan would reallocate $3.9 billion of unspent planned expenditure from the New Zealand Upgrade Programme. However, the government has shut down the scheme and transferred it into the general 'capital allowances' account. An amount that has also been spent in the alternative budget.

The party finance spokesperson in a petty attempt to regain credibility went on the counteroffensive claiming Labour has a $10 billion hole for not financing projects such as pumped hydro and light rail. While there is validity in this claim, the same can be said about National's proposed plans for a second harbour crossing.

The party's alternative budget certainly isn't water-tight and the mistakes may have been accidents that we're all prone to make. But, as a party campaigning to lead the country in an economic crisis that requires strong fiscal management it certainly doesn't look good.

National might not be the best fiscal managers, but could their economic policies be the perfect solution for our economic woes.

National's Economic policy platform includes a number of policies that make economic sense and a number that just don't seem to stack up.

INCOME TAX CUT

The party's policy consists of raising the threshold for the 10.5% tax bracket threshold from $14,000 to $20,000, the 17.5% tax bracket threshold from $48,000 to $64,000, and the 30% tax bracket threshold from $70,000 to $90,000.

This is a policy that is pretty much business as usual in terms of the party policy, favouring tax cuts and a smaller government. But the impact of the policy is ambiguous. While earners earning $20,000 get a significant tax as proportion of income and those earning $64,000 receive almost a 5% boost, high income earners benefit the most in absolute terms.

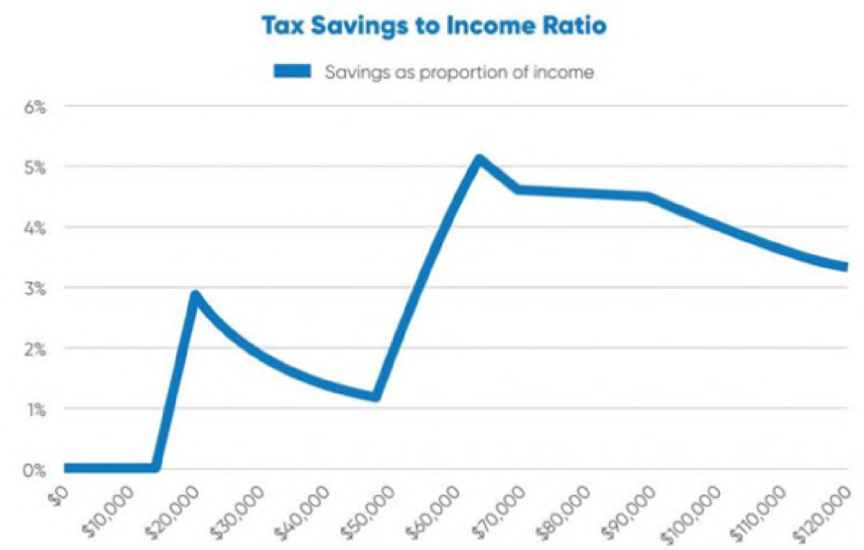
That is to say someone earning $120,000 will save $4,000 in total, but someone earning $60,000 will save only about $2,500. As mentioned in last week's article, the policy does not seek to address k-shaped recovery we are facing. Low wage employment has dropped by 16%, whereas high wage employment is down 0.5% compared to pre-pandemic levels in the United States.

Furthermore, Output multipliers indicated by the Congressional Budget Office (CBO) for a mix of tax and spending policies indicate tax cuts to lower income people having a multiplier of 1.5, i.e. for every $1 of tax cuts, the economy grows by $1.5. Multipliers for tax cuts to any other income group are less than 1, i.e. the costs outweigh the benefits.

JOBSTART

JobStart is a policy that will provide a $10,000 cash payment to businesses for all additional new permanent full-time employees. The programme will begin at the start of November and run through to the end March.The policy seeks to stimulate job growth by effectively subsidising the cost of labour, thus increasing the quantity of labour demanded.

The scheme is capped at $500 million, or 50,000 new jobs. The effectiveness of the policy though is determined by how many of these new jobs would have been created anyway without the JobStart scheme. The latest ANZ New Zealand Business Outlook indicates net employment intentions of -11.8%, that is to say



that of the firms surveyed more intend to let go of staff then hire new staff. National's well-intentioned policy could push the needle over and get us started on the road to recovery.

BUSINESS INVESTMENT ACCELERATOR

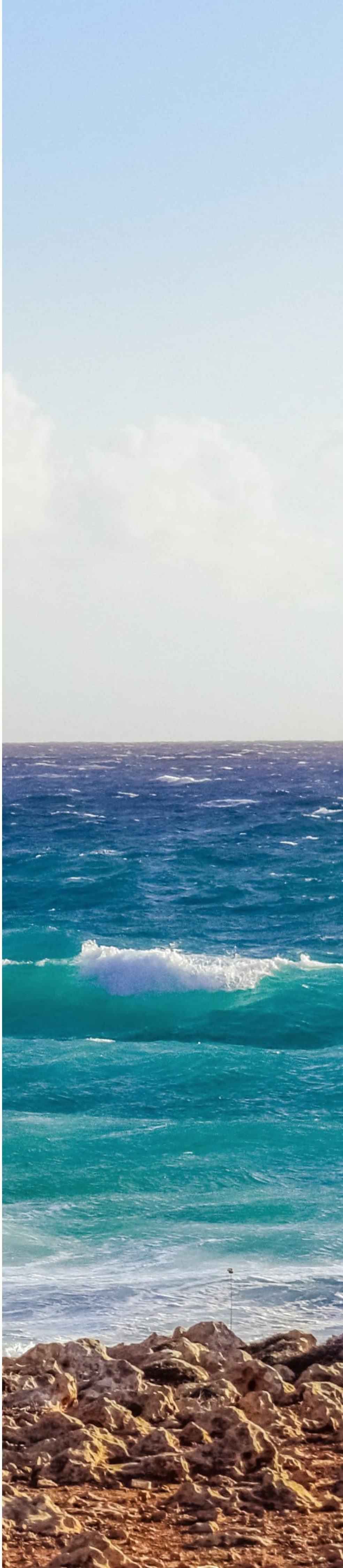
The Business Investment Accelerator is a policy that would enable expensing any capital investment up to $150,000 per asset for the next two years. This essentially enables businesses to expense the entire value of an asset with a value of up to $150,000 in a single period, thus reducing profits and reducing a businesses tax liability. Another similar policy the party is campaigning on is Double Depreciation for Plant, Equipment and Machinery. This is a policy that enables depreciation rates allowed for all assets to be doubled for the next 12 months for assets valued over $150,000.

The effect of these two policies works in a way that reduces the cost of an asset by reducing the tax liability of the company. This is a policy that not only seeks to spur back investment to put us on the path to recovery, but also as a side effect addresses another economic issue NZ has been facing. That is low productivity growth. New Zealand has been facing low worker productivity growth for years, and investing into new assets and in turn new technologies has the potential to create a long-lasting positive impact on our economy.

National has always been a party I have admired, it's a political party that wasn't founded on an ideological movement but in opposition to the first Labour government. The party formed as a result of a merger between the United Party, one that had support from urban New Zealand and the Reform Party, which primarily had a rural base. The party merged becoming one big tent with MPs representing both rural voters and urban voters with at times opposing objectives. It now unifies the socially conservative and liberal factions together.

The party has often displayed its ability to keep a finger on the mood of the nation. Following the energy crisis of the '70's the Muldoon government was able to capture the imagination of the nation. It's signature 'Think big' vision focused on energy dependence, albeit it was a failure, energy prices were at the forefront of voters' minds at the time. However, the policy platform National is running on for the 2020 election is lacklustre and fails to capture the imagination of the citizens.

Disclaimer: This is an article written by a self-professed non-partisan who seeks to examine the economic implications of policies through an impartial lens. Only a select few of the party's policies have been analysed.



Long walk to greendom

WRITTEN BY NEHA KUMAR

THERE IS LITTLE DOUBT NOW THAT SHIFTING TO SUSTAINABLE ENERGY SOURCES AND AWAY FROM FOSSIL FUEL ENERGY IS THE BEST WAY FORWARD FOR BOTH THE ECONOMY AND FOR THE ENVIRONMENT. ECONOMIST FAIIQA HARTELY FROM THE UNIVERSITY OF CAPETOWN AND AMERICAN FINANCIER MICHAEL MILKEN BOTH SEEM TO AGREE. ON SEPARATE OCCASIONS, BOTH HAVE CLAIMED THE INCREASING EFFICIENCY AND GROWING FUTURE JOB PROSPECTS MAKE RENEWABLE ENERGY A COMPELLING ALTERNATIVE. IT'S STRANGE THEN, THAT EACH COUNTRY IS AT A DIFFERENT STAGE OF TRANSITION TOWARDS RENEWABLE ENERGY. ONCE WE UNDERSTAND THE DISPARITY BETWEEN WHAT WE KNOW AND WHAT IS BEING DONE ABOUT IT, WE CAN UNDERSTAND HOW THE WAY WE INVEST CAN MAKE A DIFFERENCE.

We are currently in the third industrial revolution and are slowly entering into the fourth. The third is shown by communicating through the internet instead of telephones, transport are electric and hybrid vehicles, and using solar, wind and nuclear power instead of oil. The fourth industrial revolution will be defined through automation and AI. New Zealand has a strong history of being a sustainable energy-driven country; nuclear-energy free in 1976, and primary energy sources of hydro and wind power. Despite our green efforts, oil consumption has gone up. In 2016 New Zealand consumed just over 166,910 barrels of oil a day, in 2019 it had risen to 175,650. The reliance on oil, and the general belief that it is an economically sound energy source should have shifted in November of 2018. Renewable energy became a cheaper and more efficient alternative to fossil fuels. Of course, this is not common knowledge.

In 2019, the top 5 oil companies combined spent only around 3% or their capital investment of 150 billion USD (45 billion) into research and development for renewable energy and low carbon alternatives. That suggested the expectations for renewable energy sources being a good alternative for oil were low, and that a renewable energy power grid isn't feasible, especially for larger countries.

With fossil fuels having reached their efficiency limits, environmental scientists have turned to wind and solar power as they can continue to get more efficient. At the same time, details have emerged about a community of senior scientists with political connections that ran campaigns to create misinformation on topics that were well established scientific knowledge. The book 'Merchants Of Doubt', by historians Naomi Oreskes and Eric Conway, explains how renewable energy

and oil, among other topics, were subject to this misinformation. It mentions the beginning of the public climate change debate which started in the presidential campaign year of 1988: “The first [crucial event] was the creation of the Intergovernmental Panel on Climate Change. The second was the announcement by climate modeller James E. Hansen, director of the Goddard Institute for Space Studies, that anthropogenic global warming had begun. An organised campaign of denial began the following year, and soon ensnared the entire climate science community.”“They [scientists] began, finally, to realise what they were up against. There appeared to be a concerted and systematic effort by some individuals to undermine and discredit the scientific process that has led many scientists working on understanding climate to conclude that there is a very real possibility that humans are modifying Earth’s climate on a global scale. Rather than carrying out a legitimate scientific debate through the peer-reviewed literature, they are waging in the public media a vocal campaign against scientific results with which they disagree.”- Merchants Of Doubt, Naomi Oreskes and Eric Conway, pg 150.

While New Zealand's oil consumption has increased and research on renewable energy is limited, efforts are still leading to results. Countries in the European Union and China have been making strides in sustainable energy power. According to the UN Environment Program, China invested the equivalent of USD126 billion dollars in 2017, around 45% of the global investment in renewable energy. They expect to reach grid parity by 2022. New Zealand has a goal to have 90% of its electricity generation through renewable sources by 2025 and continue to follow the OECD’s plan for carbon pollution reduction. Germany has committed to investing in its coal cities by retraining workers into other fields to keep local city economic activity strong. One-third of Germanys' electricity comes from the use of coal factories, and it's been estimated that this investment will cost around USD40 billion dollars. Countries such as China and those in the European Union, New Zealand included, understand that the transition to sustainable energy will be incredibly disruptive and costly. However, they also understand that being on a mostly sustainable energy power grid is the best option if they are to be a 'competitive commercial country'.

HOW INVESTING CAN MAKE A DIFFERENCE

Governments must take charge and make large scale shifts towards being sustainably sourced energy countries. Investors can make an active effort and show an overall interest by investing in sustainable energy companies, and companies that have a high ESR score. Meridian Energy (NZE: MEL) is an example of a New Zealand company which produces 100% renewable energy. ETFs such as the S&P ESR 500 fund take into consideration a company’s environmental impact and does not include companies that have a vested interest in oil and coal companies. Berkshire Hathaway (NYSE: BRK) is one such company- they are not a part of the S&P 500 ESR fund for having shares in oil, around USD 10 billion worth. Along with these, people can actively call out institutions that have a vested interest, or invest in fossil fuel. The University of Auckland promotes efforts towards climate change and environmental research papers while having a decent amount of their investment fund in companies with fossil fuel interests. In 2017 the university had 1.5% (approximately NZD 2.2 million) in coal, oil, and gas companies. This number has not changed by much over the last.

The progress towards sustainable energy is slow and steady, but it is progress. Reasons to stagger this progress will always emerge; we must consider the limitations presented and the weight they hold, along with the motive of the people presenting the research. Coronavirus has made a dent in every single countries' economy, and we know that oil is considered a reliable source of income both in sales and in shares. Knowing this, we must continue to promote sustainable energy sources and show that fossil fuel energy is no longer an option for us.

MYOB's column

NZ GENERAL ELECTION 2020 – UNSURE HOW THE MAJOR POLITICAL PARTIES WILL SUPPORT YOUR BUSINESS?

Watch the MYOB General Election Small Business Discussion and hear representatives from each major political party discuss their visions, party policy platforms, thoughts around the future support of New Zealand's small businesses and broader economic issues.

To catch all the action from the discussion, visit: https://www.nzherald.co.nz/video/myob-general-election-small-business-discussion/6N4KQSGOKQUR5WTSZ7TIPUT5PU/

To read more about how the parties are planning to support small businesses in New Zealand and compare their approaches to some of the issues raised in our General Election Snapshot,

check out our pre-Election party policy summary here.

myob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