



UNIVERSITY OF AUCKLAND
**INVESTMENT
CLUB**

INVESTMENT BULLETIN

STUDENT WRITERS · STUDENT OPINIONS

THE GREATEST SPORTING INVESTMENT OF THE DECADE

BY ROHAN BHATT

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IS APPLE MAKING THE SAME MISTAKES AS NOKIA?

THE UK'S NEW PRIME MINISTER

MYOB: 2022 LOCAL ELECTIONS

FORSYTH BARR: Q&A WITH KATIE BEITH

& CONVERSATIONS WITH

UAIC ALUMNI:

JILLIN YAN

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An update from the fund

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



THE WAREHOUSE GROUP (NZX: WHS)

The Warehouse Group is New Zealand's largest retail group with over 260 retail stores ranging from essential goods, technology, stationery, sporting goods and e-commerce.

WHS has 5 core businesses: The Warehouse, Warehouse Stationery, Noel Leeming, Torpedo7 and The Market. Operating in the retail industry, WHS is more prone to the economic effects of lowering consumer confidence, rising interest rates etc. However, The Warehouse makes up just over 50% of WHS's revenue, so the economic effects are not as adverse due to The Warehouse providing staple goods that focus more on needs than wants.

WHS has a competitive advantage due to its brand awareness and strong online presence due to

their e-commerce platform The Market proving successful.

Looking ahead, WHS aims to build a world-class omnichannel by integrating the core brands through online and in-store platforms to improve customer experience. WHS is also in a healthy financial position with no debt, high stock turn and dividend payout ratio.

The Investment Committee has not passed this stock for valuation.

“
*Bargain buying
at its finest*

”
- Anna Marsden
& Isabelle Lee

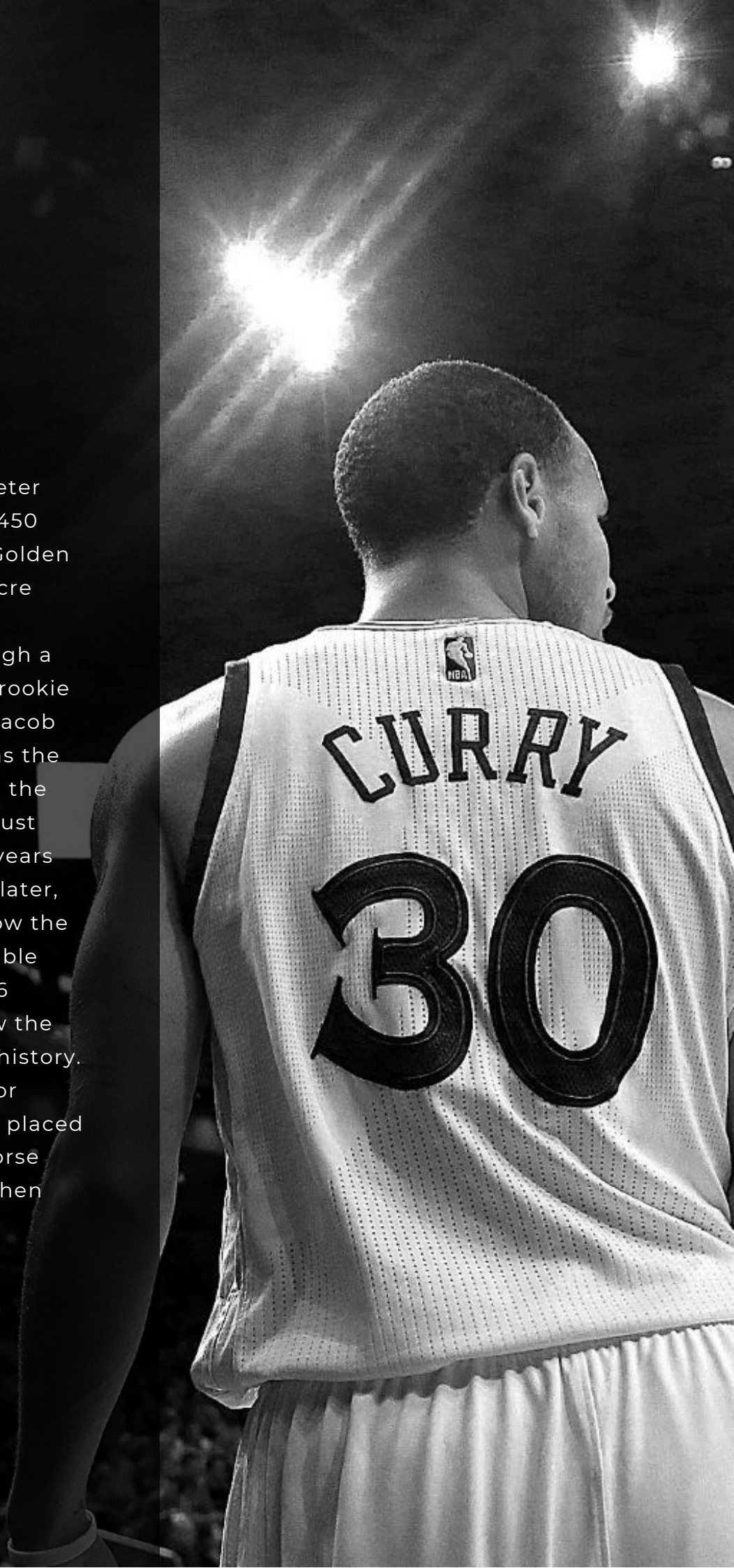
SPORT

Golden State Warriors: The greatest sporting investment of the decade?

BY ROHAN BHATT



In 2010, Joe Lacob and Peter Guber shelled out USD \$450 million to purchase the Golden State Warriors – a mediocre NBA franchise, seeking a change of fortunes through a talented but undersized rookie from Davidson College. Lacob and Guber’s purchase was the highest in NBA history at the time and was viewed as just that – mediocre. Twelve years and four championships later, the same Warriors are now the NBA’s second most valuable franchise, worth USD \$5.6 billion. That rookie is now the greatest shooter in NBA history. Whether you call it luck or genius, Lacob and Guber placed their bets on the right horse and the right race – Stephen Curry and the NBA.



Golden State's ascension from a below-average, underdog team to the golden standard of NBA basketball, has been immensely unprecedented. This ascension is primarily accredited, and rightly so, to Curry's remarkable transition from simply a talented shooter to one of the greatest players the NBA has ever seen. After entering the league in 2009, the overarching narrative surrounding Curry was one of doubt and uncertainty. Despite a successful rookie season, Curry soon found himself plagued with multiple ankle injuries, adding big question marks surrounding his ceiling and longevity in the NBA.

To make matters worse, the Warriors' ownership decided to trade away the team's best player at the time, Monta Ellis. Ellis' skillset and immense popularity directly locked horns with the franchise's decision to draft and develop Curry – both of whom played the same position. Not only was this decision frowned upon by national media, but Warriors fans themselves went as far as booing owner Joe Lacob in the immediate aftermath – a moment now worth its weight in gold. In hindsight, it was this very trade that gave Curry the freedom to make the team his own, and he never looked back. For Lacob and Guber, the decision to forgo an established player and invest in the then-precarious future of their budding star was a bold one. But as they say, the bigger the risk, the bigger the reward.

Since then, Curry and the Warriors have won four championships. In the process, Curry became the

league's first unanimously voted MVP, led the Warriors to the greatest regular season team record in NBA history, became the most prolific three-point shooter ever and most recently, received both the all-star game and NBA finals MVP awards. To Lacob and Guber's credit, Curry has consistently been surrounded by the right teammates, management, and coaching staff to maximise both his own and the team's potential. Curry's individual basketball resume is the stuff of legends, but standing above the accolades is his single-handed revolutionization of the way basketball is fundamentally played.

Curry entered the league with potential, but not even his closest friends could have envisioned the footprint he would leave on the game. Perhaps a great way to assess individual greatness is to recite history and take note of those names that cannot be omitted from the narrative. No conversation about the past decade of NBA basketball can be had without mentioning Stephen Curry. Ultimately, in a sport where winning is the primary currency, Lacob and Guber struck gold.

What helped Lacob and Guber's investment turn from great to historical, however, is the simultaneous influx of money into the NBA alongside the growth of the Golden State juggernaut. In 2010, the average value of an NBA team was approximately USD \$369 million. The same figure today is USD \$2.58 billion. This growth has come primarily from extensive new sponsorship revenues, a



historical media rights deal worth more than USD \$26 billion, and greater sale and purchase activity for NBA teams in general since 2010. Subsequently, the league's revenue pool grew, leading to an elevation of the salary cap placed on teams. When Lacob and Guber purchased the team in 2010, Curry was on his rookie contract, worth a total of USD \$12m. Today, Curry is the 5th highest paid athlete in the world, with a 4-year contract worth USD \$215m. Fortunately, the sheer growth of money invested in the NBA was perfectly timed with Golden State's ascension as a team. Thus, not only did the size of the pie grow, but so did Golden State's share of the pie, so to speak.

Of the team's current USD \$5.6 billion valuation, just under half has been attributed to branches that are independent of league-wide operations – brand, market and stadium. The remaining is related to the value provided to the franchise from league-wide revenues. Importantly, the value of

the former three branches has grown tenfold in the past decade, which is most heavily correlated with an increase in popularity. A visit to your nearest basketball court or sports store is all it will take to see the plethora of Stephen Curry jerseys – a testament to all of the aforementioned.

As much as we would love to, you and I, unfortunately, cannot wake up tomorrow and purchase a multi-million dollar sporting franchise in a bid to replicate Lacob and Guber's success. However, in my eyes, their story, coupled with Stephen Curry's meteoric rise contains lessons applicable to everyday investors. When I think of the Warriors, I see a story of unwavering resilience, combined with unparalleled confidence. It is a story that teaches us to back our strengths, even if they differ from the status quo. When Curry was drafted, centering one's strategy upon a physically smaller player reliable on perimeter shooting was

considered a recipe for disaster. Today, the same has become a recipe for success, with teams desperately seeking to replicate Golden State's formula.

Furthermore, nothing historical can be achieved without accepting a certain degree of risk and luck. Lacob and Guber took a huge gamble on Curry's health, which ultimately paid off in an unprecedented way. The same could have easily gone south, in which case, the entire landscape of the NBA would be different. The possibility of being wrong is a reality that all investors have to face. However, Lacob and Guber embraced their decision and the change it brought with it, independent of risk. They recognised that both in sports and in investing, there are multiple ways to win the same game. Things won't go your way at every step, but sometimes all it takes is to be right once and to be right big. The result is for everyone to see.



TECH

Is Apple making the same mistakes as Nokia?

BY FAHEEM IBRAHIM

If you lived through the mobile phone boom there's a good chance you owned a Nokia phone at some point. But in the smartphone era we are living in today, there is a good chance that you do not have a Nokia, and you don't need me to tell you why. Nokia failed and the smartphone took off. Nokia missed the smartphone bus, going from market domination to a sell-off in less than 10 years. Meanwhile, Apple has gone from strength to strength, becoming one of the most valuable companies in the world. In many ways, the story of the fall of Nokia and the rise of Apple as a smartphone giant are deeply intertwined.





Apple is not a company in crisis, in fact, it is one of the most successful companies in the world. If you were to buy all of Apple's shares today, you would need close to 2.75 trillion dollars. As of August 2022, Apple's market capitalization is more than the GDP of New Zealand, Australia, Russia, Saudi Arabia, Spain, South Korea, and Italy just to name a few. Apple is more valuable than some of the most economically developed countries in the world.

Apple's sales are impressive but they are not what they used to be. Their profits declined by nearly 11% in the three months ending in June from the same period a year ago due to supply chain disruptions in China arising from the country's zero-Covid policy. However, there is more to the problem than just the pandemic.

The bleeding in Apple had begun well before coronavirus had struck.

In 2019, Apple issued a warning that they would be cutting their revenue outlook by \$9 billion, the first time the company had done this in its history. The reason? Slowing iPhone sales. Analyst at Goldman Sachs, Rod Hall, said that this is the beginning of a long-term story. Hall compared Apple's story to Nokia, saying that Nokia relied on customers upgrading their phones frequently, but people started waiting longer and longer to upgrade their phones. Apple faces the same problem: people like to repair, not to replace. In 2019, Tim Cook, Apple's CEO, listed repairs as one of the many reasons why Apple is unable to sell new phones. The company seems to be too heavily reliant on the glories of the past.

The launch of the iPod, the iPhone, the iPad, and the App Store were moves that made Apple a dominant force in the market. However, for almost a decade now, Apple seems to have fallen behind on innovation, and simply releasing new phones every year with minor upgrades isn't going to solve the issue. Instead of conquering new lands, the company seems to be more focussed on defending its turf. For any new company to be able to innovate, they need to spend on research and development. Apple, despite its massive cash flow, is underspending on innovation when compared to its peers. For example, Apple spent \$25 billion on R&D in 2022 compared to \$31.5 billion spent by Alphabet, Google's parent company. Another way companies get new technologies is by buying startups with bright

ideas, however, Apple has only spent 2% of its cash flow on mergers and acquisitions since 2012.

Apple has also been called out for trying to cut corners in recent years. Lately, Apple has decided to no longer include wall chargers or earphones in boxes for their new iPhones. Apple claims this is for the environment to limit e-waste, since people most likely already have phone chargers and headphones at home. Not many

people are buying this argument - people still need chargers and headphones but they will simply purchase it from elsewhere (still adding to the e-waste by the way). Apple was not trying to save the environment, it was trying to save its margins.

Apple faces a dual challenge in today's business world - it must not only survive the cutthroat competition but remain a dominant player in the market. Incremental upgrades and cutting

corners may boost Apple's profits in the short-term, however, Apple needs to go beyond existing product lines, enter new territories and build products that are new and different in order to attract new customers. Failure to do so may result in Apple facing the same fate of the Nokias and the BlackBerrys of the world. Perhaps Apple can draw inspiration from one of their old slogans: 'think different.'



GLOBAL · POLITICS

The United Kingdom's New Prime Minister

BY DYLAN DIDI

Is the fourth time a charm? The British public and Liz Truss, the UK's new Prime Minister, will certainly hope so. On September 6th, Queen Elizabeth II invited the former Foreign Secretary to form a government. Truss was the fourth Conservative Prime Minister the Queen had met in six years. This article will investigate Truss' predecessor's return to the backbenches, the Conservative leadership contest, and the policies Truss campaigned on to address multiple crises in the UK.



THE BORIS JOHNSON ERA

Boris Johnson became the Tory leader and Prime Minister in July 2019. He sought to pass a Brexit deal through Parliament to ensure the UK left the EU by October 31st, 2019. As Prime Minister, Johnson pursued a harder Brexit deal than his predecessor, even if it resulted in a no-deal Brexit. Johnson's pledge 'Get Brexit Done' in the 2019 General Election resonated strongly with the public. He returned the most significant Conservative majority since 1987 and saw off a strong challenger in Jeremy Corbyn.

By almost any measure, 2020 was a challenging year. Like any government worldwide, Johnson's had to make difficult decisions under pressure. However, Johnson came under intense scrutiny after allegations emerged that he, members of his government, advisors, and senior civil servants broke COVID-19 rules. The same rules which Johnson's government implemented. The same regulations that had prohibited ordinary citizens from interacting with each other, celebrating, or remembering their loved ones.

In January 2022, the Metropolitan Police launched Operation Hillman to investigate the allegations. In May 2022, it found that Johnson attended seven gatherings. Boris, his wife, and the Chancellor of the Exchequer, Rishi Sunak, were fined for breaking the rules. In a report, Conservative MP, Sue Grey, conveyed that the Prime Minister had attended these

gatherings. These findings contradicted Johnson's repeated assurances that the rules were followed in No.10 in December 2020. Some of these assurances were stated in Parliament. Frustrated by his deceit, Conservative MPs triggered a no-confidence vote on Johnson in June 2022.

59% of Conservative MPs had confidence in Boris, while 41% did not. His survival was only a brief respite. Later in June 2022, by-elections saw substantial Conservative defeats. It is usual for incumbent governments to lose by-elections. However, in the safe Conservative seat of Tiverton and Honiton, the Liberal Democrats overturned a 24,239 majority. The result indicated voters' anger towards Johnson's actions.

Later in June 2022, allegations of misconduct were made against Conservative MP Chris Pincher. Johnson denied receiving previous complaints about Pincher. However, Dominic Cummings and Simon McDonald both purported Johnson's denials were untrue. Cummings was Johnson's former Chief Adviser, while McDonald was a former Permanent Under-Secretary at the Foreign and Commonwealth Office. This incident became a scandal leading to 27 ministerial resignations. There were 62 total resignations, including party chairpersons, trade envoys and Parliamentary private secretaries — the most in modern-British history in a single day. By July 7th, 2022, faced with the prospect of Conservative MPs



changing the rules to bring a fresh new-confidence vote, Johnson announced his intention to resign.

THE CONSERVATIVE LEADERSHIP ELECTION

Johnson's announcement triggered a Conservative leadership election. From July 12th to July 20th, Conservative MPs whittled eight candidates down to two. These candidates were Rishi Sunak and Liz Truss. From July 22nd to September 5th, the two candidates participated in debates and campaigned to the Conservative membership. Members representing 0.3% of the British population would vote for the candidate they preferred to be the leader. Truss received 57.4% of the vote and won the contest by 20,927 votes.

THE LIZ TRUSS ERA

Truss campaigned on tax cuts. These cuts would reduce National Insurance and include cancelling a planned rise in corporation tax. Her government believes these changes will ease the cost-of-living crisis intensified by inflation and increase economic growth. Truss wants to borrow to pay for these changes. Reports indicate also that Truss is considering scrapping VAT by 5%.

Truss has called for a temporary suspension of green levies, investment in nuclear power and fracking in the North Sea to alleviate the energy crisis. Truss has ruled out a windfall tax on energy companies. These companies' profits have risen due to Russia cutting off Europe from

its gas supply, the UK's lack of gas storage and the UK's overdependence on gas. Truss' government announced it will cap households' energy bills at £2,500 until October 2024. According to experts, this cap will cost over £100 million, leading to more borrowing.

Only time will tell whether Truss' low-tax, high-borrowing plans to induce growth will work. What is certain is that the Conservatives have been focusing on themselves for over two years. Now with multiple crises hurting the people, Truss should embody the revered, dutiful work ethic of the late Queen who appointed her.



CONVERSATIONS WITH UAIC ALUMNI

JILLIN YAN



McKinsey
& Company

Business Strategy Manager - August Robotics | Ex-McKinsey
UAIC Investment Committee 2018-2019
LLB / BCom Conjoint (Finance)



Welcome back to our Conversations series! This week, we are featuring Jillin Yan, a member of the 2018-2019 Investment Committee. After graduating with a Bachelor of Laws and Bachelor of Commerce (Finance) in 2019, Jillin joined McKinsey & Company as a Business Analyst and is currently working at August Robotics as a Business Strategy Manager, based in Hong Kong. We are excited to share Jillin's story and perspectives with students.

INTERVIEW & ARTICLE BY ISABELLA HO





UNIVERSITY EXPERIENCE

At university, Jillin was heavily involved in a range of student clubs. In addition to the Investment Committee, she was a Co-President of the Public Policy Club, and represented the university internationally in both mooted competitions with the Law School and case competitions with the Business School's Case Programme.

"Representing the university in these competitions was excellent for my personal and professional development. The intensive training and the competitive element pushed my critical thinking, problem-solving and presentation skills, and taught me how to be a true team player. My motivation for and takeaways from the Public Policy Club were different – it was about learning how to lead others, finding a broader purpose, and giving back to the community.

"I really enjoyed being on the Investment Committee due to its constancy. By meeting every week, I built trusted and close relationships with this small group. We could discuss ideas very openly and learn from each other. In terms of other UAIC events, winning the Stock Pitch Competition and the CMC Trading Competition were good highlights."

CONSULTING AT MCKINSEY

During her time as a consultant at McKinsey, Jillin worked on strategy and transformation

projects in many industries. Strategy projects involve providing a recommendation to a question and require heavy conceptual and analytical problem-solving skills.

"For example, a strategy project might involve helping a business clarify their 2050 aspirations and their strategy to get there – beyond the core, what is their growth platform or adjacencies to expand into? The day-to-day typically involves structuring and breaking down the problem, discussing with your team and Firm experts, and testing your thinking and insights with the client. You might build a model, and will definitely make a lot of PPT slides."

Transformation projects are very different and are becoming increasingly common, Jillin says. Instead of merely providing a recommendation to clients, you help them implement it.

"You're not just an advisor but an impact partner. The emphasis is on client counselling. You are building clients' capabilities, influencing how they think, and creating transparency and alignment. On one transformation project, I had to own relationships with ~15 clients to guide them through a process and be a thought partner. I barely made a single slide, but was leading back-to-back meetings every day for weeks.

"Transformation projects often involve McKinsey's more innovative offerings. For example, I worked with a Quantum Black



Lionel
Exhibition floor
marking robot



Diego
Hotel disinfection
robot

team to help a pharmaceutical company develop a machine learning tool for their sales function. As the analytics translator, I bridged the data scientists, who were building the tool, and the business clients. My job was to make sure that the data scientists understood the business needs when designing the tool, and that the business understood the tool's outputs and implications."

McKinsey offers a Fellowship program to Business Analysts after two and a half years. The program encourages Business Analysts to explore new opportunities for up to four years with an offer to return to the firm. Some choose to pursue a sponsored MBA or Masters. Others choose to join an internal, non-consulting function, such as McKinsey's think tank or

sustainability office. Jillin chose to venture into the world of start-ups.

WORKING AT AUGUST ROBOTICS

August Robotics is a Hong Kong-based start-up that builds B2B robots to automate workflows in a range of industries.

"I wanted to join a start-up to move beyond advising and influencing to executing and getting things done. August Robotics ticked many boxes. I liked the company's mission and progress, the size, the people and my role. I also wanted to have an overseas adventure and the job enabled that.

"The company has two commercialised robots and wants to build a portfolio of robots. One of my key roles is to determine

what robot to build next by validating product-market fit. It is a big responsibility because once we commit to an idea, the company would invest a lot of money and resources over a long time on it, so I have to ensure there is a commercial demand for it."

To validate product-market fit, Jillin talks to potential users and stakeholders in the target industry to understand current processes and the feasibility and value of a robot automating them. She also thinks ahead to commercialisation questions, such as whether the company should provide the robot as a service, lease it, or sell it outright.

"After deciding on the product, I work with the engineers to specify and prioritise the robots' features

so the solution meets customers' needs. I am also heavily involved in go-to-market and sales for new products, by sourcing and negotiating partnerships, modelling pricing, and negotiating contractual terms with clients."

ADVICE TO STUDENTS

Having been through intensive recruitment processes, Jillin stresses the importance of interviews in determining the outcome. She strongly believes in good interview preparation, particularly for technical and case interviews.

"Good grades get you the interview, but the interview gets

you the job. During recruitment season, spending time studying to go from an A- to an A+ might increase your GPA by 0.1. Why not spend that time preparing for an interview so that you can showcase the best version of yourself? If you get your dream job, your GPA will hardly matter anymore."

On a final note, we asked Jillin about her overseas work experience in Sydney and Hong Kong. Jillin encourages students to explore international opportunities if it interests them.

"Your bubble may mean that these opportunities are not immediately visible, so seek them out actively.

New Zealanders have a great reputation in Australia and globally for being friendly, collaborative and open-minded, so don't be shy!"

Note: Some of Jillin's quotes have been edited for clarity. This interview was conducted via Zoom on the 16th August 2022 by Isabella Ho, Keegan Macdonald, and Andrew Meng.



MYOB Column

SMEs set to lead voter turnout in 2022 local elections

New Zealand's small-to-medium enterprises (SMEs) are primed to exercise their democratic rights over the coming weeks, with more than nine-in-10 surveyed saying they plan to vote in the upcoming local elections.

MYOB's latest SME Snapshot – a survey of more than 570 SMEs from across the country – found that 93% of SME owners and decision-makers plan to vote this year, with many recognising the influence local government has over the future of their community.

- 40% believe their local council is connected to or understands business
- However, 1-in-3 SMEs believe local council support for small business is worse than it was three years ago
- Majority of SMEs polled disagree with Three Waters reforms

Read the full article [here](#).



Forsyth Barr FOCUS

Q&A with Katie Beith

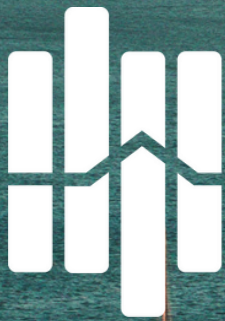
Katie has been in the ESG (Environmental, Social, Governance) industry for almost 20 years, with the first part of her career spent overseas, predominantly in the UK.

On returning to New Zealand in 2015, she joined New Zealand Super Fund as a Senior Investment Strategist for Responsible Investment. In November 2021, Katie joined Forsyth Barr as the Head of ESG to take on the responsibility of incorporating ESG principles into the company's firm wide operations and investment process, including assisting advisers with specific client needs.

We talked to Katie about how her first year is progressing, the media hype around ESG, and how Forsyth Barr is building capabilities in this quickly evolving space.

Read the full article [here](#).





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