UNIVERSITY OF AUCKLAND
INVESTMENT
CLUB

INVESTMENT BULLETIN

STUDENT WRITERS · STUDENT OPINIONS

AUCKLANDERS SOCIAL LIVES ARE IN DANGER

BY LILY CRAWFORD

+ MORE ON:

THE TICKETOPOLY: EXAMINING TICKETMASTER'S MARKET DOMINANCE

HOW ARTIFICIAL INTELLIGENCE IS CHANGING THE WORLD OF FINANCE

& FROM OUR PARTNERS:

MYOB COLUMN: ARTIFICIAL INTELLIGENCE (AI) IS EVERYWHERE.

FORSYTH BARR: CRACKS IN THE KIWI NEST EGG

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An Update from the fund

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

WOOLWORTHS GROUP

Woolworths Group (WOW:AASX)

By Aimee Ng & Katy Qiu

Woolworths Group (WOW:ASX) is an Australian retail company which owns supermarket chains across Australia and New Zealand such as Woolworths and Countdown, amongst many other retailers. They have majority market share within the grocery sector in Australia and are the second largest supermarket chain in New Zealand. The drivers behind the buy recommendation were both industry trends and the competitive advantages that Woolworths Group had over its competitors. Most notably, we saw its potential to be a defensive stock within our portfolio and believed it would perform well in a recession, especially due to e-commerce. Woolworths' extensive store network, prior investments, and dominance in the sector positioned the company well to take advantage of this e-commerce trend.

The company has been expanding into other industries such as homewares, pet goods, and health foods. This has allowed them to grow their ecosystem and have greater reach into other industries from which to generate additional revenue. In recent years, the grocery sector has seen increased resistance because of increased regulation. The committee had concerns regarding the heavily regulated nature of the grocery sector and how this may impact their ability to both maintain and grow their market share. Woolworths Group did not pass the committee vote at a vote of 1 Yes, 11 No. Investment Committee mentioned they were unsure as to how the company would continue to grow organically as opposed to through acquisitions into different sectors.

"Supplying your nutrition every day at a woollies store near you"

Silk Logistics Holdings (SLH:ASX)

By Abby Satheyndran and Winnie Cao

Silk Logistics Holdings Ltd (ASX: SLH) is a leading Australian logistics provider that offers port-to-door landside logistics services and supply chain services in Australia. Silk has delivered strong growth over the years that have far exceeded forecasts and have seen ongoing growth in container volumes as well as increasing warehouse occupancy. Their operations have proven to be resilient and have performed exceptionally well despite challenging market conditions.

Silk now has one of the most geographically diverse footprints in Australia, which they plan to continue growing through synergetic acquisitions as well as organically expanding their network capabilities. As efficiency is key in distribution, Silk's vertically integrated supply chain proves advantageous and allows them to gain maximum profit and seamless connectivity, whilst their strong customer relationships and high customer retention rate prove to be another competitive advantage.

The Investment Committee passed Silk Logistics Holdings to the valuation stage by a vote of 8/15.

Supplying our fund with a strongly growing logistics company that knows how to deliver"

LOCAL

Aucklanders social lives are in danger

BY LILY CRAWFORD

Lockdowns, pandemics, cyclones. It's fair to say Auckland businesses have had a bit of a hammering in recent years. And now with interest rates rising (OCR at 5.5% as of July 2023), minimum wage increases (April 2023), inflation (6.7% in the 12 months ended March 2023) and labour shortages a slowing of the economy is looking highly likely.

Food and beverage businesses are often the first to be hit when the economy slows. As discretionary spending falls and business revenue follows.

Indeed, this has been happening in Auckland’s very own viaduct as of late. I know it can be hard to keep note as we juggle our busy lives. But try cast your mind back to nights spent screaming the lyrics to bangers like “zombie” at O’Hagans. Well that's closed. Headquarters, closed. Danny Doolans, the Fox, the Cav and so many other classic Auckland restaurants and bars owned by the Good Spirits Hospitality group were up for sale as of December 2022. After several tough years of lockdowns and low profitability finally took their toll.

All of these popular spots are shutting doors after years. Closed stickers plastering what was once a bustling viaduct.

But what's coming in place? That's the question. As we see the opening of robot operated spots like the Skytower's own Andy’s Burger Bar and innovative restaurants like Karen’s Diner, the reality is made clear - we don’t know what the future of the Auckland CBD will look like.

It will be exciting to see what becomes of Auckland's social scene. Perhaps the droning of robots will be commonplace? It sure may help keep the businesses profitable.

Regardless, not only are hospitality businesses shutting their doors, but investors seem to be similarly running from hospitality, an increasingly nightmarish area to invest in.

For the year ended 22nd July 2023 the Good Hospitality Group stock is down 58.33%. Skycity Entertainment Group’s stock is down 15.93%. Millennium and Copthorne stock is also down 10.27%.

One can argue these losses are a byproduct of a weak international tourism industry and low consumer demand post-covid. But, undoubtedly the issues I listed earlier (like inflation and interest rate hikes) have also harmed revenue and shareholder confidence.

Notably, the recent 20 July shooting in Britomart, which has already taken two victims, is likely to spark further fear and uncertainty in the general public. People may be less inclined to head into town and more comfortable dining in at local spots.

Events like the FIFA Women’s World Cup being held in Auckland will bring some respite to the struggling industry. However, all tournaments come to and this is likely to be short lived.

It does beg the question however, does this lack of confidence (and the spiralling of stock prices) present an opportunity for investors?

In the long term people aren't going to stop going out, socialising and enjoying fine dining. For the avid investor stocks like Skycity, which actually saw a 101.21% increase in revenue in the year ended December 2022, may be looking like bargains right now, as bars and restaurants close customers will be looking for new spots and undoubtedly eventually revenue (and stock price) will rise further.

Auckland CBD may be full of closed signs and uncertainty right now, but in the long term the industry will undoubtedly rebound. It will be exciting to see what becomes of the city we all love and who takes a piece of the pie.

GLOBAL

The Ticketopoly: Examining Ticketmaster's Market Dominance

BY HANNAH JONES

If you've ever bought a ticket to any event, chances are you've used Ticketmaster. The anxiety and frustration of waiting in long queues and logging in hours in advance only to be met with high ticket prices and website crashes can be a stressful experience. In New Zealand, you may be able to book tickets through other websites. But in America, where else do you go? Ticketmaster has the monopoly.

In 2010, Ticketmaster merged with Live Nation to form Live Nation Entertainment, which resulted in the company's complete domination of the ticketing industry in the US. The merger was highly controversial and faced opposition from many parties, including the United Kingdom Competition Commission and iconic singer-songwriter Bruce Springsteen.

In the US, Ticketmaster is considered a monopoly in the ticketing industry because it controls a vast majority of the market share. The company has exclusive contracts with many major venues, artists and event organisers, which prevents other ticketing companies from accessing those events. This exclusivity gives Ticketmaster a significant advantage over its competitors and allows it to charge higher fees and prices for its services. Additionally, Ticketmaster has acquired many of its competitors over the years, such as TicketWeb and TicketsNow, which has further cemented its dominance in the market. This level of control allows Ticketmaster to dictate terms to both consumers and event organisers, leaving little room for negotiation or choice.

In July 2019, a Billboard report revealed that Ticketmaster and its parent company Live Nation have facilitated the transfer of concert tickets directly to resellers in a secretive manner in the past, albeit at the request of the artists involved. This prevented fans from purchasing tickets through regular channels at face value. Several lawsuits have been filed against Ticketmaster over the years, alleging that the company engaged in anti-competitive practices, such as requiring venues and event organisers to use its ticketing platform exclusively or imposing higher fees than necessary. In 2023, this anti-competitive behaviour landed Ticketmaster in front of the USA Department of Justice. Recently, 26 Taylor Swift fans filed a class-action lawsuit against LNE for engaging in antitrust behaviour, which could cost Ticketmaster millions. Although the DOJ inquiry into LNE predates the Taylor Swift controversy, the lawsuit brought the matter into the public eye.

Then, there is Ticketmaster's infamous dynamic pricing. When you go to pay for a ticket (or anything, really), you expect to pay the price that has been advertised. However, Ticketmaster runs a model where price changes with demand, which can end up with tickets costing up to $400 more. However, Ticketmaster claims this is at the artists' request, and they cannot control how much the price spikes. Although this is excellent business for

Ticketmaster and the artists, it is horrible for consumers. Monopolies are held to high expectations by consumers due to their significant market share, which grants them considerable power and influence over their industry. Concert-goers expect Ticketmaster to facilitate their concert experience. However, Ticketmaster can manipulate prices and limit competition, so consumers are disadvantaged.

In my perspective, government regulations are vital in ensuring that monopolies, as for-profit businesses, prioritise the best interests of consumers who rely on their services. In the case of Ticketmaster and Live Nation's merger, the regulatory standards should have been more stringent, or the merger should not have been approved. Although controlling prices may be challenging for a service with fluctuating prices, such as ticket sales, measures such as antitrust laws must be comprehensive and enforced to prevent anti-competitive behaviour.

While Ticketmaster's monopoly in the ticketing industry has negative consequences, there are also some advantages to its dominant position. One benefit is the consistency and standardisation provided by the company's exclusive contracts with major venues and event organisers. This consistency can make navigating the ticketing process easier for event organisers and consumers and reduce confusion and frustration. Ticketmaster's market dominance and size allow it to invest in new technologies and innovations that can enhance the ticketing experience for consumers. For instance, the company has developed mobile apps and digital platforms that simplify the ticket purchasing and management process.

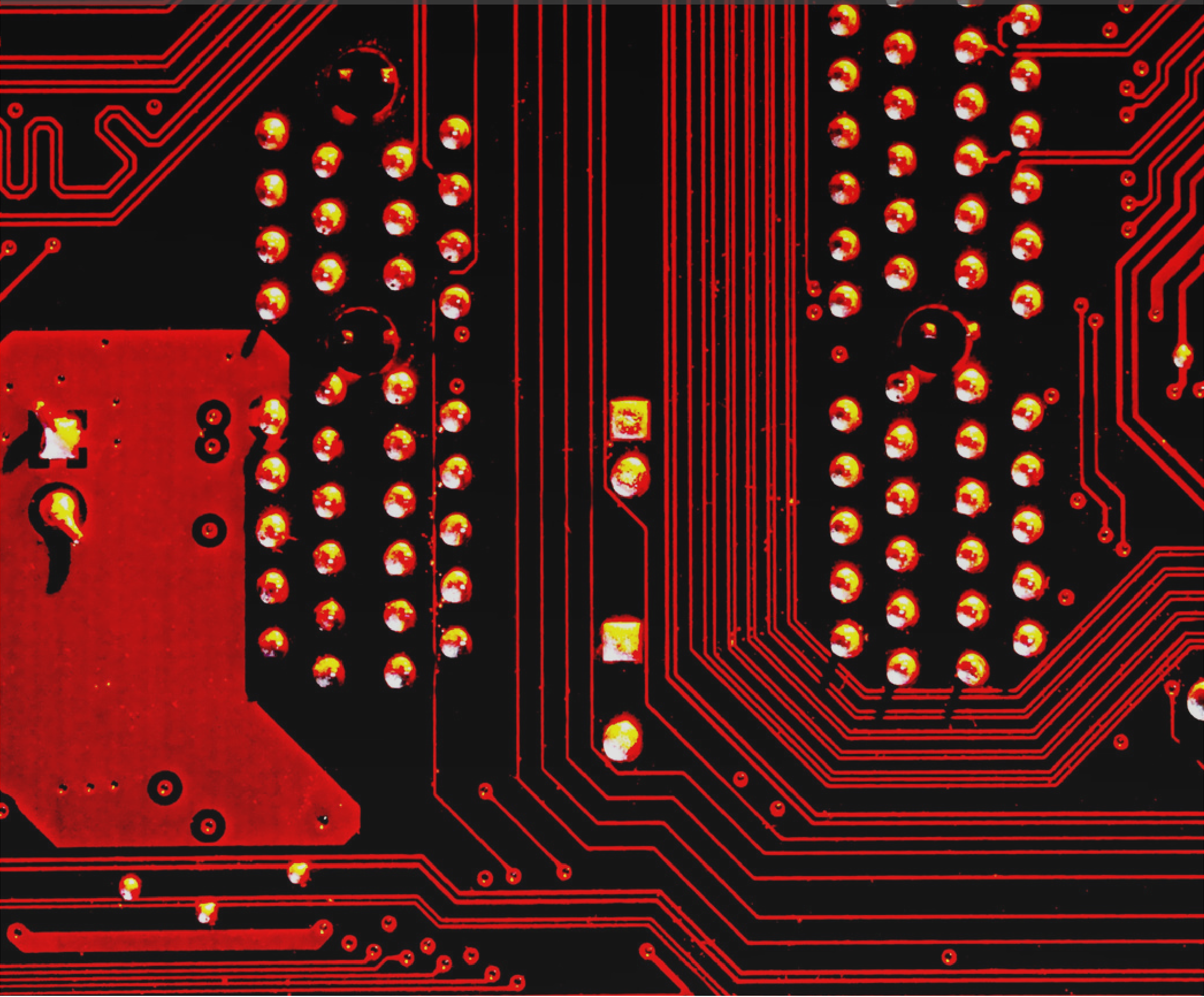
In New Zealand, we are lucky that Ticketmaster is less dominant in the entertainment industry. Other companies like Ticketek and Eventfinda are available, but international shows and artists will only use these companies if they are familiar with them. The Ticketmaster monopoly poses a severe threat to the integrity of the entertainment industry in the USA. With the current increase in demand for live shows and concerts, especially post-COVID, the consequences of Ticketmaster's profit-focused actions that continue to anger customers could be significant.

GLOBAL

How Artificial Intelligence is Changing the World of Finance

BY FAHEEM IBRAHIM

The financial sector is entering a new era as a result of artificial intelligence (AI), which is fundamentally changing how organisations operate and how trades are performed. The powers of AI, such as its capacity to process enormous amounts of data, learn on its own, and make predictions, are putting it in a dominant position in the financial sector. AI is driving a wide range of functions, from enabling high-frequency trading through algorithms to managing risks, detecting fraud, and personalising customer service.



Traditionally, Finance has never been a sector that has shied away from innovation, and AI has shown to be an especially transformational one. Consider the application of AI to high-speed algorithmic trading, which enables a volume of trades in a fraction of a second that would be impossible for human traders to execute. The ability of algorithms to quickly adapt to market conditions and perform trades based on pre-set parameters is crucial in a world where financial markets are volatile and change every minute.
American hedge fund Renaissance Technologies is the ideal example of this. The firm is known for its AI-powered investment strategies, particularly within its Medallion Fund, which has consistently achieved remarkable returns, thanks in large part to their use of refined algorithms that can quickly interpret market patterns and execute trades.

Machine intelligence has also revolutionised risk management within finance. Financial establishments traditionally relied on historical data and human discernment to evaluate risk, but AI and machine learning are rewriting these rules. These technologies can process enormous quantities of data, identify patterns and outliers, and foresee future scenarios. This shift towards a more accurate and dynamic model of risk management enables institutions to detect potential risks earlier and respond more effectively. For instance, JP Morgan has developed an AI-powered platform named Contract Intelligence (COiN) that can parse through legal documents and extract critical data points and clauses in mere seconds, a task that would have taken humans thousands of hours to complete. The ability of AI to interpret massive amounts of data can also predict potential market downturns with greater accuracy, giving financial establishments the opportunity to put in place measures to decrease losses.

As AIs influence in the financial world increases, it is vital for us to address the potential gap in digital literacy and AI comprehension. To facilitate the integration of AI in finance it is important that industry players, regulatory bodies, and educational institutions collaborate. This could be through comprehensive training programs for financial professionals to understand AI applications better or through regulation updates to ensure fairness and transparency in AI-driven operations. The rise of AI within finance serves as an important reminder of the ever-changing nature of the finance industry and its susceptibility to technological disruption. For both financial professionals and the general public, ongoing education about developments in AI will be critical.

While AI's influence is global, its impact is being felt on a local level too. Take New Zealand, for example, a country renowned for its innovative spirit. Kiwi firms like Aider, an AI-powered digital assistant for small businesses, and Montoux, which uses AI for life insurance pricing, are embracing AI to drive their operations. Their success stories underscore the potential for AI in New Zealand's financial sector, and indeed, the opportunities for domestic firms to be part of this AI revolution. The growing adoption of financial AI in New Zealand is transforming the way our country's financial institutions operate, offering enhanced services, improved risk management, and data-driven decision-making. As these domestic firms continue to lead the charge in embracing AI technology, New Zealand is positioning itself as a dynamic and innovative hub for financial AI

As we look to the future, it has become clear that artificial intelligence will persist in revolutionising the financial landscape, carving out new paths for innovation and efficiency. For those working within the sector, the implications are clear: adapt to the AI evolution or face the risk of being sidelined. This is a pivotal moment for the world of finance, and with a mindful approach, we can ensure its benefits extend to all - from Wall Street to Wellington.

MYOB Column

Artificial Intelligence (AI) is everywhere. What will it mean for businesses and more specifically, accountants?

Will generative AI take over bookkeeping and accounting jobs? Will it be a useful tool? Will it change customer expectations? What about the data?

There's much talk about AI making some jobs – or even entire professions – obsolete. The accounting industry isn't immune from technology disruption, so we've assembled an expert panel on the subject to break down what you need to know.

Date: Wednesday 2 August 2023
Time: 11.30am NZST

In this webinar, we'll be talking about potential applications in accounting, risks and downsides. We will touch on:

- Will AI tools take over accounting and bookkeeping jobs?
- Will customer expectations change thanks to the speed and efficiency of AI?
- How will AI impact customer service and data security?

Moderated by MYOB's Technology Segment Lead, and resident AI enthusiast Jerzy Filatow, our expert panel features:

- Shane Baldacchino, Chief Architect - ANZ at Microsoft,
- Inbal Rodnay, Technology and Innovation Strategist at Theory and Motion, and
- Paul Robson, MYOB's new CEO and former General Manager at Adobe.

Join us by registering here

Forsyth Barr FOCUS

Cracks in the Kiwi Nest Egg

New Zealand recorded its largest ever current account deficit over 2022. The current account is the balance between what we as a country earn and what we spend. In fact, over the 35-year period that we have been measuring the current account we've only had deficits — we are a net (and increasing) borrower from the rest of the world. In the short-term this isn't much of an issue — overseas investors remain happy to lend us money or buy our assets. Over the long-term, however, it does pose economic risks to the country and is another reason why diversifying investments beyond New Zealand is a good idea.

Read the full article here.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