



UNIVERSITY OF AUCKLAND
**INVESTMENT
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INVESTMENT BULLETIN

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NEUROECONOMICS IN INVESTING: HOW BRAIN SCIENCE IMPACTS FINANCIAL DECISIONS

BY CONNOR PETRIE

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STOCK PITCH 2025 - PRECINCT PROPERTIES

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BY ALICE HOUT

& FROM OUR PARTNERS:

FORSYTH BARR FOCUS: INVESTING OUTSIDE THE PUBLIC DOMAIN: WHY PRIVATE
MARKETS ARE WORTH CONSIDERING

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Stock Pitch 2025: Precinct Properties

BY LISA SHIOZAWA

Last week, four members of the Bulletin team competed in UAIC's annual stock pitch competition - this year in partnership with Forsyth Barr. The team pitched a recommended BUY for Precinct Properties (NZX:PCT).

Our investment thesis is grounded in Precinct's position as New Zealand's largest owner and developer of premium commercial real estate in Auckland and Wellington. With a high quality asset portfolio and a current share price trading below its net tangible assets (NTA), Precinct presents a compelling value opportunity. What sets Precinct apart from other New Zealand REITs (Real Estate Investment Trusts) is its development-led strategy and strong ESG focus, enabling it to deliver long term growth through high end office and mixed-use developments in prime CBD locations.

A key catalyst for our growth expectations is the improving economic environment in New Zealand. With the OCR reduced to 3.5% in April and further cuts forecasted by year end, cap rates are expected to compress – increasing property valuations and narrowing Precinct's current discount to its NTA. Precinct is extremely development growth focused, and with a \$3B+ pipeline across office and residential assets,


we predict long term net asset value (NAV) expansion.

More recently, Precinct is expanding into Auckland's growing build to rent market, a sector that we believe complements its premium office portfolio and aligns with current demographic and urbanisation trends. This move reflects a targeted approach to diversification, focused only on areas with strong, sustainable growth potential, unlike other competing REITS who are heavily exposed to sectors that are more prone to cyclical headwinds (such as the industrial and retail sector).

In a small market such as New Zealand, Precinct faces very little competition in the commercial real estate market due to its prime holdings and its unmatched portfolio of assets - owning the majority of the city's premium buildings (PwC Tower, HSBC Tower, Deloitte Centre, etc.). They are concentrated in high demand, high barrier markets, making it extremely difficult for new entrants and other REITs to rise as comparable competitors. Its premium tenant base, 96%

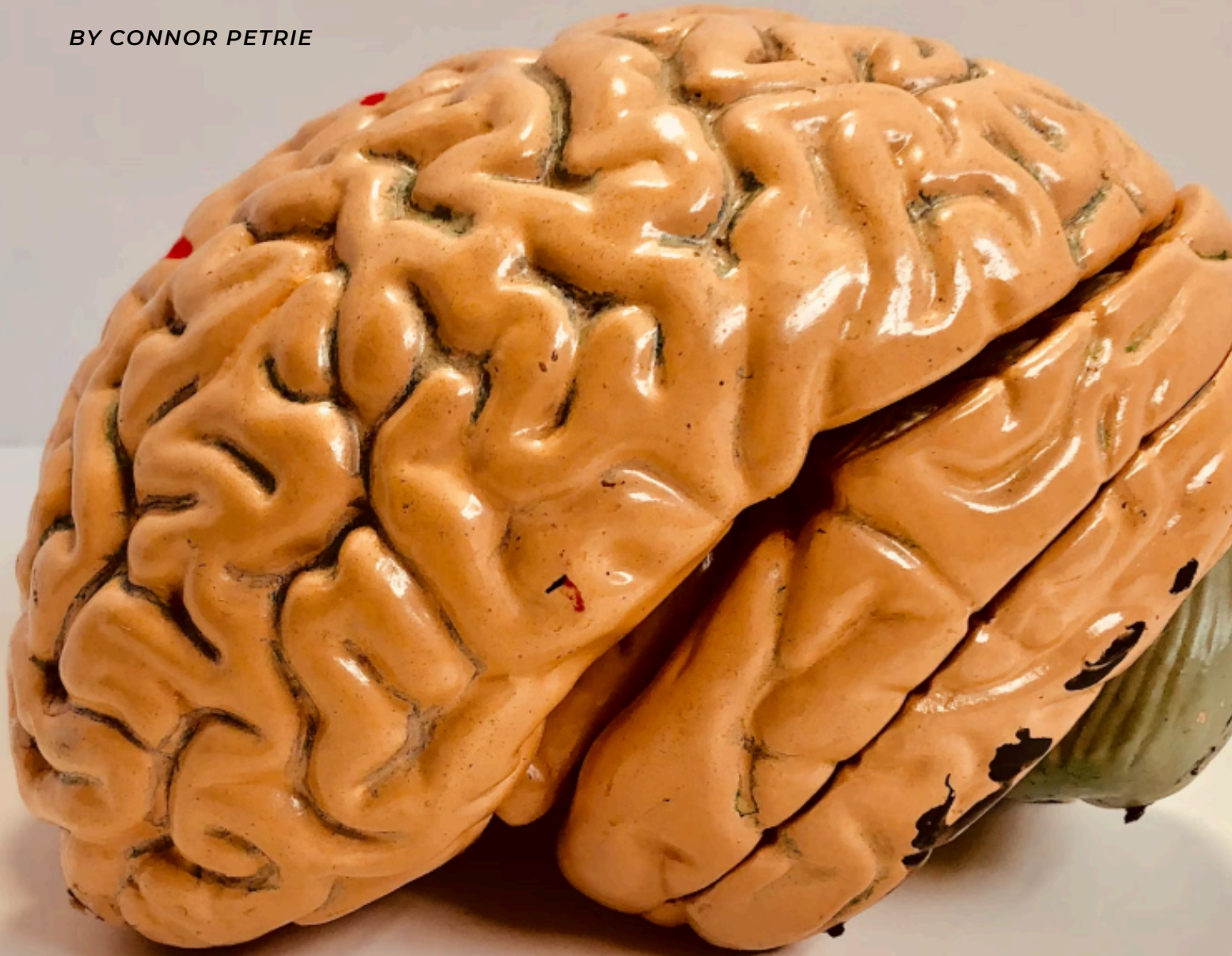
occupancy (post-COVID) and long weighted average lease term (WALT) of 6.3 years strengthens its funds from operation (FFO).

Precinct's disciplined capital allocation and recycling strategy is a core strength, enabling the company to maintain conservative gearing levels while continuing to fund and expand its development pipeline. By strategically disposing of mature, lower growth assets and reinvesting into value-accretive projects, Precinct ensures sustainable growth and a moderate gearing level.

Precinct Properties offers a compelling combination of stable income, development driven capital growth, and sustainability leadership. The competition has been incredibly rewarding for our team, we've gained valuable insights into domestic REIT's and thoroughly enjoyed engaging with judges from Forsyth Barr's Equity Research Team. Their thoughtful questions and feedback have deepened our understanding and challenged us to continue our qualitative and quantitative thinking. 

Neuroeconomics in Investing: How Brain Science Impacts Financial Decisions

BY CONNOR PETRIE



Picture this: you're staring at your trading screen as the market dips 3% in ten minutes – your pulse surges, palms sweat, and before you know it you're hitting "sell" on your best-performing stock. What just happened wasn't a spreadsheet error or a sudden shift in fundamentals – it was your amygdala hijacking your calm, logical prefrontal cortex. Welcome to the world of neuroeconomics, where dopamine spikes, cortisol surges and subconscious impulses can turn even seasoned investors into impulsive traders. In this article, we'll unpack the brain circuits behind every buy, hold and panic-sell, so you can spot – and outsmart – your own hardwired biases.



Introduction: The Brain Behind the Trade

Traditionally, economic theories have been built around the assumption that investors make decisions rationally, guided solely by logic and self-interest. While theoretically this may be the norm, in practice, this does not occur and investment decision making deviates quite a bit from these notions. Neuroeconomics has developed as a field of study that incorporates neuroscience, psychology, and economics to help explain these processes. It seeks to explore the complexities of the human brain to understand why investors often make irrational decisions, and are driven by their subconscious process, rather than informed, or logical ways.

Neuroeconomics evolves from behavioural finance, further shedding light on how biological and neurological factors affect financial decision-making. With the ability to map brain activity, researchers have started to show us why people react emotionally when trading, which often leads to poor financial outcomes.

The Investor's Brain: A Biological Overview

Investment decisions are governed

by specific brain regions, each playing distinct roles. The prefrontal cortex handles rational decision-making and risk evaluation, crucial for balanced investment strategies. On the other hand, certain emotional areas of the brain, such as the amygdala and the nucleus accumbens deal with fear, excitement, or expectation of reward, significantly influencing risk tolerance and speculative behavior. During the potential to gain a profit, areas of the brain show noticeably increased levels of dopamine (the neurotransmitters associated with pleasure and reward), resulting in the continued search for speculative profit. Conversely, during market conditions when an individual might incur losses, levels of cortisol (the stress hormone) increase, resulting in heightened levels of anxiety and increased impulses to panic and sell.

Cognitive Biases and the Brain Mechanics Behind Them

Investment decision-making can be distorted by cognitive biases deeply rooted in neurological processes. Loss aversion causes investors to have a stronger neurological response to possible losses compared to the same value in possible gains. Brain imaging studies have shown that there is a

heightened level of brain activity in the amygdala when recognising the potential for loss. Thus, the instinctive reaction to loss has caused many investors to formulate avoidance strategies and therefore lose the opportunity for profit.

Overconfidence, another powerful bias, is the result of excessive activation of the reward centres in the brain, especially the nucleus accumbens, when thinking about possible gains. This activation not only leads people to overestimate their own skill but also dampens sensitivity to downside risk, resulting in over-trading and underestimating potential losses. In a functional magnetic resonance imaging (fMRI study), Kuhnen and Knutson (2005), found that elevated nucleus accumbens activity not only occurred before risky financial choices but also predicted "risk-seeking mistakes," illustrating how overactive reward pathways can lead to overly confident choices. The behavioural evidence provided by Barber and Odean (2000, 2001), supports the neuroimaging evidence by showing that the investors who trade most frequently (typically, due to overconfidence) earn the worst overall net returns, confirming that an overactive

reward response can undermine portfolio performance.

Herd behaviour, fueled by social pressure to conform and oxytocin release, distorts investment decisions. Investors typically chase trends, amplifying volatility, inflating bubbles, and intensifying crashes. This is self-reinforcing; as more people pile into a rising market, the fear of missing out drives even more people to jump in and push prices higher until reality hits and the bubble bursts. Confirmation bias also drives how we invest; we seek out and outweigh information that conforms to our beliefs and ignore anything that could be a warning sign. Neurologically, each piece of confirming evidence ignites the reward pathways in our brains – each dopamine surge deepens our biases, making it harder for us to pull back and assess risks objectively and locking us into a cycle of one-sided thinking and poor timing.

Overreaction bias occurs when even a minor item of news, whether good or bad, triggers an oversized market move. One instance was [Facebook's Q2 2018 report](#): revenue of \$13.23 billion barely missed estimates, and the stock dropped almost 19% in after-hours trading, erasing about \$120 billion of market valuation in a single day. Neurobiologically, this knee-jerk reaction demonstrates how cortisol-based panic or dopamine-based euphoria can "hijack" the brain's more thoughtful risk circuits.

Real-World Case Studies

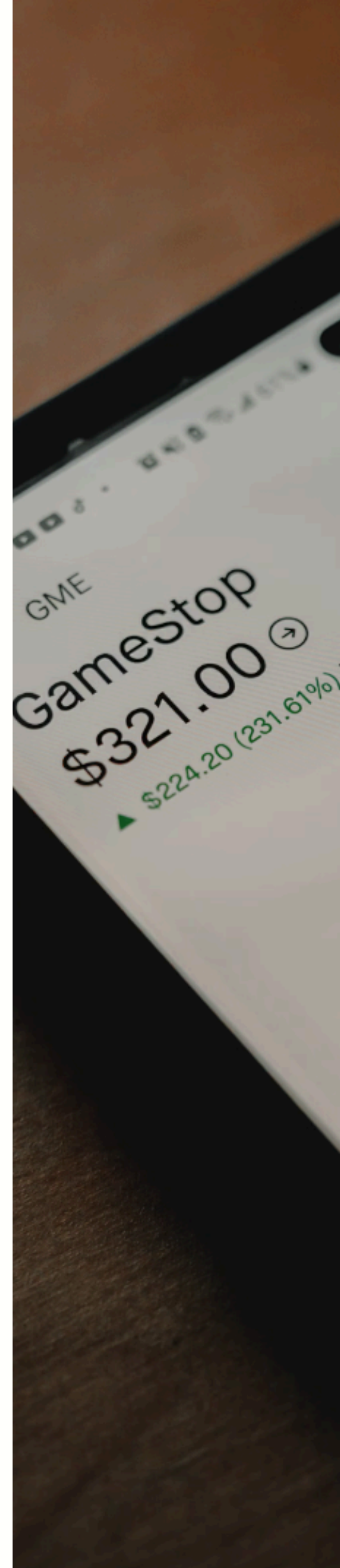
Past market crises have brought neuroeconomic principles to life. During the dot-com bubble of the

late 1990s, the investors' euphoria – along with strong surges of dopamine from the anticipation of huge gains – stimulated a wave of buying that sent many internet-related shares to unprecedented valuations, as the inflated NASDAQ-100 rose almost fourfold in just two years. The overconfidence of investors in the idea that the "new economy" would deliver endlessly rising profits, and eventually the herd behaviour set in, as even the most conservative investors joined the frenzy to inflate the price and the bubble further. The "expectation of the new economy" of these stocks eventually met reality when their social choices converged negatively, ignited by the same immediate social and emotional factors that led to trending and speculative behaviour, ultimately writing off trillions of dollars from the market.

The same phenomenon was seen during the "meme stock" frenzy in 2021 involving GameStop and AMC. Social media like Reddit, namely r/WallStreetBets created a collective frenzy and fear-of-missing-out, and retail investors blindly followed the herd into large and coordinated buy actions without regard for each company's underlying fundamentals. Even experienced traders fell prey to the herd behaviour, where the bonding or oxytocin made it feel less risky to be one of the herd. The end result was extreme volatility from steep price increases based on social momentum, then steep painful drops when the mania faded.

Implications for Retail and Institutional Investors

Individual investors feel the effects of emotion to a greater extent than large financial institutions because they often lack sufficient risk-management policies and procedures. Stress particularly in the face of loss, can



impact rational decision-making. Individual investors often panic sell, selling at a loss in a market decline. Conversely, in a market rally, the fear of missing out on the next hot stock may cause investors to buy in an ill-timed manner.

Retail traders are also often reliant on social media or a small universe of information, which compounds confirmation bias and can lead to overweighting the views that they are attached to and ignoring warning signs of loss. For instance, communities on reddit such as r/nvidia and r/pltr can become echo chambers where nearly all posts and comments celebrate bullish thesis, so an investor who checks these subreddits sees only positive views. This constant dopamine rush drowns out any negative viewpoints making it far harder to spot warning signs until it's too late.


To protect against these emotional impulses, individual investors should use clear, rules based entry and exit criteria (for example,

valuation levels or technical entry/exit signals), or at the very least, impose a waiting period after extreme price moves, and make an intent to pursue broad diversification (via low-cost index funds or ETFs) to minimise tendencies to chase the next hot stock.

Even large hedge funds can get swept away in herding behaviour and overconfidence – think August 2007 when a number of quant-driven funds all hit sell signals at the same time, this collective selling pressure fed on itself, driving a sharp, broad market slide over just a few days – precisely the kind of institutional herd move that can turn a minor wobble into a full-blown panic. In an attempt to avoid this situation, investment institutions use devil's advocate panels, red team reviews, and conduct post-trade analyses to refute consensus before it occurs. They also benchmark sentiment and trading data for early bubble signals, as well as require a written investment plan in order to keep

decisions based on analysis instead of emotion.

Conclusion

Neuroeconomic insights reveal that our brains – driven by dopamine surges, cortisol spikes, and oxytocin-fueled social bonds – play a powerful role in shaping financial choices. With mechanisms like loss aversion, overconfidence, herding and confirmation biases, these neurobiological instincts can bypass rational thought processes and influence both retail and institutional investors to make costly decisions. By understanding the physiological underpinnings of our biases, investors should have functional protections in place to limit emotionality. Whether these protections take the form of rule-based trading mechanisms, established dissent processes, automated diversification, or some combination, combining an understanding of brain science with disciplined finance provides the best regime for more repeatable and rational outcomes in the market. 

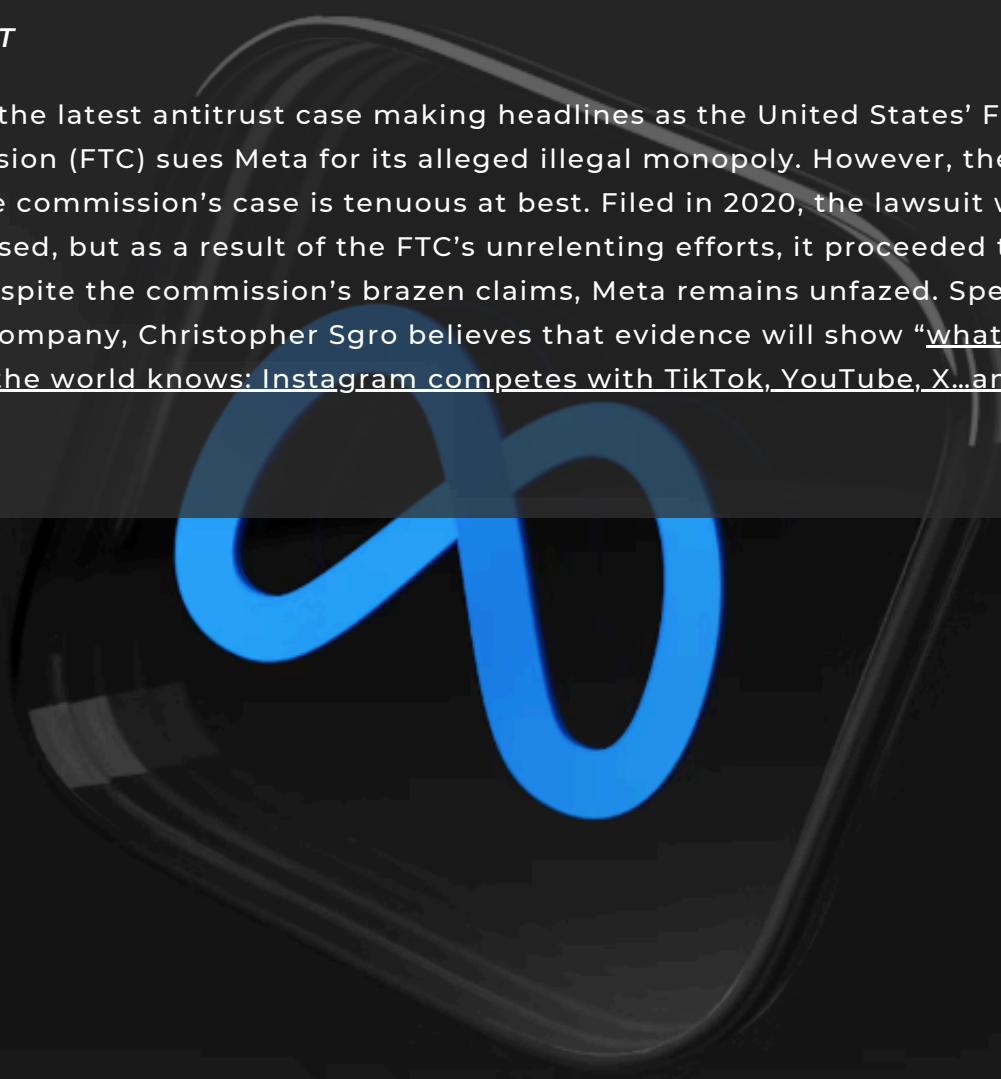


TECH

Is Meta a Monopolist? The Latest Legal Battle in Big Tech

BY ALICE HOUT

FTC v. Meta is the latest antitrust case making headlines as the United States' Federal Trade Commission (FTC) sues Meta for its alleged illegal monopoly. However, the strength of the commission's case is tenuous at best. Filed in 2020, the lawsuit was initially dismissed, but as a result of the FTC's unrelenting efforts, it proceeded to trial last month. Despite the commission's brazen claims, Meta remains unfazed. Speaking on behalf of the company, Christopher Sgro believes that evidence will show "what every 17-year-old in the world knows: Instagram competes with TikTok, YouTube, X...and many others."





Legal Arguments

The FTC argues that Meta's acquisitions of WhatsApp and Instagram, which occurred over a decade ago, were anticompetitive and gave rise to Meta's monopoly power. As evidence, they point to an email where Meta CEO Mark Zuckerberg stated, "better to buy than compete." The FTC claims that Meta products are primarily designed for sharing content between friends and family. As a result, Meta products operate in the US "personal social-networking" market, where the biggest competitors – Facebook, Instagram, and WhatsApp – are owned by Meta. On the other hand, Meta argues that it operates in a much broader market and competes with apps such as TikTok, YouTube, and X. From the witness stand, Zuckerberg testified that by transitioning to "more of a broad discovery-entertainment space," Instagram and Facebook have sought to compete with TikTok. Meta's lawyers also assert that TikTok has emulated Instagram by adding more social features to its platform. This suggests that the two platforms do compete. In response, the FTC maintains that Facebook prioritises its social connection features and therefore, does not operate in this wider market.

So, is Meta a monopolist? The crux of this issue is how the market's boundaries are defined. If we take the FTC's view that Meta operates within the constrained personal social-networking market, then Meta is a monopolist. However, if we take Meta's view that they operate in a wider market and compete with many other platforms, then Meta isn't a monopolist. Such a distinction is a little frivolous. US Judge James Boasberg, who is presiding over the case, seems to agree. He asked one FTC witness, "Why isn't the way [these platforms] are used, now just a difference in degree?" Meta spokesperson Christopher Sgro has a slightly stronger view. He believes that "the FTC spent tens of millions of taxpayer dollars bringing a weak case with a market definition that ignores reality." Sgro raises a valid point. The FTC's entire case relies on a fine distinction in order to reverse acquisitions that they initially approved themselves. On the facts, the commission's case is not very convincing. With such shaky evidence, why are they so determined to sue Meta?

F.T.C. - For the Consumer?

Through this case, the FTC's lawyers say they are "taking action to stand up for the millions of consumers and many small businesses that have been harmed

by Facebook's illegal behaviour." *FTC v. Meta* is the third major US trial in recent years aiming to break up Big Tech. The commission has also brought Amazon and Google to court, with Google fighting two separate cases last month over its alleged search dominance and ad tech monopoly. Currently, Apple is also under fire for violating a court order to loosen its grip on downloads and payment methods through the App Store. This string of court cases reflects a wider trend of the FTC enforcing antitrust laws to rein in tech giants. During his campaign, President Trump pledged that he would further ongoing efforts to tackle US tech conglomerates. This seemed doubtful after Big Tech billionaires from Zuckerberg to Bezos donated millions to his inaugural fund, seeking to win him over. However, the FTC's aggressive antitrust efforts now show that the President is making good on his promise to curb the power of America's tech titans.

Successful legal action would break up Big Tech conglomerates, increasing competition and fostering greater innovation within their markets. This could improve consumer experiences by preventing monopolists from raising prices and reducing the quality of their products and services. However, some academics believe that the FTC's overreach actually hampers this goal.

Brian Albrecht, Chief Economist at the International Centre for Law and Economics, believes that network effects benefit consumers and aren't inherently anticompetitive. Academics Sonnenfeld and Tian also argue that the FTC's history of challenging mergers has been counterproductive. They point out that not every merger is evil by default, and that the FTC's unconstrained attacks have negatively impacted America's global competitiveness. In any case, the FTC would do well to consider the strength of their cases and whether they achieve the intended effects of enhancing the marketplace for both producers and consumers.

Implications for Meta

If the FTC is successful, Meta could be forced to divest itself of Instagram and WhatsApp, which it

purchased for \$1 billion and \$19 billion USD, respectively, over ten years ago. This would be detrimental, as more than half of Meta's US ad revenue comes from Instagram. The exact figure is forecasted to be around \$32 billion USD for this year alone. Experts also say that among all social networking platforms, Instagram generates the highest revenue per user, emphasising just how much Meta stands to lose. In comparison, WhatsApp contributes a much smaller percentage to Meta's total revenue. However, what it lacks in profits, it makes up for in potential. The platform's current focus on enhancing messaging features for business users is set to drive its next surge in growth. Overall, forced divestitures of both companies would deal a mighty blow to Meta's bottom line. On the day the trial kicked off, investor uncertainty was reflected by a 2.2% drop in the stock price for Meta Platforms

(NASDAQ: META). Although it has steadily increased since then, Meta's stock price will likely take a hit if the FTC does manage to split up the company.

Awaiting the Verdict

Overall, only time will tell what becomes of this high-profile case. In the coming years, the FTC's scrutiny of Big Tech is likely to continue as these huge companies amass even greater amounts of power. It will be interesting to see how Meta's case with the commission compares to those of its peers, in particular, whether or not Google ends up losing Chrome. When the ruling on *FTC v. Meta* is finally delivered, there will no doubt be reverberating effects on investors, consumers, and competitors across the globe. 🏛️



Forsyth Barr FOCUS

Investing Outside the Public Domain: Why Private Markets Are Worth Considering

Private markets are one of the fastest growing areas of the investment universe. Investors have been attracted by the strong returns and diversification benefits they have delivered. There are trade-offs, most typically a lack of liquidity, a long investment horizon, and uncertainty around timing of returns. In our view, however, for many investors the benefits private markets provide outweigh the costs.

Read the full article [here](#)



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