

Europe's population shrinks ever faster
BIG READ, PAGE 21

Economists must pay heed to supply chains
GILLIAN TETT, PAGE 23

Sunak makes faltering election start after Rwanda and smoking setbacks

◆ No time to enact flagship policies ◆ Tories fear lack of preparation ◆ Farage will not contest a seat

GEORGE PARKER, RAFA UDDIN, LUCY FISHER AND ANNA GROSS

Rishi Sunak suffered a series of setbacks on the first full day of the general election campaign, as he was forced to concede he could not deliver flagship policies on Rwanda and smoking before polling day on July 4.

The prime minister admitted that deportations of asylum seekers to the African nation — a policy first proposed by ministers more than two years ago — would not happen unless he secured an unlikely election victory.

"The election is about the future," Sunak said. "If I'm elected I'm going to get those flights off." Asked on the BBC's *Today* programme if flights would begin after the election, Sunak replied: "Yes."

Labour believes Sunak will try to spring a surprise by authorising a flight to Rwanda in the run-up to polling day.

But while Tory aides insisted it was still possible, the Liberal Democrats called the episode "a humiliation".

Meanwhile, Sunak's decision to call a snap election has meant that a bill to phase out smoking is not expected to reach the statute book before parliament is suspended today.

When he announced the election, he pledged that the Conservatives would "ensure that the next generation grows up smoke-free". But his plan to stop all people born on or after January 1 2009 from ever being able legally to buy cigarettes is now likely to become a Tory manifesto vow instead.

Commons leader Penny Mordaunt told MPs that only a handful of bills were likely to get on the statute book before parliament is prorogued, including a bill to compensate those affected by the infected-blood scandal and a measure to exonerate sub-postmasters in the Post Office scandal.

It was an awkward first day on the campaign trail for the prime minister, with some Tory MPs lamenting his decision to call an early election — as well as the way it was announced during a rainstorm in Downing Street.

One minister despaired that the party was ill-prepared, saying: "We haven't got our campaign lines properly set.



Sir Keir Starmer and his deputy Angela Rayner launch Labour's election campaign in Gillingham with the promise to end 14 years of 'chaos' — Toby Melville/Reuters

Other than the economy, what is our message?"

The frontbencher predicted that the Tories were on track to lose half their

Conservatives battle with economic feel-bad factor

July's polls will open against a setting of stubbornly high mortgage rates, near-record rent inflation, a slowing jobs market and per capita GDP still below pre-Covid levels. **Page 2**

seats, adding it was "Charge of the Light Brigade stuff".

As Sir Keir Starmer started his election tour yesterday morning at Gillingham football club in Kent — promising to end the Tory "chaos" of the past 14 years — the latest YouGov poll data revealed that his Labour party were out-running the Conservatives by 25 points.

Sunak also came under fire after it emerged that two people wearing high-visibility jackets who asked him questions in a warehouse visit in Derbyshire yesterday morning were in fact Tory councillors. Neither of the individuals

worked at the warehouse in question.

But there was brighter news for Sunak with the announcement by Nigel Farage, the high-profile founder of Reform UK, that he would not be fighting a seat at the election or playing a big role in the campaign.

In comments that appeared partly to vindicate Sunak's decision to call an early poll, Farage told the BBC: "The problem is, six weeks is such a short period of time to fight a parliamentary constituency and promote the cause around the country. And, you know, I think Rishi Sunak has wrongfooted an

awful lot of people, myself included."

Farage said that he would "do his bit" for Reform UK but would focus on campaigning with grassroots groups ahead of November's US election between Donald Trump and incumbent Joe Biden, a contest that he said held "global significance".

Reform UK launched its election campaign in London yesterday, with leader Richard Tice, who replaced Farage in 2021, confirming that the party would stand candidates in all constituencies in Great Britain.

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Briefing

► **Case outlines Covid chaos for Johnson's civil servants**
Boris Johnson's "dysfunctional" government meant "good people were just being smashed to pieces" as the pandemic unfolded, cabinet secretary Simon Case has told the official public inquiry into the Covid-19 crisis. — **PAGE 3**

► **Hargreaves snubs suitors**
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► **Dimon rues China trials**
JPMorgan chief Jamie Dimon has said parts of its business in China have "fallen off a cliff" recently, highlighting the challenges facing western investment banks there. — **PAGE 9; ELBRIDGE COLBY, PAGE 23**

► **AfD widens far-right split**
The far-right bloc in the European parliament has ejected all nine of the Alternative for Germany's MEPs, illustrating the deep splits among anti-establishment parties as EU elections approach. — **PAGE 4**

► **Rio Tinto told to exit UK**
The dual-listed miner should abandon its primary London listing and unify its corporate structure in Australia, echoing a move by rival BHP, according to an activist investor. — **PAGE 9**

► **Macron's Pacific pledge**
France's president has promised not to force through immediately an electoral reform in New Caledonia after an 18-hour visit aimed at easing a crisis that had sparked deadly rioting. — **PAGE 8**



AI start-up's 'chief wizard' beset by bumpy legal path

Builder.ai's promise of using artificial intelligence to automate the labour-intensive task of building apps has won backing from Microsoft, SoftBank and Qatar's wealth fund, driving its value past \$1bn. But despite founder Sachin Dev Duggal's success, the start-up's 'chief wizard' has faced legal disputes through his career and attacks on his leadership. Now he faces the big test: proving he can turn a promising idea into a concern that delivers on its hype. **Biggest test — PAGE 11**

US moves to break Ticketmaster's 'chokehold' on live music industry

STEFANIA PALMA — WASHINGTON
ANNA NICOLAOU — NEW YORK

The US Department of Justice has accused Ticketmaster's parent, Live Nation Entertainment, of operating a monopoly that "suffocates its competition" in the entertainment industry, in a landmark antitrust lawsuit that seeks to break up the company.

The civil complaint was filed yesterday by the DoJ, which was joined by a bipartisan group of state and district attorneys-general. It alleges that Live Nation illegally dominates ticketing and concert promotion, using "exclusionary conduct" to wield an outsized influence over a majority of US live concert venues.

The DoJ described how the company allegedly gained a chokehold on the live entertainment ecosystem.

As a result, "fans pay more in fees, art-

ists have fewer opportunities to play concerts, smaller promoters get squeezed out, and venues have fewer real choices for ticketing services", said Merrick Garland, US attorney-general. "It is time to break up Live Nation-Ticketmaster."

The company was created in 2010 by the merger of Live Nation, a concert promoter, and Ticketmaster, a platform that sells tickets to live events. Since then, discontent has grown among fans, rivals, artists and US lawmakers, who have accused the group of abusing its dominant market power by charging exorbitant fees and retaliating against venues that choose to work with rivals.

That frustration was exacerbated by a fiasco during the ticket sale of Taylor Swift's Eras Tour in 2022, when Ticketmaster's website was overwhelmed by mass demand.

Garland said the lawsuit had been

filed on behalf of fans, artists, independent promoters, venues and the public.

"The American people are ready for it," he said, in a nod to a lyric from Swift's *Reputation* album. The complaint outlines what the company describes as its "flywheel" business model, where revenues from sponsorships and fans' concert fees are used to "lock up" artists in exclusive promotion deals, the DoJ said.

Jonathan Kanter, head of the DoJ's antitrust unit, described what he called the "dreaded Ticketmaster tax: the seemingly endless set of fees ironically named 'service fee' or 'convenience fee' when they are anything but".

Dan Wall, executive vice-president for corporate and regulatory affairs at Live Nation, hit back, saying it was "absurd to claim that Live Nation and Ticketmaster are wielding monopoly power".

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World Markets

STOCK MARKETS				CURRENCIES				GOVERNMENT BONDS			
	May 23	Prev	%chg	Pair	May 23	Prev	Pair	May 23	Prev	Chg	
S&P 500	5221.02	5307.01	0.26	\$/€	1.083	1.083	€/£	0.924	0.923		Yield (%)
Nasdaq Composite	16940.10	16801.54	0.82	\$/¥	1.271	1.273	£/¥	0.787	0.786		US 2 yr
Dow Jones Ind	39423.03	39671.04	-0.63	€/¥	0.852	0.851	€/€	1.174	1.175		US 10 yr
FTSEurofirst 300	2065.86	2083.95	0.06	¥/\$	157.015	156.525	¥/€	169.992	169.579		US 30 yr
Euro Stoxx 50	5035.34	5025.17	0.20	¥/£	199.589	199.179	£ index	83.309	83.148		UK 2 yr
FTSE 100	8339.23	8370.33	-0.37	\$/Sfr	0.989	0.991	Sfr/€	1.161	1.164		UK 10 yr
FTSE All-Share	4543.84	4550.55	-0.37								UK 30 yr
CAC 40	8102.33	8092.11	0.13								JPN 2 yr
Xetra Dax	18691.32	18680.20	0.06								JPN 10 yr
Nikkei	39103.22	38617.10	1.26								JPN 30 yr
Hang Seng	18868.71	19195.60	-1.70								GER 2 yr
MSCI World \$	3465.55	3479.84	-0.41								GER 10 yr
MSCI EM \$	1095.29	1093.38	0.17								GER 30 yr
MSCI ACWI \$	793.19	795.98	-0.35								
FT Wilshire 2500	6642.44	6884.96	-0.33								
FT Wilshire 5000	53258.40	53434.60	-0.33								

ALPINE EAGLE

Chopard

THE ARTISAN OF EMOTIONS - SINCE 1860

ELECTION COUNTDOWN

Waymarkers along the road to polling day

Parties rush to polish manifestos and choose last-minute candidates as departing MPs clear their desks

GEORGE PARKER AND LUCY FISHER

Rishi Sunak's decision to call a general election for July 4 has set in train a series of political and constitutional events.

Parliament

Yesterday saw a frenetic clearing of the legislative decks before parliament is officially "prorogued", or suspended, today. Parliament is officially dissolved on May 30. Some MPs resent the fact that they have had little time to say their farewells to colleagues.

The newly elected parliament will meet on July 9, when the first business will be the election of the Speaker of the House of Commons and the swearing-in of new MPs. The State Opening will take place on July 17.

Manifestos

Labour says that its programme for government is ready but has yet to set a date

for publication. Party insiders said that it would be "a reasonably slim document".

The manifesto was pulled together by Rav Athwal, a former academic and Treasury official, but with tight political control from Pat McFadden, Labour's campaign co-ordinator, and campaign chief Morgan McSweeney.

The pair had "bomb-proofed" the manifesto to avoid it exploding during the campaign, according to insiders. Expect a focus on "stability" with promises to reform workers' rights, planning and a pledge to invest in the green transition.

Conservative figures close to Sunak said the party manifesto was "in good shape" and was intended to show that it had not run out of ideas. "It's not going to be bland," said one.

Will Tanner and James Nation, two policy advisers, "held the pen" on the document. Expect red-blooded com-

mitments on tax cuts, migration, welfare reform and defence.

TV debates

Although they feel like a long-standing tradition, TV debates between party leaders in the UK started only in 2010, 50 years after Richard Nixon and John F Kennedy went head to head in the US presidential race in 1960.

Typically the underdog has more to gain from such an encounter, so Sunak's team have challenged Starmer to a debate in every week of the campaign. "Don't you think the British public deserve to know what you actually stand for?" said Richard Holden, Tory chair, on the social media site X.

It is highly unlikely that Starmer will agree to such a schedule. "I've been saying bring it on for a very, very long time," Starmer said in January. "I'm happy to debate any time."

It is thought that the Labour leader

might take part in only two debates, on the BBC and ITV. His representative declined to comment beyond saying: "We're up for it."

Candidates

There will be a frantic rush to select final candidates before the June 7 deadline to submit nominations to the Electoral Commission, the elections watchdog.

Both the Conservatives and Labour have scores of vacancies to fill, with additional openings arising yesterday after a clutch of MPs announced that they would step down at the election.

The list included Tory MP Dame Eleanor Laing, deputy Commons speaker, plus ministers Jo Churchill and Huw Merriman. Labour's Holly Lynch and Kevan Jones also said they would leave parliament.

The focus will fall on empty Labour and Tory "safe" seats, into which party bosses are likely to parachute favoured

figures. The party machines enjoy far greater influence in such late selections.

International impact

Sunak's timing throws up political and diplomatic challenges. Downing Street's assumption is that he will still attend the G7 summit in Italy from June 13 to 15.

Whoever emerges as premier on July 4 — opinion polls suggest Starmer — will be thrust straight on to the world stage with two big summits.

First is a Nato summit in Washington starting on July 9, where Ukraine will be high on the security alliance's agenda.

On July 18, the premier is due to host the European Political Community at Blenheim Palace. London's sluggishness over fixing this date with more than 40 European states riled allies. A change of prime minister would further complicate matters. Starmer intended to focus on irregular migration, while Starmer is likely to favour a broader agenda.



Campaign trail: Rishi Sunak with workers at the Vale of Glamorgan Brewery in Barry, Wales
Henry Nicholls/Getty Images

Legislation

Smoking and rent reforms among bills to fall by the wayside

LUCY FISHER
WHITEHALL EDITOR

High-profile Conservative policies to ban smoking and end no-fault evictions will not now become law before the general election, it was announced yesterday.

House of Commons leader Penny Mordaunt told MPs that only a handful of bills were likely to go on the statute book as part of what is known as the "wash up" period before parliament is prorogued at the end of today, ahead of the general election on July 4.

The victims and prisoners bill — which creates a compensation scheme for those affected by the infected blood scandal — and the Post Office Horizon system offences bill, which exonerates sub-postmasters en masse, are among measures that will be rushed through during the final hours of lawmaking.

The final list, agreed after negotiations between the government and the opposition, includes the finance bill, as well as the digital markets bill, which aims to ensure fairer competition in the technology industry.

Rishi Sunak's plan to stop all people

'Sunak's abrupt dissolution of parliament means he will leave many bills up in the air or in the bin'

born on or after January 1 2009 from ever legally buying cigarettes is likely to become a Tory manifesto pledge instead. When he announced the snap election on Wednesday, the prime minister pledged that his party would "ensure that the next generation grows up smoke free".

The renters reform bill would have abolished no-fault evictions, where landlords can oust tenants without cause. It was broadly supported by landlords, after the government agreed to some compromises, not least because of concern that Labour might bring in a much tougher version if it won power.

Ian Fletcher from the British Property Federation trade body said it was a "great pity" the bill would be lost after five years and "a lot of goodwill from stakeholders across the rental sector".

Other bills to fall by the wayside include the sprawling criminal justice bill and a bill to reform football governance in England.

Martyn's law, a piece of legislation drawn up after the Manchester arena bombing that requires venues and councils to draw up preventive plans to mitigate against terror attacks, was not on Mordaunt's list.

The omission triggered accusations that Sunak had gone against his word after he made a promise on Wednesday — hours before calling the snap election — to the mother of Martyn Hett, the terror attack victim after whom the bill was named, that it would join the statute book before the summer recess.

Lucy Powell, Labour shadow leader of the Commons, expressed her hope that Martyn's law would be passed swiftly by whichever party won the election.

She criticised Sunak, saying his "abrupt dissolution of parliament means he will start the campaign leaving many government commitments and bills up in the air or in the bin", including the smoking ban.

Cost of living Economic feel-bad factor casts shadow over campaign

DELPHINE STRAUSS, SAM FLEMING AND VALENTINA ROMEOI

Voters will go to the polls in July against a backdrop of stubbornly high mortgage rates, near-record rent inflation, a slowing jobs market and per capita GDP that remains below pre-Covid levels.

At 2.3 per cent, headline inflation has fallen to its lowest level in almost three years and close to the Bank of England's target, after exceeding 11 per cent in 2022.

But markets now put low odds on the BoE cutting rates from 5.25 per cent at its June meeting because of strong underlying price pressures.

Simon French, head of research at investment bank Panmure Gordon, said the legacy of rising prices, which have surged 20 per cent since this time in 2021, would continue to weigh heavily on households. This is despite economic output starting to pick up as wages grow in real terms.

On the first full day of campaigning, Prime Minister Rishi Sunak attempted to push the message of an economic turnaround, saying the UK was enjoying "gangbusters" growth.

The economy grew 0.6 per cent in the first three months of this year, outpac-

ing the US's 0.4 per cent and ending a technical recession. But the US has grown far more since the eve of the pandemic, expanding 8.9 per cent compared with 1.7 per cent in the UK.

The rise in mortgage rates has been the biggest blow to Conservative claims of economic competence, with many voters blaming Liz Truss's ill-fated "mini" Budget in 2022.

About 5mn households were hit with rising mortgage costs between 2021 and

the end of last year and the BoE said in December that a further 5mn would need to refinance at a higher rate by 2026. Monthly repayments would typically increase by roughly £240, or 40 per cent, it said.

Meanwhile, annual growth in rents rose at a record pace of 9.2 per cent in April, easing only slightly since. As such, about two in five were straining to pay for housing, the Office for National Statistics said.

The sour mood is clearly evident in surveys and opinion polls, but the main economic indicators are pointing to an upturn, with GDP rising 0.6 per cent in the first quarter.

The quickest pace of growth in two years prompted the IMF to upgrade its forecast this year to 0.7 per cent growth, although it warned that the UK faced a £30bn funding gap. Consumer confidence also picked up in May, rising 2 points to minus 17 according to the

GfK index released yesterday. That, however, still left it well below the average of minus 5.3 between 2014 and 2019.

YouGov polling from May 18-20 found a quarter of Britons approve of how the economy was being handled — the highest since March 2022 — but 69 per cent disapproved. "They are playing to a very, very hostile crowd at the moment and I don't think there is very much they could do that would change that," said Jack Bailey, a political scientist at the University of Manchester.

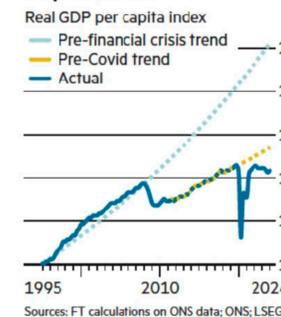
Against this backdrop, the prime minister's claim that inflation is "back to normal" may cut little ice with people still unable to afford essentials.

"The economy is returning to a more normal state. But that 'normal' currently bakes in many more people facing hunger and severe hardship," said Helen Barnard, director of policy at the Trussell Trust charity, which has seen rising levels of destitution and demand for its food parcels.

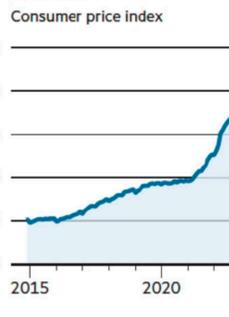
"This isn't a short-term problem that will fade away as inflation falls and growth recovers. It's a long-term problem and every party needs a proper plan to fix it," she added.

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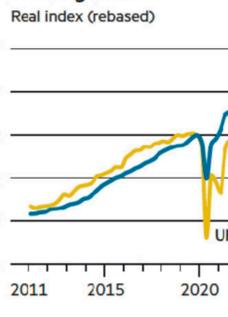
GDP per capita is well below its past trends



Consumer prices remain elevated



Household consumption has stagnated



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Rightwing party

Farage to concentrate on Trump rather than stand for Reform

RAFE UDDIN AND LUCY FISHER

Nigel Farage will not stand as a candidate in this year's general election, a decision that leaves the rightwing Reform UK party without its most prominent name on the ballot.

Farage, one of the party's founders and honorary president, said he would "do his bit" in the UK but would focus on campaigning with grassroots groups ahead of November's US presidential election between Donald Trump and incumbent Joe Biden, a contest he said had "global significance".

Reform UK launched its election campaign yesterday, with leader Richard Tice, who replaced Farage in 2021, confirming the party would stand candidates in all constituencies in Great Britain.

Tice poured scorn on Prime Minister Rishi Sunak's decision to call an early election for July 4.

"The truth is he's bottled it, he's absolutely cut and run because he's absolutely terrified because Reform is

going up and up in the polls," Tice said.

The party is polling at about 12 per cent and is expected to eat into the Tory's right flank in the election, while also drawing some votes from Labour in certain regions.

There are fears in senior Tory ranks that Reform will bleed sufficient votes from the Conservatives to rob the party of several seats in the ballot.

"As honorary president of Reform UK, I am fully supportive of Richard Tice's leadership and urge voters to put their trust in him and Lee Anderson," Farage said on social media platform X, referring to the party's sole MP.

Farage's decision means that Tice will lead the party into the election, while he will head out on to the campaign trail to support candidates.

Tice said he was "delighted" to have Farage's "help during the election", although it is not clear how prominent the former stockbroker intends to be in the coming six weeks.

The reaction from Tory MPs was mixed. Some felt that without Farage at

centre stage, the threat from Reform had receded. One former minister at risk from a strong Reform vote in their constituency said they were "delighted, locally and nationally" about Farage's decision not to stand.

Other Conservatives were still pessimistic. Adam Holloway, Tory MP for

Nigel Farage: 'I am fully supportive of Richard Tice's leadership and urge voters to put their trust in him'



Gravesham in Kent, told the Financial Times that Reform was on track to split the rightwing vote, see the Tories defeated and "will help Labour to remain in power for at least 10 to 15 years".

"I'm concerned about them. They will smash the Tories," he added.

Anderson defected from the Conservatives in March following his suspension from the party after claiming "Islam-

ists" had "control" of London's mayor, Sadiq Khan. Tice will stand for the seat of Boston and Skegness in Lincolnshire.

Reform's performance in May's local elections, where it stood in about 12 per cent of council seats and took only two, fell short of expectations.

The party has also struggled to raise large donations and only recently hired a vetting company after several candidates were found to have posted inflammatory remarks on social media, according to officials.

Farage, who took a paid position at rightwing broadcaster GB News as a host after stepping down from Reform in 2021, remains a director and majority shareholder in the party, which is structured as a limited company.

The arch-Brexiter will not host his programme for the duration of the campaign but will remain as a guest, his office has confirmed.

He recently told Talk TV that he had a "very firm job offer" in the US that would enable him to "indirectly" support Trump's election campaign.

NATIONAL

Covid inquiry

Civil servants left 'smashed' by Johnson chaos

Cabinet secretary Case recalls frustration over 'dysfunctional' environment

LAURA HUGHES

Boris Johnson's "dysfunctional" government meant "good people were just being smashed to pieces" as the pandemic unfolded, the top civil servant has said.

Cabinet secretary Simon Case told the official inquiry yesterday he had found it "very frustrating" to work for Johnson as he apologised for sending strongly worded messages during the crisis.

Asked about the day-to-day running of government under Johnson, Case said it was "definitely dysfunctional" and had been "difficult" for him personally.

"Good people were working incredibly hard in impossible circumstances, with choices where it seems there was never a right answer," said Case.

"Good people were just being smashed to pieces. That's what I saw."

In private messages shown to the inquiry in recent months, Case accused his ex-boss of changing "strategic direction every day" and surrounding himself with "basically feral" people, adding he had "never seen a bunch of people less well-equipped to run a country".

Case yesterday described the messages as "raw, in-the-moment" reflections and they were "not the whole story".

"Many of them now require apologies for things that I said and the way I expressed myself," he added.

The public inquiry is examining the government's response to the pandemic, including the UK's preparedness and senior decision-making. It is due to run until the summer of 2026.

Testimonies by current and former ministers and senior officials last year

Painted a devastating picture of Johnson's ability to make decisions of national importance in the pandemic.

Case was giving evidence in a special session as he was not well enough to appear last year. Asked about his time working with Johnson, he said: "Each prime minister has their own approach to doing it and as I say, in my job, I found it very frustrating."

The inquiry saw messages in which Case described government officials as "pygmies". It was also shown an exchange between Case and Helen MacNamara, deputy cabinet secretary between 2020 and 2021, in which he raised concerns over the handling of the crisis in April 2020. "Real lives being played with here," wrote Case.

In other private messages, MacNamara despaired at the Downing Street culture, hitting out at "the arrogance and the waste . . . And the contempt for cabinet." She also said Number 10 at the time was "the most actively sexist environment I have ever worked in".

MacNamara's testimony had described how a "toxic" and "macho" culture at the heart of government hampered the response to the health crisis.

"I found reading Helen MacNamara's both written and oral evidence quite difficult," Case said. "Just as I found preparation for this, rereading this material, quite emotionally difficult."

The inquiry was also shown a private message from December 2021 in which Case expressed his frustration over the so-called Partygate scandal, following media reports of parties in Downing Street and Whitehall during lockdowns.

Case wrote that he had been "dragged through the mud by association", adding: "Am flipping p---d off deep down (like the PM) that I am being attacked for something which I wasn't even involved in."

Wall of sound Multimedia exhibition explores art of noise



A visitor to 180 Studios in London's Strand inspects one of the works in The Vinyl Factory – Reverb, a multimedia exhibition exploring the intersection of art and sound, which opened yesterday. The show features more than 100 artists and musicians working across media such as visual arts, music and film. It runs until September 28.

Malcolm Park/Avolon

Justice system

Target to cut courts backlog 'no longer achievable'

ALISTAIR GRAY
LAW COURTS CORRESPONDENT

The government target to cut a record backlog of 67,600 cases in the Crown Court in England and Wales is "no longer achievable", the public spending watchdog has warned in the latest sign of crisis in the justice system.

Victims and defendants were now waiting almost two years on average between alleged offences and sentencing or acquittal at the Crown Court, which hears the most serious cases including rape and murder, the National Audit Office said.

The government had set a target in 2021 to reduce the outstanding caseload to 53,000 by 2025. At the time, the backlog stood at 60,000. However, the number of outstanding cases had risen to 67,573 by the end of last year.

The NAO report found that the courts backlog was contributing to prison overcrowding as suspects were held in custody awaiting trial. Police were advised to consider pausing "non-priority" arrests due to pressure on prison places in a recent memo from the National Police Chiefs' Council, the body that co-ordinates law enforcement. Policing minister Chris Philp told the Commons this week that these were "contingency measures" that had not been required.

Even so, the NAO findings will fuel criticism of the government for failing to invest in criminal justice.

"Urgent action is needed, including sustained investment," Nick Emmerston, president of the Law Society, which represents solicitors, said in response to the report. "If the government had listened to our warnings sooner, it would not have found itself in the critical state

we now see with emergency measures being taken to deal with the crisis over prison spaces."

The caseload backlog was driven, in part, by disruption during the pandemic. The NAO also cited a strike in 2022 by criminal defence barristers angered over low fees for legal aid work.

It said more trials were now being delayed due to a shortage of barristers. Some had started late because prisoner transport services had failed to get defendants to court on time.

Hearing times had also risen after a government review in 2021 resulted in more complex rape cases being heard.

The NAO acknowledged that the Ministry of Justice had tried to ease the pressure through steps such as expanding courtroom capacity and increasing the mandatory retirement age for judges from 70 to 75.

But it called for more "co-ordinated and timely action", warning: "Long waiting times, as well as impacting justice outcomes, can be causes of distress for victims and witnesses."

The watchdog said the Moj's own modelling suggested the target to reduce the backlog to 53,000 by March 2025 was "no longer achievable". Its most recent projection, made in September 2023, suggested instead that there could be 64,000 outstanding cases then – 11,000 higher than that projected in October 2021 when the ambition was set.

The mean average time between alleged offence and sentencing or acquittal had increased from 486 days in the last quarter of 2019 to a high of 703 days in the second quarter of 2023, according to the NAO. At the end of 2023 it stood at 683 days.

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INTERNATIONAL

European parliament

EU far-right bloc expels Germany's AfD

Vote to eject all nine MEPs taken after party's lead candidate spoke up for SS

SAM JONES — BERLIN
ANDY BOUNDS — BRUSSELS

The European parliament's far-right bloc has ejected the Alternative for Germany, a move underscoring deepening divisions among Europe's insurgent anti-establishment parties just weeks ahead of EU elections.

The vote to expel all nine AfD MEPs is an attempt to limit mounting fallout from a scandal surrounding the German party's top candidate, Maximilian Krah. In a joint interview with the Financial Times and Italy's La Repubblica, Krah

said that not all members of the Nazi SS were criminals.

"The Identity and Democracy Group in the European parliament has decided today to exclude the German delegation, AfD, with immediate effect," ID said in a statement yesterday, referring to a group that includes Marine Le Pen's Rassemblement National in France and Italy's Lega Nord.

"The ID Group no longer wants to be associated with the incidents involving Maximilian Krah, head of the AfD list for the European elections," it said.

Krah has already been suspended by the AfD from campaigning, but it is now too close to the election itself — which will be held between June 6-9 — for his name to be removed from ballots.

The ejection by former allies such as

Le Pen is a humiliating setback for the German MEPs and caps a disastrous few months of scandals. Although the EU parliament will not reconvene until after the elections, it will leave the AfD needing to find a new group in the next

'The ID Group no longer wants to be associated with the incidents involving Maximilian Krah'

session or sit with unaligned MEPs. With the exclusion of the AfD, ID is now too close to just seven parties, the minimum needed to form an official parliamentary faction. Factions receive additional EU funding and can bid for posi-

tions of influence such as committee chairs.

The relationship between the AfD and Le Pen's RN has been particularly strained since the beginning of the year, when investigative journalists in Germany exposed a meeting between AfD officials and ethno-nationalists outside of Berlin in which ideas such as the forced deportation of ethnic-minority German citizens were discussed.

The RN said on Wednesday it would no longer work with the AfD.

With an eye on the next French presidential election, Le Pen's party has studiously tried to detoxify its image. The AfD, meanwhile, has seen its politics drift further rightward in the years since the coronavirus pandemic.

The ID decision was close. Austria's

Freedom Party — which shares an increasing amount of hardline ideological ground with the AfD — voted to keep AfD within the group, as did Estonia's Conservative People's Party.

The RN, Lega Nord and Belgium's Vlaams Belang voted to eject it. The Czech and Danish members abstained, meaning under voting rules they in effect supported expulsion.

A series of spy scandals, involving allegations of Chinese and Russian influence, have also strained the AfD's relations with allies. Krah's EU parliamentary assistant, Jian Guo, was arrested by German police last month over claims that he was a spy for Beijing.

Following the vote, the AfD said it had "taken note" of the ID group's decision and was "optimistic" about the election.

Air offensive

Zelenskyy calls for aid after 'brutal' missile attack on Kharkiv

CHRISTOPHER MILLER — KYIV
MAX SEDDON — RIGA

Russia launched a wave of missiles targeting Kharkiv and nearby cities in north-east Ukraine yesterday, killing at least seven people and destroying civilian infrastructure.

Kharkiv, Ukraine's second-largest city with more than 1.3m residents, has come under increasing Russian aerial assaults since Moscow opened a new front to the north of it this month.

Russian forces have surged across the border and through some of Ukraine's hastily built new fortifications to take several towns and villages in the past fortnight. They are now pushing into the city of Vovchansk and have engaged in urban combat with Ukrainian forces as police evacuate civilians.

At least 15 Russian S-300 missiles hit the cities of Kharkiv, Lyubotyn and Zolochiv yesterday, according to regional governor Oleh Syniehubov, who advised residents to remain in bomb shelters.

Vivat publishing director Yuliya Orlova told local media that a fire had broken out in the printing house where her company produced its books and that employees were probably trapped inside. "They are dismantling the rubble and rescuing people," she said of first responders at the site.

Kharkiv mayor Ihor Terekhov said missiles also struck transport infrastructure and a utility company. Ukraine's state railway company said its infrastructure had been damaged and several employees injured.

Emergency service workers tended to at least 16 people who were wounded.

President Volodymyr Zelenskyy said the aerial assault was "extremely brutal" and reiterated his calls to western partners for more air defence systems and interceptors. Ukraine began running low on supplies this winter, when Russia stepped up air strikes and the US military aid was delayed in Congress.

Some assistance from the US, including air defence munitions and artillery shells, began arriving in Ukraine last month. Ukrainian troops have said this has helped them to restrain, but not yet stop, the Russian advances.

Zelenskyy also showed his growing frustration over the Biden administration's ban on using US-supplied weapons to strike military targets inside Russia. "Russian terrorists are taking advantage of Ukraine's lack of sufficient air defence protection and reliable capability to destroy terrorist launchers at their exact locations, which are close to our borders," he said.

Meanwhile, a court in Russia has ordered a senior general to be held in pre-trial detention on corruption charges as President Vladimir Putin shakes up his security team.

Vadim Shamarin, head of the communications department of the Russian general staff, faces up to 15 years in prison if he is found guilty of receiving a "particularly large bribe," the court said yesterday.

Shamarin is the fourth senior defence figure arrested in the past month. Dmitry Peskov, Putin's spokesman, said "the fight against corruption... isn't a campaign, it's work that is always ongoing".

Military. Personnel shortage

Moscow recruits crime suspects to fight in Ukraine

Kremlin attempts to increase manpower without resorting to fresh wave of mobilisation

POLINA IVANOVA — BERLIN
CHRISTOPHER MILLER — DONETSK REGION

Evgeny Zhurin, frontman of a small Russian pop band from the 1990s, had been in pre-trial custody facing 10 years in prison before he was spotted in khakis on the front line in Ukraine.

Although Zhurin had insisted on his innocence when charged with defrauding a pensioner, it appeared he had chosen not to take his chances in court but to serve on the battlefield instead.

His case, which gripped his home city of Vologda 450km north of Moscow, is emblematic of a new recruitment effort across Russia. When investigating a case, Russian police now offer suspects the chance to be cleared of all charges ahead of trial if they agree to serve a stint in the army in Ukraine.

The move is yet another novel Kremlin strategy as it seeks to meet manpower needs for the war without resorting to another wave of mobilisation.

In September 2022, when President Vladimir Putin signed a decree to conscript 300,000 men, the measure caused significant unrest, with hundreds of thousands fleeing Russia to avoid military service.

Since then, the Kremlin has sought to persuade men to sign on with the army by offering generous wages. It has managed to recruit about 30,000 to 40,000 soldiers every month, according to an estimate by the UK defence ministry.

Despite its heavy losses, the Russian army is now 15 per cent larger than when it launched its full-scale invasion of Ukraine in 2022, according to a recent report by General Christopher Cavoli, Nato's top commander in Europe.

Oleksandr Lytvynenko, Ukraine's chief of national security and defence council, said Russia mobilised more than 385,000 soldiers last year. While Russia had recently captured more territory in Kharkiv region, Lytvynenko and analysts said it would need far more men to take the city of Kharkiv itself.

Lytvynenko said about 50,000 Russian soldiers had been deployed across the border from Russia's Belgorod region. He said that while Putin's goal



Recruitment drive: people at a bus stop in Moscow next to posters advertising service in the armed forces. Below, former pop singer Evgeny Zhurin



seemed to be limited for now to creating a buffer zone to protect Belgorod from Ukrainian attacks, future attempts to take Kharkiv could not be ruled out.

Short of further mobilisation, Moscow is recruiting men such as 61-year-old Zhurin. Sporting a short, greying beard, Zhurin has posted social media updates about his deployment.

"I'm on the front line today!" he wrote. "We're constantly on the move, sleeping in the woods. We're storm troopers! First line of defence! God willing, when I return from the front, we will still sing my best songs together," he said. In another post, he said he had lost 17kg.

Financial incentives, which have raised military salaries to unprecedented levels, have played the biggest role in recruiting men of fighting age. One-off bonuses on joining the army can now reach more than Rb1mm (\$11,000), on top of the monthly \$2,150-\$2,700 wage that is already about three times the average salary in Russia. Soldiers' families also receive payouts in cases of serious injury or death.

The new push comes after tens of

thousands of convicted criminals have been sent to the front on the promise of amnesty upon their return. With that pool running thin, authorities in March passed a law targeting suspects in criminal cases to be offered a similar deal.

Russian criminal lawyer Roman Kondaurov said: "Investigators have been given the responsibility to explain to suspects and defendants their rights — and essentially recruit them."

Suspects such as Zhurin were offered a "clarification" document with the option to sign up for the army, Kondaurov said. Police investigators had "effectively become military recruiters too".

Ukraine has also started allowing prisoners to serve in a bid to deal with critical shortages of recruits. Despite the measures, the situation for Ukrainian troops — many of whom have not been rotated out since the start of the war — is unlikely to improve any time soon.

But for Moscow to maintain its upper hand on the battlefield, it may need to go beyond its creative recruitment strategies, according to a person close to the Russian defence establishment. "The

'By the end of this year, or early next year, a new partial mobilisation wave will become inevitable'

government can keep riding on this system for a while," the person said, but "by the end of this year, or early next year, a new partial mobilisation wave will become inevitable".

As long as the Kremlin shunned another mobilisation wave, a significant Russian offensive would not be possible this summer, the person said.

Some regions in Russia are already struggling to meet recruitment quotas. In the Siberian city of Krasnoyarsk, one councillor said mainly "alcoholics, homeless people, abusers and convicts" were sent to the war. Another councillor said the city was "starting to work with debt collectors" to get more people into the army in exchange for debt relief.

Grigory Sverdlin, founder of the "Get Lost" project that helps Russians escape military service, said the government had also resorted to coercive methods, including significantly increasing fines for failing to report to enlistment offices.

"They are plugging the gap any way they can," he said, adding that a second wave of mobilisation was "inevitable" this year. "It's just a question of when."

Branded products

Capitals urge Brussels to curb €14bn food pricing disparity

ANDY BOUNDS AND PAOLA TAMMA
BRUSSELS

EU ministers will today press Brussels to crack down on multinationals that force retailers to pay sharply different prices for the same branded product, such as chocolate or biscuits, costing consumers an estimated €14bn a year.

Eight governments will ask the European Commission to toughen single market rules to stop effective bans on "parallel trading", where retailers purchase products more cheaply from another member state.

Brussels yesterday fined Mondelez, the maker of Toblerone and Philadelphia cheese, €337.5m for restricting wholesalers from buying biscuits, chocolate and coffee in one member state, where prices may be low, to sell in another. "It's illegal," said Margrethe Vestager, competition commissioner.

But governments and retailers say these practices are common across the single market, which is supposed to eradicate such barriers to trade within

the union. Smaller countries such as Belgium, Croatia, Denmark and Greece are among those backing a proposal from the Netherlands to end so-called territorial supply constraints (TSCs), described as "different prices within the EU for identical products".

The group wants an explicit ban on contracts containing such conditions and the abolition of a requirement to provide labels in a local language. This could be replaced by a QR code to a website in customers' language.

Competition probes such as the one into Mondelez are time-consuming and rely on evidence from wholesalers and retailers who are reluctant. "If you try to buy branded goods from another country, the producer will cut off your supply. And some big brands you have to stock," one retail executive said.

Dutch government research found TSCs applied to one in 25 products, with prices on average 10 per cent higher than in the cheapest markets. A Brussels study of 16 members in 2020 found that TSCs cost shoppers €14.1bn a year.

Sanctions

Russian imports of luxury cars via Belarus face EU crackdown

ANDY BOUNDS AND DARIA MOSOLOVA
BRUSSELS
CHRIS COOK — LONDON
RAPHAEL MINDER — WARSAW

The EU is preparing to tighten sanctions against Belarus and close a loophole that has allowed Moscow to import luxury cars and other western goods banned in Russia in response to the war in Ukraine.

The bloc has already imposed several rounds of sanctions on the regime of Belarusian leader Alexander Lukashenko for supporting Russian President Vladimir Putin's full-scale invasion of Ukraine. But restrictions on Belarus have been weaker than those on Russia, allowing the Kremlin to use it as a backdoor for western goods for use in the war effort as well as luxury items.

The new curbs being discussed by EU member states aim "to minimise the risk of circumvention", according to a draft seen by the Financial Times.

The fresh sanctions would ban exports to and via Belarus of technology and goods that can have military uses, as

well as liquefied natural gas. The EU would also stop importing diamonds from Belarus, mirroring a recent ban on stones of Russian origin.

If adopted by the bloc's 27 member states, one of the major flows that would be stemmed by the new sanctions would be luxury cars. Under the current system, European carmakers can still sell vehicles to Belarus but not Russia.

"The folks around Lukashenko who had ties to Russia were big beneficiaries of this. They were enriching themselves... We also know this is how luxury goods get into Russia, through Belarus," said Vytis Jurkonis, project director at Freedom House think-tank in Vilnius.

The monthly flow of vehicles and vehicle parts from EU states to Belarus surged from €50m in January 2022 to \$268m in January 2024. This is now the largest single component of EU-Belarus exports, largely originating from Germany and Poland. The largest export rises were recorded in the most expensive categories of cars — those targeted by EU sanctions on Russia.

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INTERNATIONAL

South Africa's 'born-free' generation shuns democracy 30 years in making

Disillusioned younger voters could hasten a post-ANC world if opposition parties can woo them

MONICA MARK — SHARPEVILLE

Watching a memorial event in Sharpeville, the township that played a pivotal role in the country's liberation struggle, Olwethu Ndema knew thousands had fought for freedom and the right to vote for South Africa's Black majority. But she has no intention of exercising that right in the May 29 general election.

"Voting is simply a pyramid scheme that makes the elected richer and richer," said the 28-year-old intern at a government development agency, who plans to abstain.

Thirty years after Nelson Mandela's African National Congress swept to power on a promise to lift up millions of impoverished Black citizens, Ndema is part of a younger generation so disenchanted with democracy that only 40 per cent have registered to vote.

In a sign of their disillusion, almost 60 per cent of South Africans aged 18 to 24 rejected the idea that democracy was always the best system of governance in a poll by the Human Sciences Research Council, a South African think-tank.

"The idea that democracy is benefiting a small group of the elite has really entrenched itself in our society," said Tessa Doooms, director at the Johannesburg-based think-tank Rivonia Circle. "Young people have been made to feel they have no stake in politics."

Among many who lived through the privations of apartheid, the ANC, which has governed uninterrupted for the past three decades, still holds sway. But polls suggest the party led by President Cyril Ramaphosa is under the greatest pressure since it gained power in 1994.

Those aged under 35 — roughly a third of the electorate — could hasten a post-ANC world if opposition parties manage to woo the younger cohort.

Nicknamed the "born-free" generation, they have lived their entire lives under an ANC government increasingly engulfed by corruption scandals. The party initially oversaw a rise in living standards, but a growing wealth gap has made South Africa the world's most unequal country, according to the World Bank. Two decades of economic stagnation mean half of its young people are unemployed, the vast majority of them Black.

The ANC's economic legacy has been questioned even by members of Mandela's family.

"The driver of the bus is now Black," said Mfundo Mtirara, Mandela's niece, referring to the ANC government. "But we are still on the same bus."

Political parties have seized on this theme, most prominently the liberal Rise Mzansi, which was formed last year. It is campaigning with the slogan "2024 is our 1994" — a once unthinkable allusion linking the fight for liberation from apartheid to a new battle to unseat the party that helped end it.

The message has resonated with donors. Despite polling at no more than 0.5 per cent nationally, Rise Mzansi raised R16.7mn (\$909,000) in the past quarter, outpacing all other officially recorded party donations.

Its leader, Songezo Zibi, was among



New battle: supporters of Rise Mzansi, which is campaigning to unseat the party that helped end apartheid. Below, John Steenhuisen, leader of the Democratic Alliance

Itsaan Halfeyee and Siphwe Sibeko/Reuters



the delegates from more than a dozen political parties at the Sharpeville memorial event in March. Officially, they were there to commemorate the massacre of 69 unarmed Black anti-apartheid protesters in 1960, an atrocity that turned the movement from non-violent resistance to armed struggle.

But in full campaigning mode, pick-up trucks mounted with loudspeakers blasted out party slogans and helicopters circled overhead as politicians criss-crossed the township's potholed roads.

"It's become a circus devoid of mean-

ing," Zibi said, as he drove between campaign stops. "They've lost their way."

"Since I was young, I've been volunteering for the ANC. But when it came to jobs, only those who are connected [to the party] would get them," said Bulelwa Magadla, who joined supporters following Zibi as he laid flowers at a memorial. "Those who have been on the ground get nothing. I'm done with the ANC."

The radical Economic Freedom Fighters, which wants to nationalise critical state industries and redistribute the majority of the country's land to Black South Africans, has also campaigned on an anti-ANC platform.

"We are not part of the 1994 elite pact. We are a completely new generation, with new demands," its manifesto begins.

But some experts believe such messaging will backfire. Slogans connecting the forthcoming polls to the historic 1994 election "served only to help the ANC craft a powerful message to its base: mobilise to defend the gains of democracy," Kabelo Khumalo, a commentator, wrote in South African newspaper Business Day.

Among rural and urban low-income voters, support for the ANC remains strong across all age groups. "One of the abiding mistakes [of political observ-

'Since I was young, I've volunteered for the ANC. But when it came to jobs, only those connected [to the party] would get them'

ers] is to treat everybody as a middle-class voter connected to the formal economy," said Steven Friedman, director of the Centre for the Study of Democracy at the University of Johannesburg.

"They've done many things for us," said Nthabiseng, a Sharpeville resident and one of almost 28mn of the country's 60mn citizens who receive a monthly welfare grant, part of a social safety net that will cost the treasury R217bn this year.

The party's free housing programme had given her a home, and her two children attended free government schools, she said. "We will die with the ANC because of the history of the ANC," said Nthabiseng, who declined to give her surname.

Despite the party's vote share declining since 2004, no party has come close to dislodging the ANC. Its biggest rival, the Democratic Alliance, which governs in the Western Cape province, is seen by many as out of touch with the lives of the Black majority and has never secured more than 26 per cent of the vote.

"Parties that see a big jump [in votes] will probably be the ones that have spoken to young people," said Kristal Duncan-Williams, project lead at civil society organisation Youth Capital, "because they're the ones that are going to make the biggest difference."

Security co-operation

US upgrades Kenya ties as Ruto makes state visit to Washington

JAMES POLITI — WASHINGTON
JOE DANIELS — CARTAGENA
ANDRES SCHIPANI — NAIROBI

The US designated Kenya as a "major non-Nato ally" yesterday as Washington seeks to upgrade its relations with Nairobi at a time of growing Russian and Chinese influence in Africa.

The step was announced yesterday at a meeting between US President Joe Biden and Kenya's President William Ruto during the first state visit by an African leader to Washington in more than 15 years.

The announcement comes as Kenya prepares to send up to 1,000 police officers to Haiti as part of an international effort backed by the US to try to stabilise the security situation in the Caribbean nation. The US has pledged \$300mn to underwrite the cost of a Kenyan-led security force.

Kenya will be one of 19 countries — and the first from sub-Saharan Africa — to receive the US designation of "major non-Nato ally". This involves a higher level of security co-operation with the US, though it does not involve any specific defence guarantees.

"This visit will... highlight Kenya's important role in global peace and security," Jake Sullivan, the US national security adviser, said.

He pointed to Kenya's role in counterterrorism — the US maintains an overseas military presence at Manda Bay to support operations against al-Shabaab, the Somali Islamist militant group linked to al-Qaeda — as well as the planned police presence in Haiti and its participation in the Ukraine contact group, a clutch of countries that back Kyiv in its defence against Russia.

Ruto, a staunch ally of the US who faced legal obstacles at home against sending the force to Haiti, told the Financial Times ahead of his visit to Washington that as soon as formalities "were sorted out, we will deploy".

Biden did not follow through on a vow to travel to Africa last year, but on Wednesday promised to make the trip in February 2025 if he were re-elected as president in November.

There has been a political and security crisis in Haiti since the assassination of president Jovenel Moïse in July 2021, with dozens of violent warlords expanding their control in the subsequent power vacuum. More than 80 per cent of Port-au-Prince, the capital, is controlled by different gangs, according to UN estimates.

A spate of attacks in March led to the collapse of an interim government led by prime minister Ariel Henry, who was travelling to Kenya at the time to shore up Ruto's support for the international mission. Henry, who first requested a multinational force in October 2022, was replaced last month by a transitional presidential council.

While the UN authorised the mission in October, its progress has faltered. Kenya will lead the mission with 1,000 officers, while other nations including Chad, Jamaica and Bangladesh, have offered to send personnel.

Republican fundraiser

Trump taps Texas oil barons to narrow cash gap with Biden

MYLES MCCORMICK — HOUSTON
ALEX ROGERS — WASHINGTON
SAM LEARNER — NEW YORK

Donald Trump swept through Texas seeking to bolster his campaign war chest with donations from oil barons and moguls with fortunes in sectors from sports to motors.

The former president, whose in-person campaigning has been restricted by his "hush money" criminal trial in New York, on Wednesday attended lunchtime fundraisers in Houston before a dinner in Dallas.

One Houston event was hosted by shale oil tycoon Harold Hamm, chair of Continental Resources, alongside Occidental Petroleum chief Vicki Hollub and Energy Transfer chair Kelly Warren. Jeff Hildebrand of Hilcorp, another oil company, and George Bishop of Geo-Southern Energy were among the hosts of another meeting.

Trump has sought to shore up support in the US's fossil fuel sector with a pledge to rip up much of President Joe Biden's environmental and climate agenda and allow the industry to "drill, baby, drill".

"President Trump is supported by people who share his vision of American energy dominance to protect our

national security and bring down the cost of living for all Americans," Trump campaign spokeswoman Karoline Leavitt told the Financial Times.

Trump seeks to catch Biden in a race to build a cash pile for what is set to be the most expensive White House contest ever. Biden has \$70mn more on hand than Trump, according to an FT analysis of latest campaign finance data.

Trump is also set to visit California next month for a series of fundraisers hosted by billionaire tech entrepreneur Palmer Luckey and venture capitalist David Sacks, among others.

At Houston's five-star Post Oak hotel, owned by Houston Rockets owner and Trump supporter Tilman Fertitta, attendees were shuttled into a room of blue drapes and US flags for lunch, photo ops and a roundtable with the former president. Outside, a tight security detail of staffers, Houston police officers and secret service turned away those who had not paid the \$10,000 minimum cost of admittance.

Energy Transfer's Warren declined to comment. None of the other oil executives commented. Many oil executives have been privately sceptical of Trump, whose volatility and vows to raise tariffs could undercut oil demand.

Five-city procession

Iran president Raisi buried after three days of mourning

NAJMEH BOZORGMHEHR
TEHRAN CORRESPONDENT

Iran's late president, Ebrahim Raisi, who died in a helicopter crash last weekend, was buried yesterday after millions of mourners paid tribute during a three-day procession in five big cities.

The service took place in his home town of Mashhad, at Reza, an important shrine to one of the 12 revered Imams of Shia Islam that attracts more than 20mn pilgrims annually.

To be buried next to a holy site is considered a religious blessing for Iran's Shia Muslims that is typically reserved for high-ranking figures. The day before, Iran's Supreme Leader Ayatollah Ali Khamenei led a ceremony in Tehran for Raisi and the others who died in the crash, which included foreign minister Hossein Amirabdollahian. He was also laid to rest yesterday at a shrine in southern Tehran.

The foreign dignitaries who visited Iran to pay their respects to the deceased president included the Emir of Qatar, Iraq's prime minister and the foreign ministers of Saudi Arabia and Egypt. Under Raisi, Tehran restored ties with Riyadh after a seven-year rift and

hoped to restore diplomatic relations with Egypt after more than 40 years.

Senior figures from the Axis of Resistance, the group of Iran-backed militias fighting against the US and Israel, which includes Hamas in Gaza and Lebanon's Hezbollah, have also visited to offer condolences to Iranian leaders.

The Tasnim news agency, which is close to the elite Revolutionary Guard, reported yesterday that a session was held in Tehran with top commander Major General Hossein Salami and Brigadier-General Esmail Ghaani, who is in charge of its overseas operations.

"The latest political, social and military situation in Gaza and the role of the Axis of Resistance were discussed, while emphasising the continuation of the fighting until victory in Palestine with the participation of all resistance groups," the report said.

Khamenei has named first vice-president Mohammad Mokhber as head of the executive branch of government ahead of an emergency presidential election on June 28. Iran's political factions have begun jostling for position before a vote that is expected to be a contest between hardliners, with little indication moderate or reformist figures will be able to stand.

Middle East

Yellen warns Israel not to end waiver for Palestinian banks

CLAIRE JONES — STRESA

US Treasury secretary Janet Yellen has warned Israel not to cut its banks' ties to Palestinian lenders, saying its "threats" to cancel a vital waiver between financial institutions would rob the Palestinian Authority of essential services and sources of revenue.

US officials believe Israel's ultranationalist finance minister, Bezalel Smotrich, will not renew the annual waiver when it expires on July 1. "I'm particularly concerned by Israel's threats to take action that would lead to Palestinian banks being cut off from their Israeli correspondent banks," Yellen said yesterday.

The waiver facilitates payments for \$8bn worth of imports from Israel, according to US government data. These include utilities, such as electricity and water, as well as food. The banking links also enable about \$2bn worth of exports to be sold by businesses in the West Bank to foreign customers.

The waiver's cancellation would shut down much of the Palestinian economy in the West Bank, officials have said.

The issue is set to be discussed at a meeting of G7 finance ministers and central bank governors in Stresa, Italy, over the coming days.

Yellen said she expected "other countries to express concern about the impact of the decision" to cancel the waiver. She added that the US and others would "try to do all that we can diplomatically" to keep the waiver in place, adding that she sent a letter on the subject to Prime Minister Benjamin Netanyahu earlier this year.

US national security adviser Jake Sullivan in Washington on Wednesday said Israel's move to withhold funds from the Palestinian Authority, which administers parts of the West Bank, was "wrong" and "they should continue to flow". The UK shares Washington's concerns, according to British officials.

The Palestinian territories do not have their own currency, and rely on Jordan's dinar and Israel's shekel, along with US dollars. The economy formally uses the shekel, leaving the Palestine Monetary Authority — the central bank — and its lenders reliant on the Bank of Israel for access to reserves and financial services.

Without the waiver, Israeli companies with business ties to the Palestinian Authority would also be unable to deposit Palestinian cheques or receive payments from Palestinian banks.

Additional reporting by Felicia Schwartz

INTERNATIONAL

French territory

Macron seeks to ease Pacific isle unrest

President pledges to delay voting reform on surprise visit to New Caledonia

LEILA ABOUD AND ADRIENNE KLASA — PARIS

French President Emmanuel Macron has promised not to immediately force through a controversial electoral reform in New Caledonia after an 18-hour visit to the Pacific archipelago aimed at easing a political crisis that sparked deadly rioting.

The territory, which is strategically important to the French military and is home to vast nickel reserves, has been riven with unrest since the middle of this month when Macron's government pushed ahead with a plan to change the constitution to expand the voting franchise for local elections.

"I have pledged that this reform won't

be pushed through with force now in the current context," Macron said at a press conference held around midnight in the New Caledonian capital Nouméa after meetings with local politicians, activist groups, and local executives.

"We are giving ourselves a few weeks to allow for calm, the resumption of dialogue, with a view to a comprehensive agreement," the president added, referring to the overall institutional future of the archipelago, not just the question of the electorate.

Some of New Caledonia's indigenous Kanak population oppose the plan because it would dilute their political influence compared with the non-indigenous population that began to arrive during the colonial period, while pro-independence groups see it as a threat to their aim of breaking free from France.

Macron skirted the question of whether he would delay or cancel plans to hold a congress in late June to finalise

the constitutional change introducing the electoral reform.

Macron is betting that his unexpected visit to New Caledonia, which lies 1,500km east of Australia and has a population of 270,000, will help bring together supporters and opponents of independence after his government declared a state of emergency to quell rioting and looting.

Although Macron departed without resolving the crisis, he did soften his position slightly by promising to "review the situation" in one month, giving time to try to achieve an agreement among local political groups. Three high-level French civil servants familiar with the New Caledonia issue are staying behind to try to hammer out a deal.

A tentative calm has been restored in the streets of Nouméa amid a huge police and army deployment, but its airport and many businesses remain

'We are giving ourselves a few weeks to allow for calm, the resumption of dialogue'

Emmanuel Macron

closed. Six people, including two police officers, have died in the unrest. Insurers estimate the economic damage at €1bn. The nickel mines have been damaged and are at a standstill, pushing up global prices.

Macron had harsh words for what he called "an unprecedented insurrectional movement" with a "high level of organisation and violence". He told pro-independence groups there would be "no going back" on three earlier referendums in the territory that all resulted in votes against independence.

The unrest began when French lawmakers voted to expand the right to vote in New Caledonian provincial elections to all citizens who have lived there for more than a decade. Macron had decided to press ahead with the reform despite not achieving consensus.

If finalised, the constitutional amendment would override the Nouméa Accord of 1998

GLOBAL INSIGHT

ASIA

Kathrin Hille



Taiwan's new leader is already straying from path of predecessor

The Chinese Communist party was never going to trust Lai Ching-te. Taiwan's new president has long viewed his homeland as an independent country — a stance irreconcilable with Beijing's insistence that the island is part of China and must come under its control sooner rather than later.

Sure enough, after Lai delivered his inaugural address on Monday, Beijing lashed out at what it called a "dangerous signal of provocation". State media thundered that Lai "revealed his true colours" and dismissed his calls for dialogue as "deceitful political lies".

It is easy to dismiss China's vitriol as the predictable bluster of a belligerent autocracy. But policymakers and scholars familiar with the arcane world of cross-Strait relations say Beijing, this time, may just have a point.

China is right to say Lai is straying from the path of predecessor Tsai Ing-wen — a leader China refused to engage but who managed to keep a delicate peace. Some question the wisdom of such a gamble at a time of high tension.

"Lai's stance is a step back towards more confrontation, undoing much of Tsai's line," says Chao Chun-shan, a Taiwan academic who advised Tsai and her three predecessors on China policy. He argues that it puts China's leader Xi Jinping in a difficult spot. "Xi doesn't want a showdown now, before the result of the US election is clear."

Lai ran with a pledge to follow Tsai's China policy and preserve the status quo in the Strait. He did follow that pledge by the letter, vowing to "neither yield nor provoke" and "maintain the status quo"; phrases coined by Tsai. He also called for restarting tourism and student exchanges with China. But critics say Lai deviated from his promises during an inaugural address that used conspicuously different language, while spelling out some of the facts that most jar with Beijing.

Tsai would refer to the "Beijing authorities" or "the other side of the Strait", which does not highlight the existence of two different countries. Lai spoke of "China".

He also tackled the controversial issue of sovereignty head-on. Tsai had stated that the two sides of the Strait are not subordinate to each other — but rarely cited this description of reality to the names of the two countries.

Lai linked that statement to the Republic of China, the state the Communists overthrew on the mainland in 1949 but which continues to exist in Taiwan. He cited the ROC constitution's language that sovereignty resides with the people, who are of ROC nationality. "This tells us clearly: the Republic of China and the People's Republic of China are not subordinate to each other," he concluded.

China policy experts say Lai is in danger of upending the ambiguity that has provided political space to allow Beijing's territorial claim to sit alongside Taiwan's de facto independence without sparking conflict.

"He is raising the stakes by stressing a difference in sovereignty between the two countries," says Tso Chen-dong, a professor at National Taiwan University who has advised the Kuomintang (KMT), the opposition party that embraces the notion of Taiwan being part of a greater Chinese nation. The KMT argues the ROC's territory, under its constitution, still includes all of China; what divides it from Beijing is not sovereignty but a question of jurisdiction.

Lai's Democratic Progressive party takes a very different stance. Senior officials in Lai's government say that for him, embracing the ROC instead of pushing for a Taiwan Republic — a move that Beijing has said would prompt it to attack — is already a big concession.

DPP politicians argue Taiwan has been left with little choice. "China keeps removing the space for ambiguity," says Chiu Tai-san, chair of the cabinet-level China policy body under Tsai. "So the more ambiguous we are about our sovereignty, the more ground we will lose."

It took Lai less than a day as president to start tweaking Taiwan's cross-Strait language. Beijing will be watching closely how far he might go in the next four years.

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Economy. Cost of living crisis

Turkish inflation weighs heaviest on poor

Erdoğan's policy turnaround is working but those on lower incomes are feeling the pinch

ADAM SAMSON AND AYLJA JEAN YACKLEY — ISTANBUL

Half an hour before midday in Istanbul, dozens queued at an eatery bearing a logo of a heart bobbing in a bowl. The *kent lokantasi*, an eatery subsidised by the city, filled up just after its doors opened at noon.

"This place is not just for the jobless or the destitute... elsewhere I would have to pay TL200 (\$6.25) for a meal that costs TL40 here," said Hasan, 53, a deliveryman who eats there every day. Hüseyin, a 67-year-old retiree, said he would struggle if it were not for the *kent lokantasi*. "Prices change every time I go to the market," he said.

Istanbul's 14 *kent lokantasi* each serve about 1,000 meals at TL40 every day, said Erdal Celal Aksoy, the city's deputy general secretary. The municipality subsidises the food cost by two-thirds, he said. The restaurants were introduced in 2022 amid a long-running inflation crisis as inflation peaked above 85 per cent. But, two years later, demand is still so strong that Istanbul plans to open another two dozen outlets.

Their popularity underscores how President Recep Tayyip Erdoğan's government has struggled to tame runaway inflation a year after it launched a sweeping economic overhaul. Turkey's central bank has increased its main interest rate to 50 per cent from 8.5 per cent since last June's revamp, led by finance minister Mehmet Şimşek. The maximum monthly interest rate on credit cards has tripled since last June to 4.25 per cent.

The government has also boosted taxes and signalled it would not lift the minimum wage again this year after a 49 per cent rise in January. It pledged last week to cut public spending on everything from foreign cars for the government fleet to construction of new government buildings.

Erdoğan's programme has drawn accolades from investors, but it has yet



Purse strings: a bazaar in Izmir, south-west Turkey. Shoppers say they are yet to feel the benefits of slowing inflation

Moe Zoyari/Bloomberg

to pay dividends for Turks, who face inflation of nearly 70 per cent, surging borrowing costs and a reduction in the stimulus measures that in recent years dulled the impact of price growth.

"It is a bitter medicine," said Selva Demiralp, a former US Federal Reserve economist working at Koç University in Istanbul. Pensioners and those on low incomes were "going to pay for the fight against inflation the most", she added.

Şimşek's goal is to quell the inflation crisis triggered by Erdoğan's former policies, based on a wager that low interest rates would cure rather than cause high inflation. Erdoğan this month said there would be "no turning back" from the new plan, signalling the state would not provide "temporary relief" as before, including the handouts before his re-election in May 2023.

The programme is slowly rebuilding confidence among fund managers, who have poured almost \$10bn into Turkish

equities and lira-denominated government debt over the past year, central bank data shows. S&P Global Ratings and Fitch Ratings have upgraded Turkey's rating this year, and high rates are cooling lending growth.

But the situation for shoppers has yet to reflect this improving picture. A butcher in Istanbul's working-class district of Fatih sells ground beef for TL640 a kilogramme, about double from a year ago. "Those who come buy a half-kilo or 250g, when they used to buy a kilo," said shopkeeper Ekrem.

Hacer Foggo, of the Deep Poverty Network, a research group, said Turkey risked a "poverty spiral" as the hunger threshold, estimated by labour unions last month at TL17,725 a month for a family of four, climbed above the minimum wage of about TL17,000 in April. "The working poor... cannot meet basic needs of nutrition," she said.

Many consumers remain doubtful the

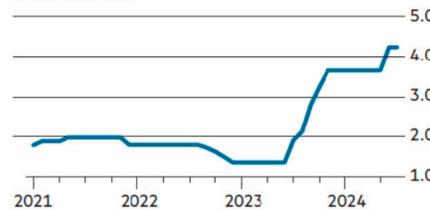
moves will succeed, having watched the central bank miss its inflation target every year since 2011. Voters rebelled against the inflation crisis in local elections this March, which dealt Erdoğan's ruling Justice and Development party its biggest defeat since two decades ago.

"Financial markets seem to partly buy the disinflation story, but it is more challenging when it comes to expectations of households and small enterprises," said Hakan Kara, a professor at Bilkent University, who was previously a Turkish central bank chief economist.

The central bank said this month it expected the annual inflation rate to fall to 38 per cent by the year-end, but a further study by it shows consumers anticipate the rate will hit 80 per cent in a year's time. And more than 90 per cent of consumers in a Koç University survey said now was a good time to buy long-lasting goods, a sign they believed prices would continue rising.

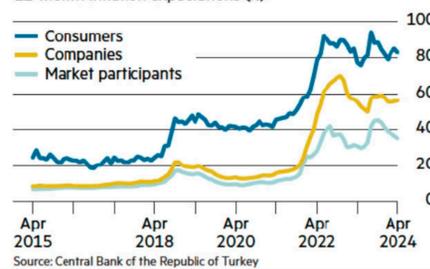
Credit card borrowing costs in Turkey have soared

Maximum monthly interest rate on lira-denominated transactions (%)



Turkish consumers and companies expect inflation to remain high

12-month inflation expectations (%)



Source: Central Bank of the Republic of Turkey

Africa

Malaria vaccine makers call for more orders to lower costs and boost immunisation push

IAN JOHNSTON — LONDON
BENJAMIN PARKIN AND CHRIS KAY — NINE

Malaria vaccine makers have called on UN children's agency Unicef and global vaccine alliance Gavi to order more of the jabs in order to drive down their cost and bolster a historic but challenged campaign to combat one of Africa's most destructive diseases.

However, the multilateral organisations have warned that increasing supplies will not solve the logistical difficulties faced by the world's first vaccination campaign against malaria, which was launched in January.

The Serum Institute of India, which is the world's biggest manufacturer of vaccines and on Monday shipped its first doses of the R21 malaria vaccine developed by the University of Oxford, said it could produce four times as many doses as had been ordered by Unicef and Gavi.

"[R21] will make a huge impact in saving children's lives in Africa," Adar Poonawalla, Serum's chief executive, told the Financial Times, but added it was losing money on every jab and needed more orders for it to break even and for the vaccination drive to succeed.

"There is so much demand... but if donors don't step up and support Gavi on this, then we may not see the coverage that we want," Poonawalla said at Serum's headquarters in Pune.

He said Serum was set to provide 100mn doses to sub-Saharan Africa over the next four years, despite having capacity for 100mn jabs per year.

Bharat Biotech, a Hyderabad-based vaccine maker that will take over production of UK pharmaceutical group GSK's malaria vaccine from 2028, said it needed more advance orders from Unicef and Gavi to build up production.

"If they don't indicate well ahead of time that they need 'x' million of doses of product at a certain timeline, it's difficult for us to make an at-risk investment and have the product available on time," said Krishna Ella, executive chair.

However, officials and industry leaders said international bodies would continue with their gradual ramp-up. GSK was providing an initial 18mn doses in the first three years, "substantially lower" than international bodies anticipated, according to Mary Hamel, head of the WHO malaria vaccine implementation programme. Thomas

Alternative approach
Djibouti uses engineered mosquitoes to stop spread

The first batch of genetically engineered non-biting mosquitoes were due to be released in Djibouti yesterday in an attempt to stop the spread of an invasive species that threatens to swamp African cities and set back progress on tackling malaria.

The genetically modified *Anopheles stephensi* mosquitoes, developed by Oxitec, a US biotechnology group using technology spun out of the UK's Oxford university, are engineered so their female progeny die. Only female mosquitoes bite.

Similar technology was used in 2022 to combat dengue-carrying mosquitoes in São Paulo, Brazil, where it suppressed 96 per cent of dengue mosquitoes, according to a peer-reviewed journal.

Djibouti's government is desperate to stop the spread of *Anopheles stephensi*, an invasive species of

mosquito that arrived in the east African port city a decade ago from the Indian subcontinent. Unlike other species, which thrive in rural settings and bite at night, *stephensi* does better in cities, bites in the daytime and is resistant to insecticides.

Djibouti, a mostly urban country of 1.1mn people, had been on the verge of eliminating malaria in 2012, when it recorded just 27 cases. But since the arrival of *stephensi*, which probably came in by cargo ship, cases have ballooned. In 2020, 70,000 people, roughly one in 15 of the population, caught malaria, with 190 deaths.

Dr Abdoullah Ahmed Abdi, health adviser to the president, said the government's objective was to "urgently reverse malaria transmission in Djibouti, which has spiked in the past decade". Djibouti, he said, could act as a blueprint for other nations; *stephensi* has spread to countries including Ethiopia and Kenya. Malaria killed 620,000 people worldwide in 2022, most of them in Africa.

David Pilling in Nairobi

Breuer, GSK chief global health officer, said despite the low numbers, not all the 3.5mn malaria vaccine doses it provided in a 2023 pilot stage were actually used.

Andrew Jones, deputy director of immunisation supplies at Unicef, said the complicated dosing schedule of the vaccine — which requires four jabs within the first two years of a child's life — had led to planning delays, "hence the doses not being fully used last year".

"Supply is not the issue now; the key is getting countries ready and trying to deliver to all countries that have made a request," Jones said.

Aurélia Nguyen, chief programme officer at Gavi, said all available doses were now being used and the R21 supply would support a wider rollout.

Asked about the calls for bigger orders, Nguyen said Gavi was trying to strike a balance between moving quickly enough to have a clear health impact while ensuring the vaccine programme was not "poorly implemented or sets countries up for fiscal issues".

Eight countries had received malaria vaccines since the campaign was launched in January, with seven more to receive this year, Nguyen said.

Serum said it shipped its first batch of 43,200 R21 doses to the Central African Republic on Monday. Serum's ability to produce in large quantities should help meet high demand: Gavi forecast in January that Africa would need 80mn-100mn doses per year by 2030.

Jenny Hill, an epidemiologist at the Liverpool School of Tropical Medicine, said more supply would not solve early logistical challenges. "You need a cold chain [temperature-controlled logistics], trained staff, good communication strategies and following up with children for all four doses. Starting badly is very difficult to correct," Hill said.

The GSK jab costs €9.30 per dose, making it the most expensive vaccine Gavi helps fund, while Serum is providing the R21 vaccine at about \$4 a dose. The WHO thinks both jabs are equally effective and Poonawalla said that while the price Serum charged was below its costs, it would fall as production rose.

GSK is producing its jab from Belgium. Breuer said he expected prices to fall when Bharat Biotech took over production. Ella said the Indian company was targeting annual capacity of 40mn doses, but did not comment on pricing.

Companies & Markets

Dimon admits JPMorgan has suffered 'tough' time in China

- Investment banking fell 'off a cliff'
- Hopes for growth in new businesses

THOMAS HALE — SHANGHAI

JPMorgan chief executive Jamie Dimon said yesterday that parts of its business in China had "fallen off a cliff" in recent years, highlighting the challenges western institutions face in the country's investment banking sector.

In private comments, confirmed by the Financial Times, to attendees at the bank's conference in Shanghai, Dimon said business had "grown" but that it had been "tough". He remained optimistic on new areas of growth, after a wave of regulatory approvals.

"Some of the investment banking business has fallen off a cliff in the last

The US lender has 1,200 banking clients in the mainland, and its research on China 'travels the world'

couple of years. I don't worry about that... That will have its ups and downs," he said.

Other businesses including asset management "should hopefully grow over time".

He said: "We just keep on investing in whatever country we're in."

The Shanghai conference, with speakers this year including Microsoft co-founder Bill Gates, Citadel investment firm chief Ken Griffin and Alibaba co-founder Joe Tsai, has been running for 20 years, but is taking place under the shadow of worsening Sino-US tensions.

US groups have largely avoided the limelight, amid heightened scrutiny from Washington over their operations on the mainland, while international banks have struggled to retain a foothold in China's vast but largely closed-off financial markets.

Activity, dominated by domestic securities houses such as Citic and China

International Capital Corporation, has also declined against a backdrop of weaker economic sentiment.

Dealogic data shows that domestic listings have raised Rmb60bn (\$8.3bn) in 2024, their lowest total at this stage of the year since 2009 and down 85 per cent year on year.

Only one equity offering in China this year involved a US bank. In April, Goldman Sachs worked on an \$80m follow-on issue for Shenzhen Salubris Pharmaceuticals.

JPMorgan last year received approval to take full ownership of an asset management group in Shanghai in which it previously had a minority stake. Other banks have received new approvals, including BNP Paribas for a fully owned securities brokerage last month.

Dimon, who cited the bank's increased ownership stakes, said the company had 1,200 banking clients in the mainland, many of them multinationals, and the bank's research on the country "travels the world".

While international banks have struggled to compete in securities markets domestically, a range of Chinese operations have ambitious overseas expansion plans.

Guests at the conference included firms such as investment platform Futu Holdings, Haidilao, the restaurant chain whose overseas operator Super III International listed in New York last week, and CATL, the battery maker that is part of the boom in electric vehicle production.

Dimon sparked controversy in 2021 when he said that JPMorgan would outlast China's Communist party, for which he subsequently apologized twice.

At this year's event, he said China and the US had a "common interest" in anti-nuclear-proliferation. "There's no reason it has to get into a war. China has never been expansionary."

JPMorgan declined to comment.

Valuation gap Rio Tinto faces activist push to abandon London listing and unify structure



Iron ore stockpiles set for transport at Rio Tinto's port facility in Karratha, Western Australia — Carla Gottgens/Bloomberg

IVAN LEVINGSTON AND HARRY DEMPSEY — LONDON
ROBIN HARDING — HONG KONG

Rio Tinto should abandon its primary London listing and unify its corporate structure in Australia, echoing a move by rival BHP, according to an activist investor that has taken a stake in the dual-listed miner.

Palliser Capital, a UK-based fund, said yesterday that Rio's dual corporate structure was a barrier to its strategic plans, which made it difficult to undertake big acquisitions and meant the London-listed company was trading at a \$27bn discount to its Australian entity.

Unifying the entities and consolidating the primary listing in Sydney, as rival BHP did two years ago, would result in the FTSE 100 losing the world's second-largest miner. It would also add to the list of companies shift-

ing their listings abroad to close a valuation gap with rivals.

Palliser, which presented its position at the Sohn Hong Kong investment conference yesterday, is launching its campaign amid intensifying consolidation in the mining sector, after London-listed Anglo American on Wednesday extended its talks with BHP over a blockbuster takeover bid.

The fund argues that Rio's dual-listed structure prevents it from pursuing all-stock takeovers because of the company's valuation gap and complex corporate governance. Investors are also against using cash to do large deals because of the significant financing involved.

"The root cause of the undervaluation is an extremely clunky and outdated dual-listed corporate structure," said Palliser's chief investment officer James Smith in the presentation, adding he believed there was upside of "nearly 40 per cent" [in

Rio's shares]. Palliser's position — less than 1 per cent of Rio's shares — is the fund's largest and worth a few hundred million pounds, according to people familiar with the matter. The fund first began investing in Rio more than a year ago and had been in contact with management about its dual listing, the people said.

Rio said in a statement that it regularly looked at a range of corporate and strategy topics that could optimise shareholder value and deliver for other stakeholders, and it had a "policy of open dialogue with all shareholders around these topics".

Research analysts at Barclays noted in early April the gap between Rio's Australian and UK stock had reached its widest since 2013, at 26.5 per cent.

Rio shares would still be traded in London under Palliser's proposal, through a secondary listing. *Additional reporting by William Sandlund in Hong Kong*

Musk's \$56bn Tesla pay deal wins backing of big investor

HARRIET AGNEW — LONDON

Baillie Gifford's Scottish Mortgage Investment Trust, one of Tesla's longest-standing shareholders, plans to back Elon Musk's \$56bn pay award next month.

Tesla's board is trying to win support from investors for the package, based on stock options Musk was given in 2018, when the company was struggling to produce cars at scale.

Shareholders will vote on the award — the largest in US corporate history — at Tesla's annual meeting on June 13.

The bulk of Tesla's investors originally backed the proposals, which set Musk a series of aggressive targets. But in January a court in Delaware, where Tesla is incorporated, struck down the award, saying that the company's board had failed to act in shareholders' interests.

"We agreed the remuneration package with Tesla back in 2018 because it introduced extremely stretching targets that would make a huge amount of money for shareholders if they were reached," Tom Slater, manager of the £14.1bn trust, told the Financial Times. "Having agreed to that, we believe that it should be paid out."

Following the court ruling, Musk pledged to move Tesla's incorporation from Delaware to Texas. Shareholders will also vote on that resolution. Scottish Mortgage has yet to decide on that vote.

Tesla is one of Scottish Mortgage's top-10 holdings. Baillie Gifford first invested in the carmaker in 2013 and the private partnership is a top-15 shareholder across 11 different strategies. Slater noted that portfolio managers owning Tesla in other strategies run by Baillie Gifford may vote differently.

The pay vote will not supersede the court's decision but Tesla hopes it will prove decisive in any future legal battle.

After the Delaware court shot down Musk's pay award, lawyers for shareholders who had brought the lawsuit against the package are seeking almost \$6bn in fees from the legal victory.

Slater hit out at the move. "It's egregious that the plaintiffs in the case are being awarded \$6bn for bringing legal action against the company," he said.

"As a shareholder I don't think we should be paying outrageous legal fees, but we should be happy to meet a commitment we signed up for after remarkable corporate performance leading to huge creation of value for shareholders," he said.

San Francisco hopes the AI boom can halt the office space exodus

INSIDE BUSINESS

TECHNOLOGY

Tabby Kinder



When Uber was booming a decade ago, it decided to send a signal of its commitment to San Francisco with a mammoth glass-walled campus on the city's eastern waterfront.

Then came Covid and, with the shift to greater remote working in 2020, the ride-sharing app company realised it had become a cash sinkhole and it no longer needed as much space, putting a large chunk of it on the market.

Much of the campus sat empty for years until OpenAI, flush with the commitment of a \$13bn investment from Microsoft, agreed to sublet two of the four buildings in late last year.

The tale is a prime example of technology companies' turbulent relationship with San Francisco in recent years. Uber was one in a long line of technology companies to scale back office space in the city in the wake of the pandemic, including the likes of Airbnb, Block, Dropbox and Meta.

The exodus has continued into this year. Google abandoned one of its offices in downtown's Spear Tower last month, while Salesforce, the city's largest private employer and occupier of its tallest skyscraper, has reduced its space by 45 per cent and said it will continue office reductions in 2024. Others have taken more extreme measures. Elon

Musk's X stopped paying rent on its San Francisco headquarters soon after the billionaire took it over in 2022, although the company's legal team has said some rent has been paid since.

The shift has resulted in record office vacancies of about 32 per cent, according to the city's government — although real estate group CBRE puts this figure at closer to 37 per cent. At either number, this is the highest vacancy rate of any major city in the US. Before the pandemic, office vacancy rates here were below 5 per cent. San Francisco's high proportion of tech companies — big adopters of remote working — means the city has been experiencing global shifts in real estate trends hard.

According to CBRE, the 20 largest tech companies in San Francisco occupied 16mn sq ft of office space in 2019 — by the end of last year that had halved to 8.3mn sq ft. Research by rival realtor group JLL said effective rents are now 30 per cent below 2019 levels, at \$71

per sq ft. The amount of office space available for sublet hit a record 9mn sq ft late last year, JLL said, although this has since dropped to around 8mn sq ft.

The AI boom might help. AI start-ups have increased their demand for office space in San Francisco in the past 12 months. OpenAI has taken on about 1mn sq ft of office space (much of it the offices that Uber abandoned), making it one of the largest office occupiers in the city, according to CBRE, about equivalent to the space now occupied by Salesforce. Anthropic, whose backers include Google, moved into Slack's old headquarters in March.

While these are positive signals, the

The city's government is already feeling the drop in revenues from taxes, fewer people shopping and the reduction in rents

AI companies are not large enough yet to dramatically alter the dynamics of the San Francisco office market. I estimate both OpenAI and Anthropic might need to grow their workforce in the city by multiple times just to justify the space they have recently taken over.

JLL says it has completed 14 leases for AI firms in San Francisco in the first quarter of this year alone, but most were fledgling companies opening their first offices funded by seed capital — the majority of these start-ups will fail.

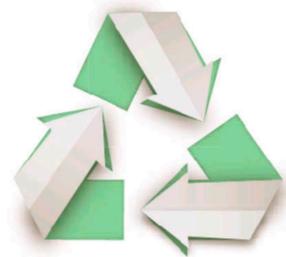
There are non-AI bright spots. The high office vacancy rate appears to have stabilised for now, in part thanks to a levelling off in interest rate rises. Dutch fintech firm Adyen signed the biggest sublease of the year in March, taking over the old Pinterest headquarters. Software platform Rippling also took over nine storeys downtown in April.

But these are the anomalies. The city's government is already feeling the drop in revenues from sales and business taxes, from fewer people shopping downtown and the reduction in rents.

San Francisco has the highest business taxes in the Bay Area for large companies, as well as burdensome regulations, a high rate of personal income tax, expensive housing and high living costs. On top of that, the city is grappling with social issues like high homeless rates, petty crime and drug overdoses that have not helped its reputation as a friendly place to open a business. For cost-cutting, remote-working Big Tech, the reasons to stay have dwindled.

For AI, San Francisco is still the undisputed home of the world's top talent. All eyes will be watching whether AI's gravitational force is strong enough to fuel a new high growth period for the Bay Area economy.

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COMPANIES & MARKETS

Financials

Segantii to return capital amid probe

Fund and founder Sadler confront criminal insider dealing case in Hong Kong

ARASH MASSOUDI, COSTAS MOURSELAS AND ORTENCA ALIAJ — LONDON
KAYE WIGGINS — HONG KONG

Segantii Capital Management has told investors it will hand back their money, weeks after Hong Kong authorities announced a criminal insider dealing case against the hedge fund and its founder Simon Sadler.

"We have always believed at Segantii that it is a great responsibility and

privilege to professionally manage money and we have never taken that lightly," a spokesperson for the firm said yesterday.

"We have decided, however, that at this time, it is in the best interests of our investors to return their capital in an orderly manner."

Segantii, which was founded by Blackpool Football Club owner Sadler, grew into a dominant participant in block trading, a corner of finance in which banks offload chunks of shares privately.

Hong Kong's Securities and Futures Commission said this month that it was

bringing criminal proceedings against Segantii, Sadler and a former Segantii employee, Daniel LaRocca. Segantii has previously said that it intends to "defend itself vigorously" in the case, which relates to trading in shares of retailer Esprit in 2017.

The decision to return capital comes just before a key date which allows investors to call for the return of their capital. Investors in the monthly share class are allowed to put in their redemption request at the start of every month, three sources said.

It is unclear whether the hedge fund will shift to operating as a family office,

investing Sadler's funds without managing external capital. Employees were told yesterday that the decision to return capital to investors may mean the fund would shut down, according to one person close to the firm.

Segantii did not immediately comment on this, or on the redemption date.

The business gained an edge in block trading, where banks offload chunks of shares privately

"There is a mixture of shock and annoyance," said the person.

Sadler and LaRocca appeared in court in Hong Kong this month and were released on cash bail with the case adjourned to June 12.

Sadler built Segantii from a small regional hedge fund into one of the biggest block traders in Asia that at its peak managed more than \$6bn with offices in Hong Kong, New York and London.

It built relationships with Wall Street's biggest banks, though Bank of America and Citigroup suspended equity trading in the firm in 2022 because of concerns about its bets on blocks of shares.

Financials

Deutsche Bank former chief Breuer dies at 86

OLAF STORBECK — FRANKFURT

Former Deutsche Bank chair and chief executive Rolf Breuer, who presided over a decade of global expansion for Germany's largest lender, has died at the age of 86.

Breuer died after a long illness, the bank said yesterday.

A Deutsche lifer who started his career as a trainee in the 1950s, Breuer was the architect of the ill-fated acquisition of US rival Bankers Trust in 1999. The \$10bn deal underlined the bank's ambitions to challenge Wall Street institutions such as Goldman Sachs.

After the acquisition, Deutsche briefly became the biggest bank in the world in 2007 and was highly profitable for several years. But its high-risk, low-capital model unravelled after the financial crisis.

It took Deutsche's management more than a decade to fix the lender, which also paid billions of euros in fines and settlements for misconduct and control failures.

Deutsche chair Alexander Wynaendts said Breuer's "importance for Deutsche Bank cannot be overestimated". The lender had lost "one of its most influential personalities".

Chief executive Christian Sewing said he remembered Breuer as "an 'old-school' banker in the best sense of the word" with "enormous strategic vision".

A year after the Bankers Trust deal, Breuer championed a merger with Frankfurt rival Dresdner Bank. The plan fell apart in 2000 due to opposition from Deutsche's investment bankers.

Breuer studied law after an apprenticeship at Deutsche Bank, returning to the lender in 1966. He was a member of its executive board from 1985 and succeeded Hilmar Kopper as chief executive in 1997. He was chair from 2002 to 2006.

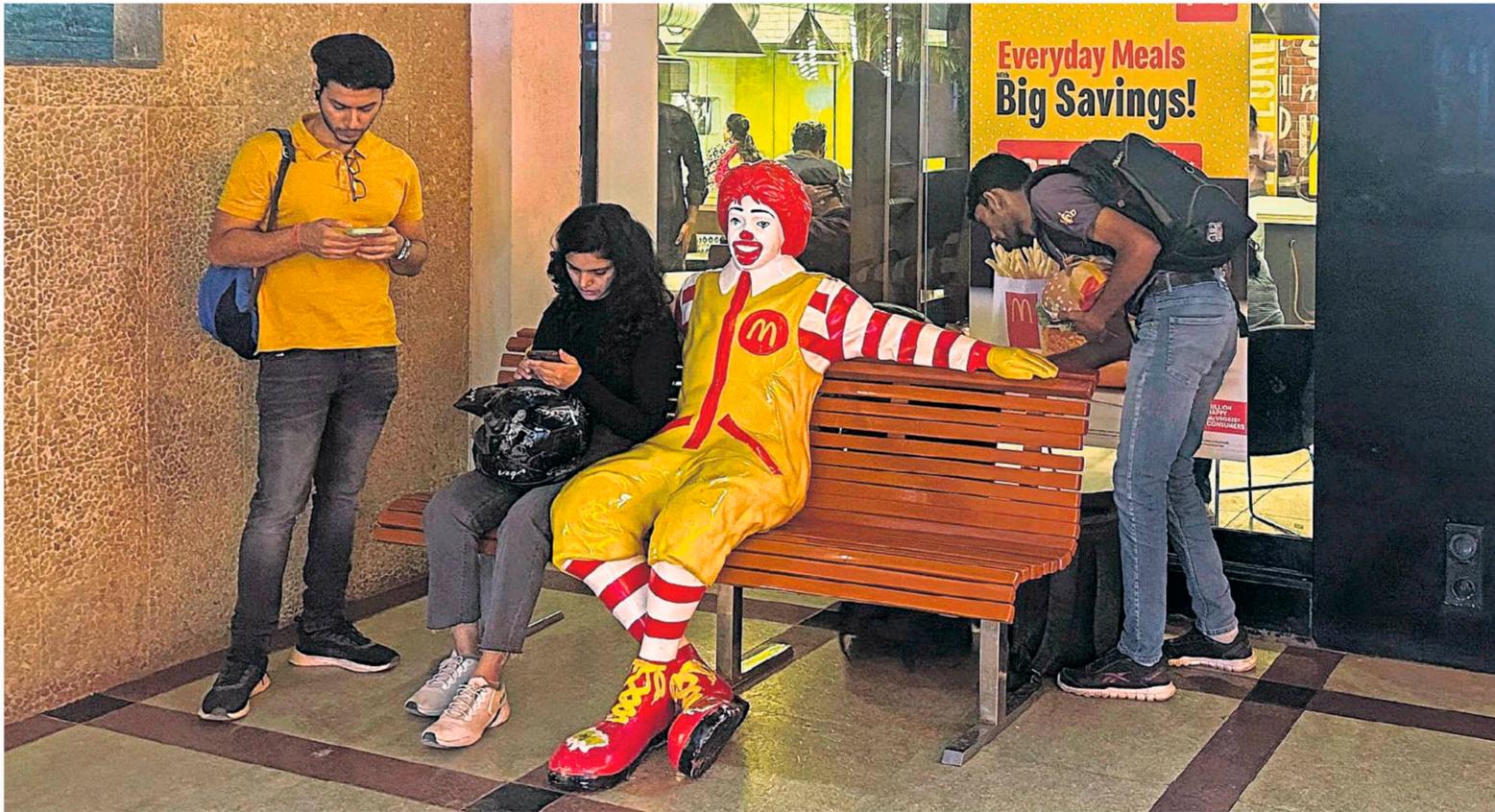
In 2002, Breuer caused a stir when he questioned the creditworthiness of German TV mogul Leo Kirch in a Bloomberg TV interview, stating that "the financial sector" was unwilling to provide extra funding to the Kirch Group, which at the time was Germany's second-largest media company.

Kirch Group collapsed into insolvency within weeks. The bankruptcy triggered a long-running civil law suit. In a settlement in 2014, Deutsche agreed to pay €925m to the heirs of Leo Kirch, who had died in 2011.

Breuer later agreed to pay €3.2m in damages to Deutsche Bank over the TV interview.



Rolf Breuer: an old-school banker with 'enormous strategic vision'



Inflation blow Fast food falls off menu for many Indians

India's per capita income is about \$2,700 and consumers are highly price-sensitive — Francis Mascarenhas/Reuters

Global brand fast-food franchise owners in India have suffered plunging profits as consumers struggle with rising living costs.

Although India is the fastest-growing major economy, sustained inflation since the pandemic has forced many people to cut back on eating out or to turn to cheaper alternatives.

Domino's and Popeyes operator Jubilant FoodWorks this week capped a difficult year for international fast-food brands in India by reporting a 46 per cent year-on-year fall in profit from its operations in the country in the quarter to the end of March.

Hari Bhartia, Jubilant co-chair, acknowledged the "challenging demand environment".

This month Devyani, a KFC and Pizza Hut franchisee, registered an 89

per cent fall in quarterly profit before an exceptional expense. Owner Ravi Jaipuria said it had been a "tough consumption year" due in part to "weak disposable income".

Westlife Foodworld, which manages almost 400 McDonald's units across west and south India, posted a 96 per cent drop in quarterly net income, while Sapphire Foods, another Pizza Hut and KFC operator, reported a similar fall, its steepest in three-month profit since listing in 2021.

The trend echoes that in the US, where some of the biggest food and beverage groups have indicated that low-earning Americans have been unable to absorb rising prices.

With India in the midst of a weeks-long national election, opposition parties have sought to attack Narendra Modi's economic record by

highlighting the escalating cost of food.

Although India's headline consumer inflation eased slightly to 4.8 per cent year on year in April, food prices were up 8.7 per cent and remained a concern, according to HSBC economists. In a country where per capita income is estimated at \$2,700, consumers are highly price-sensitive. Goldman Sachs has highlighted that only about 60mn Indians earn more than \$10,000 a year.

Although many chains offer budget deals, such as McDonald's McSaver meals costing about Rs100 (\$1.20), Indians are "still hurting from price hikes they have seen since the pandemic" and down-trading to options such as street food, said a banker in Mumbai.

For more than a decade, food majors

have grown fast in India. Once confined to the richest centres, hundreds of outlets have opened in the past year, many in smaller cities. Fast-food had gone from being aspirational to "more mass market, so they've also felt some impact in the slowdown", said Teresa John, lead economist at brokerage Nirmal Bang. "Wage growth has not really kept up with inflation."

Chain operators hope pressures will bottom out once the election ends in early June and as more Indians start spending when the country begins its festival season around September.

Saurabh Kalra, managing director at Westlife Foodworld, said this month that despite a "challenging year for the entire industry", the company's expansion plans were unchanged.

Chris Kay

Mining. Takeovers

Talks keep prospect of BHP-Anglo American megamerger alive but on a knife edge

Both sides have agreed to spend another week thrashing out pros and cons of £38.6bn deal

HARRY DEMPSEY — LONDON
ROB ROSE — JOHANNESBURG
NIC FILDES — SYDNEY

BHP has received the first signs of positive engagement on its proposed £38.6bn takeover of Anglo American, after the two sides agreed on Wednesday to a week's extension of talks over what would be the mining sector's largest ever deal.

Hopes of an agreement were kept alive even as Anglo rejected a third and what BHP dubbed "final" offer that valued it at £31.11 per share, up from about £25 in its initial approach.

But the proposal kept a controversial structure that demands Anglo demerger its South African platinum and iron ore units.

Can the mining mega-combination still go ahead and, if so, how can the differences between them be reconciled by 5pm next Wednesday?

Why did Anglo agree to extend for seven days? What was missing from Anglo's latest rejection was as telling as what was included. This time around, the UK-listed group no longer said BHP's offer "significantly undervalued" it.

Analysts had highlighted the £30-£35

per share range as a magic number to bring Anglo to the table, which BHP has entered.

Anglo did, however, highlight "serious concerns" in its rejection of the third proposal, over the risks placed on its own shareholders to execute two spin-offs as a condition for a deal going ahead.

In its view, the proposal's unconventional restructuring is inextricably linked to the value that needs paying — BHP must alter the structure or pay more than it otherwise would if it were acquiring the whole company.

What will the two companies be negotiating? BHP and Anglo will be wrangling principally over the deal structure, which Anglo argued is "unprecedented" in demanding it clean itself up before being bought.

From Anglo's perspective, BHP is underestimating the costs, time and risks involved in simultaneously changing ownership and demerging two South African units — requiring co-operation of four boards and negotiations with government authorities.

Anglo will hope to convince BHP on the quantum of costs and risks that come with its proposal. The Australian mining giant will be putting forward its own assumptions on why it believes its plan is simpler, to which Anglo's retort will be: "why not buy us whole and do it yourself then?"

The FTSE 100 group has unveiled its

own drastic restructuring since BHP's first approach, under which Anglo would be rationalised to three divisions: copper, iron ore and fertiliser. It would shed long-held mines producing platinum metals, metallurgical coal and nickel, as well as its diamond brand De Beers, through sales and spin offs.

A change of control under the BHP deal would allow South Africa's competition authorities and government departments to impose costly measures such as black-empowerment conditions, headcount freezes and local spending requirements, according to a person close to Anglo.

Other recent deals such as Vitol buying Engen's gas stations in South Africa took over 400 days to hammer out with the authorities, and such deals — for companies less storied in South Africa than Anglo — added roughly 5 to 10 per cent to costs above the acquisition price.

The other sticking point will be the



Anglo wants BHP to take on more risks or to pay more with moves ranging from buying the whole company to taking South Africa's Kumba iron ore mine
Waldo Swiegers/Bloomberg

value of Anglo's prized copper mines, given volatile commodity prices. Vital for electrifying the global economy with shortages predicted later this decade, copper rallied to an all-time high above \$11,000 per tonne this week before snapping back to \$10,300 per tonne, pushing shares of producers higher.

Is this BHP's final offer? BHP called the proposed all-share takeover "final" — yet the fine print had some hefty caveats that prompted investors and bankers to predict that it may not be the last.

The offer can be increased if another interloper for Anglo such as Glencore enters the scene or the Anglo board recommends a better offer.

Abel Martins-Alexandre, head of infrastructure, energy and industrials at Lloyds Banking Group, noted on LinkedIn that "M&A 101" is that "a final and best offer is not final".

Ultimately, Anglo wants BHP to

amend the structure to take on more of the risks — or recognise the risks and cough up more. That could range from buying the whole company to taking Kumba Iron Ore, one of the South African units, or putting creative structures in place, such as payouts based on commodity prices.

However, BHP does not intend to improve the share offer or alter the structure of the deal, according to people familiar with the matter.

"On balance, we believe the most likely outcome is that the BHP bid fails," said Richard Hatch, analyst at Berenberg. "But it is on a knife edge."

Australian shareholders of BHP are split on their level of comfort around another improved offer. Matthew Haupt of Wilson Asset Management said he was concerned about another bump. But Ben Cleary at Tribeca Investment Partners, which has a bigger holding in Anglo than BHP, said: "I don't think they get too much mud thrown at them for one more increase."

For the miners' chief executives, even more is at stake. One fund manager with deep knowledge of the mining industry said that BHP CEO Mike Henry's job hinges on getting a deal done.

How likely is a deal? The tide has swung towards a deal being far more likely than it looked just two days ago. BHP's shares dropped almost 3 per cent on Wednesday, while Anglo's largely held

on to their 25 per cent gains over the past month, indicating a higher likelihood of the combination happening.

Dominic O'Kane, JPMorgan analyst, said an agreed deal now has a "materially higher probability" as BHP was offering a change of control premium for the first time and had flexibility to "sweeten further".

For some Anglo shareholders, the increased offer was sufficient to get them to declare support for a deal.

"We think an agreed deal would be a good outcome," said Dawid Heyl, portfolio manager at Ninety One, which owns 2.1 per cent of Anglo. "It looks like it could be heading that way, given this extension."

South Africa's state-owned Public Investment Corporation, Anglo's second-biggest shareholder, broke its silence on Wednesday, hours before BHP and Anglo announced the extension. It demanded a "meaningful revision" to BHP's offer, highlighting "material risks" associated with the proposed transaction, but said it was willing to engage with BHP for the first time.

Even if an offer is agreed on, then it might still be far from a done deal for BHP. Chris LaFemina, analyst at Jefferies, said that even if an offer is recommended by the Anglo board, with some revision to the merger ratio, deal structure or both, then the question becomes "who else may step in as an interloper". "Watch this space," he said.

COMPANIES & MARKETS

Builder.ai's 'chief wizard' faces biggest test

Founder of one of the UK's best-funded start-ups has endured travails including legal disputes and must now deliver on hype

ALEXANDRA HEAL AND WILL LOUCH
LONDON
BENJAMIN PARKIN — NEW DELHI

Hundreds of employees from **Builder.ai**, one of the UK's best-funded technology start-ups, gathered last summer in Vietnam for a lavish "off-site" company meeting.

At a five-star hotel in the centre of Ho Chi Minh City, they were treated to performances by local dancers and DJs. Chief executive and founder Sachin Dev Duggal, shadowed at times on the trip by a personal bodyguard, took to a stage to interview figures such as former Apple executive Tony Fadell and Serena Williams's former tennis coach Patrick Mouratoglou.

There was much to celebrate. Just weeks earlier, **Builder.ai** had been valued at just over \$1bn following a new \$250mn investment round led by Qatar's sovereign wealth fund. QIA had joined investors including Microsoft, SoftBank and Insight Partners, who had backed the start-up's promise to use artificial intelligence to automate aspects of the expensive and labour-intensive task of building new apps.

As the launch of OpenAI's ChatGPT a few months earlier sparked a generative AI frenzy, **Builder.ai** appeared well set to benefit from the rise of the cutting-edge technology. Yet, at the time, Duggal was dogged by a legal battle from his past.

Months before the Vietnam trip, Indian authorities had named him and his former business partner Saurabh Dhoot in relation to high-profile criminal probes over past business dealings unrelated to **Builder.ai**, the Financial Times reported in March.

Interviews with almost 50 people including employees, customers and others who have worked with Duggal, reveal he has also fought a series of other legal disputes during his career, including at **Builder.ai**.

Some of these people added that **Builder.ai** has faced other problems, from difficulty in retaining some staff due to the company's hard-charging culture, to complaints over its services and ability to deliver on time.

Despite these travails, Duggal, who refers to himself as the start-up's "chief wizard", has enjoyed astonishing success. His company has secured about \$450mn in backing — a testament to what some describe as his vision, intellect and ability to build an impressive network of contacts, including musician Will.i.am and late Deutsche Bank chief executive Anshu Jain.

Now, Duggal faces his biggest test. With vast sums at his disposal, **Builder.ai**'s chief must prove to his backers that he can turn a promising idea into a well-run business that delivers on its hype. This is the tale behind the wild ride of one of Britain's hottest tech unicorns — and the tumultuous career of its driving force.

An early cloud pioneer

As a teenager, Duggal built and sold computers, using his technology expertise to clinch an internship at Deutsche Bank aged just 17.

While there, Duggal impressed bankers more than twice his age with his grasp of technology and financial markets, persuading some of them to back his cloud computing venture, Nivio.

Nivio registered some of the first global "cloud" computing trademarks and was selected as a 2009 tech pioneer at the World Economic Forum in Davos.

"The concept behind Nivio was essentially cloud computing that went on to be a huge thing," one person involved with the business said. "There were lots of reasons to believe this had a bright future."

Nivio's Indian entity secured a \$3.8mn loan from Videocon, the Indian electronics group run by the family of Saurabh Dhoot, people involved said. Like other tech start-ups, Nivio was losing money, some of the people involved said, but caught the attention of US telecommunications tycoon Al Cinelli, who invested at least \$15mn in the company.

Tensions soon emerged. Cinelli accused Duggal of having donated



Sachin Dev Duggal, founder and chief executive of **Builder.ai**, left, and former business partner Saurabh Dhoot — FT montage

\$49,500 from Nivio's parent company to a star-studded New York gala raising money for pop star Alicia Keys' charity, without the correct permission. Duggal later reimbursed the company.

Duggal's lawyers said Nivio's chief financial officer approved his payment to Keys' charity and that it was used to buy seats for Nivio's business contacts and a Nivio advert. They added that Duggal's repayment was not an admission of liability.

Cinelli confronted Duggal over other disputed payments and Duggal stepped down as Nivio's chief, afterwards saying he resigned under duress.

Nivio's parent company filed a criminal complaint in Switzerland over credit card expenses and transfers worth SF500,000 that it alleged Duggal made from the business to his personal account without the correct permission.

Nivio's parent company was dissolved in 2015. The following year the Swiss public prosecutor dismissed the company's complaint, finding there was insufficient evidence, and ordered the state to pay Duggal's legal costs.

Duggal's lawyers added that he denied misusing company funds for personal purposes, and transfers to his personal account were not improper because they were to pay back a loan from Videocon, which in turn owed him money.

It was Videocon's transactions with Nivio's India entity that in 2022 led the Indian authorities to summons Duggal as a witness in a wider money-laundering probe into Videocon.

After Duggal did not appear, investigators changed his designation to "suspect" and obtained a warrant against him.

Duggal denies wrongdoing and is appealing against the warrant with a hearing set for this week. His lawyers said the original summons was invalid and maintain he is just a witness.

Despite the company's failure, in 2018 Duggal was quoted in an interview as saying he sold Nivio for \$100mn. His lawyers said he had been misquoted.

The birth of **Builder.ai**

After Nivio, Duggal set up other ventures before establishing **Builder.ai** in 2016. With preternatural business instincts, he appeared to identify how AI could transform businesses many years before groups such as OpenAI took the technology mainstream.

With the start-up, Duggal promised to do "to software development what Henry Ford did to car manufacturing".

Like Nivio, **Builder.ai** enjoyed close ties with Videocon as it sought to get off the ground. **Builder.ai**'s former group finance head was previously a senior manager at Videocon who brought to **Builder.ai** other Videocon employees. Videocon was also a **Builder.ai** client.

Videocon collapsed into bankruptcy in 2018. Last year the Indian Central Bureau of Investigation accused the company and some of its senior leaders, including Dhoot, of loan fraud. Dhoot continues to deny wrongdoing.

In 2018, **Builder.ai** announced it had raised \$29.5mn from backers including Japanese conglomerate SoftBank and European venture capital group Lakestar, prompting the UK's then-trade secretary Liam Fox to highlight the importance of the start-up to the country's technology scene.

Despite **Builder.ai**'s success attracting investors, legal problems soon emerged. Two former US employees filed separate lawsuits in California state courts alleging, among other things, that an entity of the business had overstated its technological capabilities.

The allegations were denied in both lawsuits. One was settled with no admission of liability, while proceedings related to the other are ongoing.

Soon, **Builder.ai** won more high-profile investors, including the US private equity group Insight Partners.

The firm led a \$100mn investment round in 2022 and Insight's co-founder Jeff Horing took a seat on the board of **Builder.ai**. Microsoft also invested. Insight described **Builder.ai** as having

an "almost zero failure rate" in producing apps, adding that it was able to do so "multitudes cheaper and faster" than traditional software developers.

Customers contacted by the FT had mixed experiences. Devansh Mehta, the founder of a stock investment app, said **Builder.ai** did a "decent job". Two others said they had "good" experiences, with another adding **Builder.ai** had "smashed it" on two projects for them.

Others were critical. Nishka Ranjan, who paid **Builder.ai** more than \$10,000 for an app connecting corporate cleaning contractors to customers, said her company missed out on business opportunities because **Builder.ai** delivered the app more than a year late. It was meant to take four months, she said. When it was finally released in October 2023, the login process did not work, she said.

Lawyers for **Builder.ai** said delivery of Ranjan's app had been delayed due to unforeseen technical challenges primarily related to third-party services she had chosen. They said the app the company built for her has received hundreds of downloads on app stores.

Anurag Gulati said he abandoned a dating app project in July 2023 having paid **Builder.ai** most of the \$10,000 total project price, because he estimated only 25 per cent of the task had been done.

Lawyers for **Builder.ai** said Gulati paused his project when it was 90 per cent complete after giving full marks for customer satisfaction, adding that he stopped attending calls and paying invoices so it could not complete his project. Gulati told the FT the full marks were only for a small part of the design and if his project was really close to completion, he would not have abandoned it.

There are many positive online reviews of **Builder.ai**'s services.

In one this year a customer said they had "a very good experience" and "really appreciated that they were able to clearly understand the app I wanted built", adding that they were satisfied with delivery timelines. The FT found, however, that some

were written by the company's own staff who adopted the tone of satisfied customers while recommending the platform. Lawyers for **Builder.ai** said the employees were not asked to write the reviews but were excited about the product and chose to do so themselves.

Builder.ai has also had issues with using logos of large corporations without permission. The company ran an advertisement that said it had developed a prototype app for Air India. The airline later released a statement saying the prototype had been developed without its involvement or consent.

Builder.ai used the logos of carmaker Bentley and drinks giant Pepsi on its webpage featuring customer case studies despite having only been contracted by separate Dubai-based companies that distributed their products. People familiar with the matter told the FT neither company had authorised the start-up's use of their logos. Bentley's logo has since been removed.

Lawyers for **Builder.ai** said the company had at all times stated its campaign was not endorsed by Air India and that the company obtains permission for any other use of logos. They added Bentley's logo was published in error on the company's website for two weeks.

A unicorn takes flight

As the company grew, cash kept rolling in. Last May, the sovereign wealth fund Qatar Investment Authority led a new \$250mn cash injection into **Builder.ai**.

At the time, Microsoft, another backer, said **Builder.ai** was empowering "everyone to be a developer". Insight's Horing praised the "tremendous results" Duggal and his company had achieved since his firm invested.

QIA, Microsoft, Insight and Lakestar declined to comment for this article. SoftBank and a lawyer for Videocon did not respond to a request for comment.

Duggal enjoyed the trappings of leading one of the UK's hottest start-ups. He drove expensive cars, travelled by private jet and resides in a £5mn penthouse near **Builder.ai**'s office in Marylebone, an upmarket district of London, according to people who know him.

The Vietnam off-site, which happened shortly after the Qatar-led funding round, captured some of the company's quirks. Some employees were asked to wear colour-coded lanyards, which lawyers for **Builder.ai** said in some cases allowed senior management to spend more time talking to top-performing staff.

An internal app built by the company for the event also malfunctioned for several hours on the first day. Duggal spent time reading a children's book to staff, according to an itinerary of the event. Lawyers for Duggal and **Builder.ai** said the event received exceptional feedback from employees.

The company's ability to raise huge sums of money was not enough to stem what 10 former employees described as a fast turnover of some staff.

Some blamed Duggal's style of leadership. Former employees described Duggal yelling at his staff, berating people on calls with several attendees and interrupting people by "shushing" them.

Duggal's lawyers disputed the claims, saying the work at **Builder.ai** is "fast-paced" and "can be cutting-edge". They added that employees are "encouraged to respond to that environment".

Builder.ai's chief wizard appears unfazed by the challenges. Earlier this month, he appeared on stage at the annual Milken Institute conference, which featured luminaries from the worlds of tech and finance, such as Tesla chief Elon Musk.

There, Duggal issued a warning to potential investors in AI start-ups. "AI unfortunately has so much information asymmetry," he told the audience.

"The folks that can write the really large cheques are so far removed from what the potential of possible [and] not possible, hoax and real, is that it's creating a hype which is making it hard for folks that are actually also doing something."

Technology

Nvidia beats expectations with 262% revenue rise as demand for AI computing power grows

MICHAEL ACTON IN SAN FRANCISCO

Record sales of artificial intelligence chips sent Nvidia's revenue up 262 per cent in the past quarter, beating expectations, and its chief executive said its growth was set to continue this year with the launch of a new line of chips.

Jensen Huang told investors the company would see "a lot" of revenue from its Blackwell chips this year as it profited from exploding demand for the computing power behind generative AI.

Blackwell would contribute to a new

phase of growth for the group, Huang said. Nvidia would continue rolling out newer, more powerful chips at the same pace.

"After Blackwell, there's another chip, and we are on a one-year rhythm," he said.

Demand for Nvidia's AI data centre graphics processing units has skyrocketed in the past year as the biggest tech companies rush to develop the computing infrastructure needed to deliver powerful AI products at scale. Google, Microsoft, Meta and Amazon have all

indicated that their spending would remain high throughout 2024.

Revenue for the three months to the end of April was \$26bn versus consensus estimates of \$24.7bn. The year-on-year increase was similar to the previous quarter, when growth hit 265 per cent. For the current quarter Nvidia expects revenue of about \$28bn, plus or minus 2 per cent, compared with consensus estimates of \$26.8bn.

Nvidia's data centre revenue, which relates to its coveted AI chips, was up 427 per cent year on year for the quarter

to \$22.6bn, driven by strong demand for Nvidia's current generation Hopper GPUs, Nvidia chief financial officer Colette Kress told investors. Shipments of the Blackwell chip are expected to start this quarter.

Nvidia shares were 8.3 per cent higher in early trading yesterday. They have more than doubled in value during a blistering rally this year.

The chipmaker announced a 10-for-1 stock split effective June 7 and said it was raising its quarterly cash dividend 150 per cent.

Since the start of 2023, its market capitalisation has increased more than six-fold to \$2.3tn, overtaking Google parent Alphabet and Amazon to become the third most valuable US-listed company.

It revealed its Blackwell chips in March, which it says are twice as powerful as the current generation of chips for training AI models and offer five times the performance on "inference" — the speed at which such models can respond to queries.

That came just a year after the com-

pany revealed its previous generation of GPU chip architecture, Hopper.

Diluted earnings per share were \$5.98, up more than 600 per cent from a year ago. Gross margin was 78.4 per cent, slightly better than the 77 per cent analysts had projected, with net income at \$14.9bn, ahead of expectations for \$13.2bn.

"Nvidia beat on the data centre [revenue] and beat across the board," said Daniel Newman, head of The Futurum Group. "The whole market was waiting for this number, and Nvidia delivered."

UK COMPANIES

Financials

Hargreaves spurns takeover approach

Board says move led by CVC and Abu Dhabi fund undervalues prospects

EMMA DUNKLEY — LONDON

Hargreaves Lansdown shares rose sharply yesterday after the investment site rejected a £4.67bn takeover approach from a group of private equity firms including CVC and a subsidiary of Abu Dhabi's wealth fund.

The board of Hargreaves Lansdown said on Wednesday evening that it had "unanimously rejected" the surprise proposal of 98.5p per share, noting that it "substantially undervalues" the business and its prospects.

The shares closed up 14.4 per cent in London yesterday.

The bidding consortium, which also includes private equity firms Nordic Capital, and Platinum Ivy, a wholly owned subsidiary of the Abu Dhabi Investment Authority, confirmed that it was "considering a possible offer", having made its most recent approach at the end of April.

Peter Hargreaves, the largest shareholder in the investment company, said that the approach was an "interesting development" but declined to comment further.

The bid for the FTSE 250 company is the latest sign of private equity's interest in the UK wealth management sector. Analysts said the approach also highlighted that listed companies in the industry were trading at a discount, offering an enticing opportunity for private equity firms.

Ben Bathurst, an analyst at RBC Capital Markets, said there was "deep-lying value" in Hargreaves Lansdown, which had "a first-rate" customer base.

He said the offer could have "a posi-

The bid is the latest sign of private equity interest in the country's wealth management sector

itive read-across" for competitors such as Quilter and St James's Place, which are also trading at discounts.

Shares in Hargreaves Lansdown rose nearly 5 per cent on Wednesday amid speculation of an offer. The board, however, said that it was "focused on executing its strategy" ahead of its full-year

earnings results in August, adding that "shareholders are advised to take no action".

The consortium's approach at the end of April represented a 30 per cent premium on Hargreaves Lansdown's closing price of 75.5p. The group of investors must decide whether it will make a firm offer by June 19.

The Bristol-based company, known for its execution-only investment site, oversees £150bn in customer assets and has 1.8mn customers. The business reported £1.6bn of net customer inflows over the first three months of the year, the same amount recorded a year ago.

The business was founded four decades ago by Hargreaves and Stephen Lansdown, both of whom are top shareholders.

But the company has come under pressure recently. It was ejected from the FTSE 100 at the end of 2023, although it could soon rejoin the blue-chip index following a jump in its share price.

The business recently appointed Alison Platt as chair, who took on the role in February to replace Deanna Oppenheimer. Dan Olley, who joined as a non-executive director June 2019, was appointed chief executive in August last year. The company also came under fire from Hargreaves over its rising costs, and plans to roll out an automated advice service.

He said the board had "indulged in completely unnecessary, irrelevant programmes", adding that "it's hardly surprising the shares have collapsed".

[See Lex](#)

Support services

Owner IDS delays posting Royal Mail annual results

OLIVER TELLING, EMMA DUNKLEY, IVAN LEVINGSTON AND SIMON FOY — LONDON

Royal Mail's owner has delayed reporting full-year results after KPMG requested more time to complete a review, increasing investor concerns as the company faces a takeover bid from Czech magnate Daniel Křetínský.

Investors had been awaiting an update from International Distribution Services at 7am yesterday, after Křetínský's EP Group launched a \$5bn takeover bid this month.

But during a chaotic morning, the owner of the 508-year-old service repeatedly put off the results, eventually disclosing that KPMG had "requested additional time to complete the usual standard procedures".

Shares in IDS were down 3.9 per cent at the close yesterday.

The delay marks the latest in a string of disruptions for Royal Mail and its investors, some of which have been taken aback by Křetínský's bid for the formerly state-owned group.

It has added to shareholders' frustration as Royal Mail struggles to turn a profit amid declining demand for letter deliveries and a dispute with workers that led to 18 days of strikes in 2022.

Even after reaching a deal with the postal workers' union last year, management has faced difficulties restoring service levels and profits in the face of growing competition from the likes of Amazon and DPD.

"What a shambles at IDS," said one top investor, referring to the delayed results.

Royal Mail said at 7.20am that a

The move by Křetínský has added to shareholders' frustration as the unit struggles to turn a profit

media call to discuss the results at 8.15am "may be delayed".

About 20 minutes later, it told reporters that this call would also be postponed but that it expected to release the results "in the next hour or so".

At 1.50pm, IDS disclosed that KPMG had not completed its internal review of the audit on time, delaying the conclusion of the process.

KPMG declined to comment.

IDS added that the results, which it expected to show the company breaking even on an adjusted basis, would be published "as soon as reasonably practicable".

The delay comes after IDS chair Keith Williams said last week that the business was "minded to recommend" an upgraded offer from EP Group, which holds a 27.5 per cent stake, setting the path for a potential foreign takeover that has drawn the attention of UK politicians.

After meeting IDS management, business and trade secretary Kemi Badenoch "emphasised the importance of the Royal Mail in British society", while welcoming commitments to maintain its UK headquarters and its universal service obligation to deliver letters and parcels across the country for the same price.

Raising the spectre of business disruption, the postal workers' union has threatened further strike action if Křetínský fails to follow through on these commitments.

Energy

National Grid sets sights on £7bn capital raise to strengthen networks

RACHEL MILLARD

National Grid plans to raise £7bn in fresh capital to help strengthen its electricity networks in the US and UK, which are under strain due to the shift to renewable energy.

The London-listed company said yesterday it aimed to raise the funds through a fully underwritten rights issue as part of a £60bn investment plan over the next five years.

John Pettigrew, chief executive, said the scale of the investment was unprecedented and the rights issue was the "largest we've seen in Europe over the last 15 years excluding the banking sector".

The stock closed down 10.9 per cent in London yesterday.

Investors were surprised by the scale of the raise, which some analysts had expected to be up to £5bn, and worried about the impact on the dividend.

The issue was the 'largest we've seen in Europe over the last 15 years excluding the banking sector'

National Grid plans to rebase its dividend from 53.1p per share this year to 45.3p next year and then increase it in line with inflation.

"We would expect an initial negative reaction to this news," said analysts at RBC Capital Markets. "However, it should remove an overhang on the stock going forward."

The transition away from fossil fuels is expected to increase demands on electricity networks as households and businesses try to shift to electric cars and heating, powered by renewables.

Other network owners are also likely to need to raise new equity to update infrastructure for the transition.

"Over the next 10 years, the level of renewable generation is going to increase significantly, and of course economies are going to be increasingly dependent on electricity with the growth of data centres and AI, as well as the higher domestic uptake of things

like electric vehicles and heat pumps," said Pettigrew.

"These shifts are happening now, but will only accelerate as we move forward. So our plans are about investing today to support that transition."

As well as the rights issue, National Grid plans to fund the investment through debt and by selling off its liquefied natural gas import terminal in Kent and its US onshore renewables business, National Grid Renewables.

Pettigrew said investors were "very supportive" of the spending plans and "the fact we're giving them the clarity on that investment over a very long period of time".

Since 2021, National Grid has reshaped its portfolio to focus on electricity. It sold a 60 per cent stake in the UK's gas transmission network and acquired the country's largest electricity distribution business, Western Power Distribution.

National Grid said about 52 per cent of its £60bn planned investment would be in the UK and the rest in the US.

About £23bn would be ploughed into the UK's electricity transmission system and about £8bn in electricity distribution to help accelerate the "adoption of low-carbon technologies, such as electric vehicles and heat pumps, by our customers", the company said.

National Grid unveiled its plans a day after Rishi Sunak called an election on July 4, with energy policy expected to form a big part of the campaign.

The UK government wants to decarbonise the electricity system by 2035 while the Labour party, which is leading in the polls, has set a 2030 deadline.

"All the targets are incredibly ambitious. What we're setting out today is National Grid's role in facilitating and enabling that," Pettigrew said.

"We talk to the government. We also talk to the Labour party, and they are very much aligned in the need for the infrastructure investment that we're setting out today as a key enabler of the energy transition."

National Grid also released its annual results, with underlying profit climbing 4 per cent to £4.8bn.

[See Lex](#)



Virgin bid Nationwide chief hits at deal naysayers

The chief executive of Nationwide Building Society has hit back at criticism of her ambitious takeover of the high street bank Virgin Money, and defended her refusal to grant the mutual's members a vote on the deal.

Debbie Crosbie, pictured, said only a "tiny minority" of members were against the plan, which would be the biggest merger of two high street lenders since the financial crisis.

"I don't see it as aggressive, I see it as the right way to make society more sustainable and I think there's huge support for expanding the mutual sector," said Crosbie.

The Labour party has previously pledged to double the size of the UK's mutual sector if it forms the next government, with a general election now set for July 4.

Under Crosbie, Nationwide has

sought to differentiate itself from the big banks by highlighting its mutual credentials, meaning it is owned by customers rather than shareholders.

The building society distributed £344mn to eligible customers in the year to April and has pledged to keep branches open until 2028.

But members have been trying to force a vote on the £2.9bn takeover.

Nationwide said it had no legal obligation to put the decision to its 16mn members and was expected to complete the takeover by the end of the year.

Crosbie's comments came as Nationwide reported pre-tax profits of £1.8bn in the year to April 4, down from £2.2bn the previous year, as it set aside £127mn for liabilities and charges. *Akila Quinio*

Terry Murden/Alamy

Property

Great Portland plans £350mn rights issue

JOSHUA OLIVER

Great Portland Estates plans to raise £350mn in a fully underwritten rights issue to pursue "compelling" opportunities "as the commercial property market bottoms out."

Chief executive Toby Courtauld, known for well-timed acquisitions after the financial crisis, said yesterday: "We've always had a very countercyclical process at GPE. And we have a track record of reading that cycle."

The group said it had identified £1.4bn in near-term acquisition targets, and was a net buyer of property in the year to March for the first time since 2013.

Property values have slumped because of higher debt costs and nerves on office demand and flexible working. Morgan Stanley analysts said the decision showed "a proven management team calling the bottom of the London office cycle".

GPE, whose buildings are home to KKR and Clifford Chance's new City premises, announced that the value of

its £2.3bn portfolio of mostly London office and retail had dropped 12 per cent in the year to March. Some three-quarters of its properties are in the West End.

GPE said its vacancy rate had fallen to 1.3 per cent, from 2.5 per cent last year, because of high demand for new office space, especially in the West End. The central London office vacancy rate was about 8.8 per cent, GPE said, but the West End had less availability and there was almost no supply of "prime" space.

Courtauld said these were "the sorts of spaces and buildings that proper corporations will look for".

The group said prices were bottoming out as interest rates stabilised.

Courtauld said: "We have seen a correction in asset values over the past 18 months, with central London commercial real estate now trading in line with levels last seen in 2009 in real terms."

GPE raised about £300mn in the years after the financial crisis but then sold off properties, starting in 2014, to return £616mn to shareholders.

Courtauld said the group had about £600mn of properties to sell, but had

decided against raising money through sales until market conditions improved.

"We just think today is a way better time to be buying than to be selling."

GPE said the capital raise would reduce its loan-to-value ratio to 18.2 per cent and give it £450mn in investment capacity.

In a sign of the divisions in the office market, smaller-listed office landlord Helical yesterday reported a 22 per cent like-for-like decline in property values in the year to March as its vacancy rate edged down to 17.6 per cent.

The company announced the departure of chief executive Gerald Kaye and said it planned to cut its dividend 60 per cent, but rejected the idea of selling assets to pay shareholders.

GPE's move to raise capital came a day after British Land said it was looking for an additional investor to back an office tower pre-let to Citadel, which would free capacity for the landlord to invest in new developments.

It follows an oversubscribed rights issue by warehouse landlord Segro in February, which raised £900mn.

Healthcare

Competition regulator to investigate vet sector

SUZU RING

The UK competition regulator is pressing ahead with a full investigation of the veterinary sector, which could result in the break-up or sale of businesses to make the market more competitive.

The UK Competition and Markets Authority said yesterday that it was opening the inquiry over concerns about high prices and a lack of choice for pet owners.

Beyond breaking up the dominant groups in the market, which is estimated to be worth about £5bn a year, the CMA could impose maximum prescription fees or demand certain information be provided to customers.

The decision to launch a full investigation comes after the CMA received an unprecedented response following an initial review and a call for evidence in September — 56,000 pet owners and sector workers wrote to the agency.

Regulators are taking aim at an industry whose growth has attracted investment from some of the world's

largest private equity firms, including CVC Capital Partners, EQT and Silver Lake.

The CMA said in March that almost 60 per cent of veterinary practices were owned by large companies, up from 10 per cent in 2013. Six large operators —

'We remain concerned about the incentives for large vet groups to act in ways which reduce choice'

CVS Group, IVC Evidensia, Pets at Home, VetPartners, Medivet and Linnaeus — have bought 1,500 of the UK's 5,000 practices.

"[We] remain concerned about the potential impact of sector consolidation and the incentives for large, integrated vet groups to act in ways which reduce consumer choice," Sarah Cardell, chief executive of the CMA, said in a statement.

"We've heard from people who are struggling to pay vet bills, potentially

overpaying for medicines and don't always know the best treatment options available to them."

Cardell added that while the regulator was aware of the "acute staff shortages and difficult working conditions" in the sector, the watchdog felt that a full market investigation was necessary.

The CMA has appointed an independent group of investigators to conduct the inquiry, which must conclude within 18 months, save for exceptional circumstances.

The regulator has sweeping powers to intervene directly in a sector as part of such an exercise and can demand the break-up of businesses or change the way products and services are sold.

The group will look at how limited choice in vet providers is affecting consumers in some areas, whether profits are consistent with a competitive market, and what incentives businesses have to limit consumer choice.

It will also examine whether the regulatory framework, which dates back to 1966, may be affecting how the sector operates.

COMPANIES & MARKETS

Financials. Fund collapse

Hwang trial star witness alleges culture of lies at Archegos



Former chief risk officer says he was told to 'do whatever it takes to get the cash back'

JOSHUA FRANKLIN — NEW YORK

A star witness in Bill Hwang's criminal trial testified that employees would do whatever it took to support their boss's aggressive trading strategy, including lying to lenders in the run-up to the collapse in 2021 of his family office, Archegos Capital.

Over more than two days of testimony for the prosecution in Manhattan federal court, Archegos's former chief risk officer, Scott Becker, said he repeatedly lied to banks in the hope they would facilitate more trades for the fund.

"At Archegos you did whatever you could" to support Hwang's trading strategy, Becker said.

The downfall of Archegos three years ago captivated Wall Street with questions over how an obscure family office managing Hwang's personal fortune could trigger losses of more than \$10bn at some of the biggest investment banks.

Becker described working under pressure to massage numbers and mislead banks about Archegos's investments from finance chief Patrick Halli-

gan, who is also on trial along with Hwang.

Hwang and Halligan were charged in 2022 with market manipulation, fraud and racketeering.

The two men have pleaded not guilty and face decades behind bars if found guilty.

Becker and William Tomita, Archegos's former head trader, pleaded guilty to fraud and racketeering charges and are co-operating with the prosecution.

The 12-person jury has at times struggled with the esoteric details of Wall Street trading, which the prosecution has gone through in painstaking detail.

On Tuesday, the jury sent a note to the judge saying they were sometimes finding the trial hard to follow.

The prosecution had hoped to elicit testimony from Becker about an incident a few years ago at an Archegos employees retreat where Hwang allegedly said that he wanted to become "the richest man in the world".

Prosecutors argued that a desire for vast wealth could have been Hwang's motive for running Archegos as a criminal enterprise.

However, the judge declined to allow the jury to hear this testimony from Becker.

Hwang's defence has portrayed him as an investor who strongly believed in

the companies that he invested in while not being afraid of suffering large losses.

Halligan's lawyer has argued that he was a "bean counter" who trusted Archegos's compliance staff.

Becker laid out the frenzied efforts in the days leading up to Archegos's collapse in late March 2021, when shares of ViacomCBS and GSX — in which it held large positions — fell sharply and left it facing hundreds of millions of dollars in margin calls from counterparties.

Hwang responded to ViacomCBS's falling price by buying another \$900mn in stock, depleting Archegos's cash reserves even further.

By Wednesday March 24, Archegos was facing \$13bn in margin calls that it had no hope of repaying on time. It collapsed later that week.

Becker testified how Archegos tried to recall excess cash held at some brokers — UBS, Macquarie and Jefferies — to repay margin calls from others.

Halligan told Becker to "do whatever it takes to get the cash back", Becker attested.

On March 24, Archegos repaid Morgan Stanley \$980mn that it was owed. Morgan Stanley still ended up losing \$911mn from its dealings with the fund.

In the weeks leading up to its collapse, Becker said Archegos discussed work-

Under pressure: former chief risk officer Scott Becker (centre) spoke in court about being expected to massage numbers and mislead banks

Alex Kent Bloomberg

The 12-person jury has at times struggled with the esoteric details of Wall Street trading

ing with more than half a dozen new brokerage firms, including JPMorgan Chase, Citigroup and HSBC, that could finance its trades in a derivative known as total return swaps.

Archegos was looking for new brokers where it had less exposure and who would lend at lower rates.

Becker testified that he repeatedly lied to investment banks about the size and profile of Archegos's positions.

He also claimed that Halligan would file reports to its counterparties at a later date than required in months when the fund had a negative performance "so the counterparties would leave us alone".

The court heard how UBS's Bryan Fairbanks — who was running risk management for the bank's prime services business in the Americas at the time of the collapse — praised Archegos as "honestly one of the most transparent, easiest-to-work with clients I've had in my, oh I don't know, 15-ish years".

Fairbanks last week testified in the case that the information UBS received "was lies". UBS ended up losing about \$860mn due to the collapse of Archegos.

After Archegos's collapse, Becker said he was offered and turned down a job at Hwang's charitable Grace and Mercy Foundation with the same \$250,000 salary that he was earning at the fund.

Financial services

AM Best says its 'lifeblood' is at stake in 777-linked fight over rating downgrades

IAN SMITH, SAMUEL AGINI AND DAN MCCURRY — LONDON

AM Best, the specialist rating agency for the insurance sector, has said its credibility risks being "irreparably damaged" by a legal bid to prevent it downgrading US insurers exposed to Everton football club bidder 777 Partners.

The agency is arguing in a New Jersey court that it has a First Amendment right to publish its opinion on a company's strength, after two US insurers accused it of using "flawed methods, improper assumptions and demonstrably false data" to downgrade them.

"The lifeblood of AM Best's business is its credibility, and that credibility is irreparably damaged when it is prevented from publishing its opinions about an insurer's creditworthiness to the public, even if, and often times especially when, that opinion is negative," the rating agency argued in a response filed with the court this week.

The insurers, Atlantic Coast Life Insurance and Sentinel Security Life Insurance, are part of Kenneth King's A-Cap Group.

They filed a lawsuit last month asking the court to stop AM Best from issuing the rating and to force it to recalculate.

A-Cap has in recent years built up significant exposure to 777, a Miami investment firm that agreed last year to add

the English football club to an esoteric portfolio ranging from low-cost airlines to litigation finance.

A-Cap, which has \$11.5bn of assets across five insurers and reinsurers backing life insurance and annuity policies for families across the US, had billions of dollars either lent to 777-linked businesses or ceded to its Bermuda-based reinsurer, 777 Re.

As scrutiny of 777 and its Everton bid has intensified, A-Cap has started trying to recapture those assets and reduce its

'Our credibility is damaged when we are prevented from publishing opinions about creditworthiness'

exposure. AM Best downgraded both 777 Re and A-Cap in the past year, citing concerns over the level of 777-affiliated assets on the reinsurer's balance sheet and the knock-on for the insurer's own creditworthiness from recapturing those assets.

In its court filing, AM Best said that A-Cap had been "promising for months that it was on the brink of raising another \$300mn in needed capital" but this had failed to materialise.

It argued that the asset valuations provided by A-Cap were "unreliable and dated", and assets being recaptured by

Equities

Prudential chair admits 'disappointing' share price performance

CHAN HO-HIM — HONG KONG IAN SMITH — LONDON

Prudential's share price slide has been "frustrating and disappointing", the insurance group's chair has told participants at its first annual meeting to be held in Hong Kong instead of London.

"There are headwinds that continue to impact us," Baroness Shriti Vadera told the sparsely attended in-person meeting yesterday, referring to inflationary and interest rate pressures as well as weak consumer confidence.

"Market sentiment [on] companies involved in Greater China in particular has been volatile," Vadera told the meeting, which was held in the Chinese territory for the first time in Prudential's nearly 176-year history but was also open to online participants.

"Some of these factors have had an impact on our share price, which I'm sure has been as frustrating and disappointing to you as it has been for us," she said.

Shares in the dual-listed insurer have fallen about 30 per cent in Hong Kong over the past year while insurance sec-

'Market sentiment [on] companies in Greater China in particular has been volatile'

tor rival AIA's Hong Kong share price has dropped about 20 per cent.

Prudential retains a UK domicile and a joint primary listing in London with UK investors representing about 40 per cent of its shareholder base.

Prudential said it had "no current plans" to change its dual primary listing and an informal shareholder meeting would be held in London in September.

Asked by a shareholder about low trading volumes in its Hong Kong shares, Vadera said Prudential had spent a "considerable amount of time and effort" to improve liquidity.

It had undertaken "a number of roadshows" and had been in discussions with the Hong Kong government about how to boost local trading volumes, she said.

Prudential said this might be done by making it easier to swap shares between London and Hong Kong.

Vadera's remarks come after the company's first-quarter results last month, which were generally viewed as disappointing by analysts.

Prudential's new business profit, a measure of expected earnings from newly written policies, was up 11 per cent at constant exchange rates — a much slower growth rate than at AIA.

"Whereas the debate had been on whether management should launch a buyback or focus on growth, investors got neither," analysts at Jefferies wrote in a note this week.

Property

Bridgewater founder Dalio joins tycoons snapping up Singapore's shophouses

MERCEDES RUEHL — SINGAPORE

Bridgewater Associates founder Ray Dalio's family office has bought two multimillion-dollar shophouses in Singapore as tycoons snap up the heritage properties in the city-state.

The Dalio Family Office, which announced it was moving into the Asian financial hub during the pandemic, purchased two shophouses on Club Street in 2021 for roughly \$25.5mn (US\$18.9mn), according to two people with direct knowledge of the deal.

Family offices — private wealth managers set up for rich individuals — have exploded in Singapore from a handful in 2018 to about 1,400 in 2023.

They have invested in Singapore real estate with shophouses a popular choice. The properties sometimes stand empty or are used as offices, residential buildings or business premises.

A development approval issued by the government at the end of 2023 for the site at 44 and 46 Club Street lists Tan Mae Shen, the Singapore managing director of the Dalio Family Office, as developer.

Renovation of the properties is due to finish early next year, according to the application, and the company has started hiring on LinkedIn.

The Dalio Family Office is also expanding in Abu Dhabi after the magnate stepped away from his hedge fund.

A spokesperson for Dalio declined to comment. Rawlinson & Hunter, a London-based professional services firm named on the ownership documents, also declined to comment.

Singapore is home to nearly 60 per cent of family offices in the Asia-Pacific region, according to KPMG. The family office of Google co-founder Sergey Brin has also set up a branch in Singapore, alongside many rich Chinese families.

There are about 6,700 shophouses with conservation status in Singapore. The buildings, whose design was introduced by Chinese immigrants in the 1800s, doubled as merchants' business premises and living accommodations of early merchants in the former colonial outpost.

Zhang Ying, wife of Alibaba founder



Ray Dalio's family office is active in both Singapore and Abu Dhabi

Jack Ma, in January paid about S\$45mn for three adjoining shophouses on nearby Duxton Road, according to documents lodged with the government. Zhang is also a Singaporean citizen.

Sales of shophouses hit a record S\$1.9bn in 2021 with the average price of a property rising from a range of S\$5mn-S\$8mn to S\$15mn-S\$20mn over the past decade, according to real estate consultancy Knight Frank.

The consultancy said the doubling of the property stamp duty for foreigners to 60 per cent last year on residential purchases fuelled interest in commercial shophouses among family offices, since the properties can serve as part of their assets and as an office.

But both shophouse sales and the rate of openings of new family offices have slowed since last August's S\$3bn money laundering investigation in Singapore.

Some of the accused and alleged associates were linked to family offices and acquired shophouses with the funds.

"Some, although not all, of those properties associated with the launderers are being sold and the market — especially foreign buyers — are waiting to see what price they fetch and to draw a line under the saga," said one property agent who declined to be named. "But it has tarnished the shophouse market by association, so I expect sales to be lower this year."

Additional reporting by Ortenca Aliaj

COMPANIES & MARKETS

Value investment bets still pay off outside the US

Daniel Rasmussen

Markets Insight

Trailing performance has not exactly been a selling point for value investment strategies in recent memory. As the past 15 years unfolded, a wave of bad performance has seen allocators shift remorselessly away from the strategy of investing primarily at undervalued companies to more growth-orientated approaches.

This has hollowed out the value investing community. As far as I can tell, the universe of value managers has shrunk to the aged whose records pre-2009 are strong enough to keep investors loyal, quants who trust the long-term data and cranks who are weirdly obsessed with natural resources stocks.

The recovery from the Covid pandemic now seems like a false dawn for the value community in the US as artificial intelligence-mania swept the market in 2023, restoring the fortunes of the briefly embarrassed growth managers and punishing the briefly optimistic value managers.

The value "factor", which measures the returns of going long cheap stocks and short expensive stocks, suffered a 50 per cent retreat in the US from 2009 to the depths of Covid in 2020, as data from the library of Dartmouth professor Kenneth French shows.

It then recovered sharply through the end of 2022 before falling off again, starting almost exactly when ChatGPT was released in November 2022. Since then, the value factor is down 11 per cent in the US. This has not been a pretty ride for advocates of value investing.

But there's a myopia to focusing so much on the recent experience of the US value investor community. This is because the story looks strikingly different internationally.

Value suffered a similar swoon as in the US, suffering a 30 per cent drawdown through the depths of Covid. But since March 2020, its performance in non-US developed markets has been a steady, almost linear rise.

International value has even had strong performance during the ChatGPT era. The outperformance since March 2020 has been so good that the value factor now shows outperformance over three-year, five-year, 10-year and 15-year periods. The value factor is up 36 per cent in developed ex US markets.

So while many assumed value was dead, it turned out it had just got on an

If quantitative investing is a dumb strategy, why have the idiots outperformed in Europe and Japan?

aircraft and headed for Europe and Japan. Any arguments for the death of value — and the abandonment of it in the US — have to grapple with this strong performance internationally.

If value was a statistical anomaly never worth betting on, why has it paid to bet on it internationally?

If something structural has shifted in the market to make value not work, why has that only affected the US?

If quantitative investing is too simplistic and just buying the cheapest stocks is a dumb strategy, why have the idiots who practice this approach outperformed in Europe and Japan?

I would argue the best interpretation of this data is to see the underperformance of value in the US as historically contingent, dependent on a specific set

of events occurring. And that set of events has been major technological innovations first in cloud computing and most recently in AI.

These allow companies with the best technology to grow to global scale with near zero marginal costs, producing winners that can increase profits at a rate and a scale that seemed impossible in previous decades.

But history has shown that markets tend to adapt to technological shifts. Rivals learn the new tech and drive down prices. Businesses in other industries adopt the new technology and use it to improve their own operations.

We can imagine how this might work with AI: the initial spoils go to the first company to invent a workable AI system (say OpenAI) but, over the next three to five years, competitors emerge that can produce the same technology.

So the innovator's pricing and margins drop. And then, maybe, a group of boring old-world companies with big customer service departments all adopt AI technology and dramatically reduce headcount and improve margins.

While the initial equity returns would flow to the innovator, the longer-term benefits might accrue to the customers of that technology.

Economic theory would hold that at least customers need to derive a return on investment over and above what they spend on the new technology.

Even if the sun seems to have fallen on US value investors, the dawn has emerged internationally and, theory and evidence would suggest, the sun will rise again, perhaps sooner than expected, in the US as well.

Daniel Rasmussen is founder and chief investment officer of Verdad Advisers



The day in the markets

What you need to know

- Wall Street benchmarks climb to fresh all-time highs
- German two-year bond yields at highest level since late November
- London's FTSE 100 dragged lower by utilities stocks

US stock indices rose to fresh all-time highs yesterday as another set of blockbuster results from Nvidia pushed the chipmaker's market value above \$2.5tn for the first time.

Wall Street's S&P 500 rose 0.3 per cent to 5,320.44 in early afternoon in New York. The tech-dominated Nasdaq Composite added as much as 0.9 per cent, also hitting a record high, before paring gains.

Shares in Nvidia rose almost 11 per cent after the company late on Wednesday announced stronger than expected earnings, a 10-for-1 stock split and bullish forward guidance.

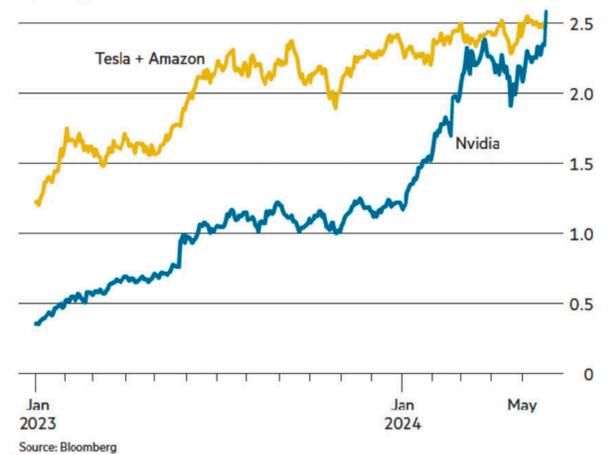
Revenues rose 262 per cent over the past quarter, exceeding analysts' lofty projections, and the company raised its quarterly cash dividend 150 per cent.

Investors have become hooked on Nvidia as the company has repeatedly blown past analysts' revenue and margin forecasts and emerged as the dominant provider of the graphics processing units that power generative AI.

The tech group's results on Wednesday were "perfect", said Charles-Henry Monchau, chief investment officer at Bank Syz. "There was a lot of hype ahead of earnings and the stock price has already doubled since the start of the year, [but] they managed to beat by all counts."

Nvidia's market value now exceeds Tesla and Amazon's combined

Market capitalisation (\$tn)



Its bumper results meant Nvidia's market cap yesterday rose by about \$220bn to surpass \$2.5tn for the first time, making it larger than Amazon and Tesla combined.

Chip companies including ASML, Applied Materials and Marvell Technology were swept up in the Nvidia-inspired rally, with the Philadelphia Semiconductor index, which tracks 30 of the biggest semiconductor manufacturers, rising 1.3 per cent.

German two-year bond yields, meanwhile, rose to 3.07 per cent, their highest level since late November.

The move came after collective wage agreements in the first quarter gave Eurozone workers an average 4.7 per cent annual pay increase, up slightly on the previous three-month period.

Traders reacted by paring back the number of rate cuts expected from the European Central Bank this year.

European stocks made modest gains, with the region-wide Stoxx Europe 600 closing 0.1 per cent higher.

Frankfurt's Xetra Dax also included 0.1 per cent higher but London's FTSE 100 fell 0.4 per cent, dragged lower by utilities groups. *George Steer*

Markets update

	US	Eurozone	Japan	UK	China	Brazil
Stocks	S&P 500	Eurofirst 300	Nikkei 225	FTSE100	Shanghai Comp	Bovespa
Level	5321.02	2065.86	39103.22	8339.23	3116.39	124893.67
% change on day	0.26	0.09	1.26	-0.37	-1.33	-0.60
Currency	\$ Index (DXY)	\$ per €	Yen per \$	£ per \$	Rmb per \$	Real per \$
Level	104.673	1.083	157.015	1.271	7.245	5.153
% change on day	-0.248	0.000	0.313	-0.157	0.070	-0.040
Govt. bonds	10-year Treasury	10-year Bund	10-year JGB	10-year Gilt	10-year bond	10-year bond
Yield	4.486	2.596	0.998	4.357	2.328	11.362
Basis point change on day	6.480	6.200	0.200	2.700	-1.600	-1.300
World index, Commods	FTSE All-World	Oil - Brent	Oil - WTI	Gold	Silver	Metals (LME)
Level	522.89	81.36	76.93	2407.90	31.82	4481.50
% change on day	0.11	-0.66	-0.83	-0.80	0.57	-3.67

Yesterday's close apart from: Currencies = 16:00 GMT; S&P, Bovespa, All World, Oil = 17:00 GMT; Gold, Silver = London pm fix. Bond data supplied by Tullett Prebon.

Main equity markets



Biggest movers

	US	Eurozone	UK
Ups	Nvidia 10.26	Asml Holding 2.72	St. James's Place 4.77
Synopsis 4.21	Cap Gemini 2.41	Scottish Mortgage Investment Trust 3.45	
Int Paper Co 3.28	Siemens 2.01	Rolls-royce Holdings 2.90	
Super Micro Computer 3.19	A.p. Moller - Maersk B 1.81	Persimmon 2.58	
Western Digital 3.07	Fresenius 1.81	Ocado 2.50	
Downs	Live Nation Entertainment -6.61	Casino Guichard -3.73	National Grid -10.86
Boeing -5.41	Gecina -3.24	Rs -6.52	
Arista Networks -4.73	Snam -2.82	Severn Trent -5.15	
Globe Life -4.47	E.on -2.15	United Utilities -4.92	
Fmc -3.95	Bayer -2.08	Smith & Nephew -3.19	

Prices taken at 17:00 GMT. Based on the constituents of the FTSE Eurofirst 300 Eurozone.

All data provided by Morningstar, unless otherwise noted.

Financials

Capital Group and KKR join forces to offer private assets for wider audience

BROOKE MASTERS AND ANTOINE GARA
NEW YORK

Capital Group and KKR are combining forces to offer hybrid public-private investment funds to wealthy individuals in a move that seeks to open up the fast-growing alternative sector to a much wider range of investors.

The partnership links Los Angeles-based Capital, the largest active asset manager with \$2.6tn in equity and bond funds and a strong distribution network, with KKR, one of the best known private credit providers.

Their first products, blended public and private credit funds, will launch next year.

The two firms say this is the start of a broader platform that will make alternatives — private equity, credit, infrastructure and real estate funds that have previously been sold almost exclusively to institutions and the super wealthy — available to a broader range of investors.

The move comes as traditional asset managers have been snapping up alter-

natives providers in an effort to move into the higher fee-paying area and counter outflows from actively managed public funds.

Meanwhile, the biggest alternatives providers, including KKR and Blackstone, have been rolling out products aimed at wealthy individuals.

But growth has been hampered by a lack of distribution channels and some

I expect acceleration of partnerships between private capital firms and traditional asset managers

investors have concerns about the liquidity of alternative funds, which hold harder-to-sell assets and offer only quarterly withdrawals.

By striking a partnership with Capital, KKR is aiming to reach more potential investors without just adding headcount internally.

Capital's distribution network is far

larger — more than 200,000 financial advisers hold at least one Capital fund for their clients.

For Capital, the deal taps the growing alternatives market without having to build up investment expertise outside its traditional areas.

"I expect to see continued acceleration of partnerships between private capital firms and traditional asset managers, as a more efficient and effective way to distribute retail alternatives for affluent investors," said Jonathan Goddard, who heads the wealth and asset management practice at McKinsey.

The hybrid Capital/KKR products also seek to address concerns that retail investors who need easy access to their funds are not well suited to products that invest in illiquid assets.

This has been particularly true in real estate. Blackstone's \$60bn Breit real estate funds limited withdrawals from late 2022 until early 2024 while a similar \$10bn fund managed by Starwood Capital is facing a liquidity crunch, the FT reported this month.

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MARKET DATA

WORLD MARKETS AT A GLANCE

Change during previous day's trading (%)



Stock Market movements over last 30 days, with the FTSE All-World in the same currency as a comparison



Country	Index	Latest	Previous	Country	Index	Latest	Previous	Country	Index	Latest	Previous	Country	Index	Latest	Previous
Argentina	Merval	1500163.1	1502893.1	Cyprus	CSE MXP Gen	66.40	66.88	Italy	FTSE Italia All-Share	36069.97	36066.97	Philippines	Manila Comp	6059.99	6027.22
Australia	A1 Ordinaries	8081.30	8118.30	Czech Republic	FX	1571.17	1574.12	Japan	FTSE Japan All-Share	3388.94	3412.16	Poland	Wig	88175.18	88343.47
Brazil	BVL Ibovespa	124863.07	124663.07	Denmark	OMX Copenhagen	2799.40	2792.25	South Korea	KOSPI	3943.00	3937.18	Portugal	PSI 20	6524.65	6560.11
Canada	S&P/TSX 300	17147.70	17174.70	Egypt	EGX 30	2727.44	2724.90	Romania	BEL Index	17453.31	17484.47	Russia	MOEX Index	2435.27	2445.30
China	S&P/TSX Comp	2230.35	2236.76	Estonia	OMX Tallinn	1762.38	1764.93	Saudi Arabia	TASI	12457.1	12527.57	Singapore	FTSE Straits Times	3327.62	3337.90
Colombia	BVL	3975.74	3996.70	Finland	OMX Helsinki General	10339.90	10377.00	Slovakia	SAX	307.00	309.23	Sri Lanka	CSE All Share	12369.84	12376.97
Croatia	CBORX	2013.05	2012.19	France	CAC 40	8023.23	8062.11	Slovenia	GSI TOP	1211.30	1211.30	South Africa	JSE All Share	78956.07	79462.57
Cuba	ICP	22,011.72	22,011.72	Germany	DAX	56,533.75	56,326.10	Spain	IBEX 35	11,075.40	11,311.10	Taiwan	TSEI	16915.54	16842.30
Czechia	IPC	22,011.72	22,011.72	Greece	ATHEX	1491.65	1489.09	Thailand	SET	1367.84	1370.83	Turkey	BIST 100	10866.85	10828.28
Denmark	OMX Copenhagen	2799.40	2792.25	Hong Kong	Hang Seng	18,624.79	18,624.79	Turkmenistan	FTSE Turkmen	226.90	226.90	UAE	DFM General Index	2261.90	2261.90
Egypt	EGX 30	2727.44	2724.90	Hungary	BSE	6785.87	6785.87	USA	FTSE All-World	6,326.00	6,326.00	UK	FTSE 100	8,339.23	8,339.23
Estonia	OMX Tallinn	1762.38	1764.93	India	Nifty 50	21,485.55	21,277.75	Venezuela	FTSE Venezuela	6511.90	6537.36				
Finland	OMX Helsinki General	10339.90	10377.00	Indonesia	Jakarta Comp	7222.38	7106.04	Vietnam	FTSE Vietnam	1281.03	1286.51				
France	CAC 40	8023.23	8062.11	Ireland	ISEQ Overall	10,712.94	10,653.16								
Germany	DAX	56,533.75	56,326.10	Israel	Tel Aviv	1,956.35	1,956.35								
Greece	ATHEX	1491.65	1489.09	Italy	FTSE Italia All-Share	36069.97	36066.97								
Hong Kong	Hang Seng	18,624.79	18,624.79	Japan	FTSE Japan All-Share	3388.94	3412.16								
Hungary	BSE	6785.87	6785.87	Korea	KOSPI	3943.00	3937.18								
India	Nifty 50	21,485.55	21,277.75	Latvia	OMX Riga	1195.74	1195.74								
Indonesia	Jakarta Comp	7222.38	7106.04	Lithuania	OMX Vilnius	962.22	957.97								
Ireland	ISEQ Overall	10,712.94	10,653.16	Luxembourg	FTSE Lux 100	4,981.66	4,981.66								
Israel	Tel Aviv	1,956.35	1,956.35	Malaysia	FTSE Bursa KLCI	1,923.18	1,923.18								
Italy	FTSE Italia All-Share	36069.97	36066.97	Mexico	IPC	56,230.10	56,423.03								
Japan	FTSE Japan All-Share	3388.94	3412.16	Monaco	MASI	13,032.04	13,436.85								
Korea	KOSPI	3943.00	3937.18	Netherlands	AEX	914.27	914.27								
Latvia	OMX Riga	1195.74	1195.74	New Zealand	NZX 50	11,909.48	11,732.28								
Lithuania	OMX Vilnius	962.22	957.97	Nigeria	SE All Share	397,342.42	382,572.72								
Luxembourg	FTSE Lux 100	4,981.66	4,981.66	Norway	Olo All Share	75,111.47	74,956.67								
Malaysia	FTSE Bursa KLCI	1,923.18	1,923.18	Poland	WIG	88,175.18	88,343.47								
Mexico	IPC	56,230.10	56,423.03	Portugal	PSI 20	6,524.65	6,560.11								
Monaco	MASI	13,032.04	13,436.85	Romania	BEL Index	17,453.31	17,484.47								
Netherlands	AEX	914.27	914.27	Russia	MOEX Index	2,435.27	2,445.30								
New Zealand	NZX 50	11,909.48	11,732.28	Saudi Arabia	TASI	12,457.1	12,527.57								
Nigeria	SE All Share	397,342.42	382,572.72	Singapore	FTSE Straits Times	3,327.62	3,337.90								
Norway	Olo All Share	75,111.47	74,956.67	Slovakia	SAX	307.00	309.23								
Poland	WIG	88,175.18	88,343.47	Slovenia	GSI TOP	1,211.30	1,211.30								
Portugal	PSI 20	6,524.65	6,560.11	South Africa	JSE All Share	78,956.07	79,462.57								
Romania	BEL Index	17,453.31	17,484.47	Spain	IBEX 35	11,075.40	11,311.10								
Russia	MOEX Index	2,435.27	2,445.30	Switzerland	SMI Index	11,066.75	11,568.67								
Saudi Arabia	TASI	12,457.1	12,527.57	Taiwan	TSEI	16,915.54	16,842.30								
Singapore	FTSE Straits Times	3,327.62	3,337.90	Thailand	SET	1,367.84	1,370.83								
Slovakia	SAX	307.00	309.23	Turkey	BIST 100	10,866.85	10,828.28								
Slovenia	GSI TOP	1,211.30	1,211.30	UAE	DFM General Index	2,261.90	2,261.90								
South Africa	JSE All Share	78,956.07	79,462.57	UK	FTSE 100	8,339.23	8,339.23								
Spain	IBEX 35	11,075.40	11,311.10	USA	FTSE All-World	6,326.00	6,326.00								
Switzerland	SMI Index	11,066.75	11,568.67	Venezuela	FTSE Venezuela	6,511.90	6,537.36								
Taiwan	TSEI	16,915.54	16,842.30	Vietnam	FTSE Vietnam	1,281.03	1,286.51								
Thailand	SET	1,367.84	1,370.83												
Turkey	BIST 100	10,866.85	10,828.28												
UAE	DFM General Index	2,261.90	2,261.90												
UK	FTSE 100	8,339.23	8,339.23												
USA	FTSE All-World	6,326.00	6,326.00												
Venezuela	FTSE Venezuela	6,511.90	6,537.36												
Vietnam	FTSE Vietnam	1,281.03	1,286.51												

(c) Unavailable. 1 direction. Subject to official recalculation. For more index coverage please see www.ft.com. A fuller version of this table is available on the ft.com research data archive.

STOCK MARKET: BIGGEST MOVERS

AMERICA	ACTIVE STOCKS	DOWN	UP	EURO	ACTIVE STOCKS	DOWN	UP	TOKYO	ACTIVE STOCKS	DOWN	UP	
Nvidia	483.3	1046.99	97.45	10.2%	Roche	20.4	2772.50	12.00	Roche Gs	316.0	234.64	0.20
Advanced Micro Devices	87.9	153.37	-2.15	-1.4%	Novartis	18.1	4312.00	37.00	Novartis N	275.3	93.78	-0.39
Tesla	61.8	176.95	-3.17	-1.8%	Unilever	17.0	462.35	0.59	Unilever	237.9	36.14	0.19
Super Micro Computer	61.8	90.19	27.82	31.2%	Shell	15.1	37.10	0.50	Shell	183.0	6.11	0.37
Apple	24.3	189.89	-1.21	-0.6%	Novartis	15.1	462.35	0.59	Novartis	183.0	6.11	0.37
Microsoft	27.1	431.75	2.19	0.5%	Novartis	15.1	462.35	0.59	Novartis	183.0	6.11	0.37
Amazon	35.2	184.05	0.92	0.5%	Novartis	15.1	462.35	0.59	Novartis	183.0	6.11	0.37
Meta Platforms	22.6	471.81	4.11	0.9%	Novartis	15.1	462.35	0.59	Novartis	183.0	6.11	0.37
Broadcom	19.7	1408.33	16.12	1.2%	Novartis	15.1	462.35	0.59	Novartis	183.0	6.11	0.37
Qualcomm	13.8	204.95	2.02	1.0%	Novartis	15.1	462.35	0.59	Novartis	183.0	6.11	0.37

Based on the constituents of the S&P500. Based on the constituents of the FTSE 350 index. Based on the constituents of the FTSEurofirst 300 European index. Based on the constituents of the Nikkei 225 index.

CURRENCIES

Currency	Closing	Mid	Day's Change	EUR	Closing	Mid	Day's Change	GBP	Closing	Mid	Day's Change
Argentina	892.289	1.4282	963.8176	1.287	1131.6732	1.4574	Indonesia	15922.000	17314.7788	1.2028	2028.8935
Brazil	51329	0.0020	51329.0000	0.0020	51329.0000	0.0020	Japan	157.010	0.4885	189.9916	0.4119
Canada	136.96	0.0010	136.9600	0.0010	136.9600	0.0010	Korea	157.010	0.4885	189.9916	0.4119
China	908.700	2.6500	903.8000	2.1889	1155.0292	2.1375	Latvia	157.010	0.4885	189.9916	0.4119
Colombia	3835.250	1.1250	3835.2500	1.1250	3835.2500	1.1250	Lithuania	157.010	0.4885	189.9916	0.4119
Croatia	1261.651	0.2450	1261.6510	0.2450	1261.6510	0.2450	Malaysia	157.010	0.4885	189.9916	0.4119
Czechia	22.9449	0.0000	22.9449	0.0000	22.9449	0.0000	Mexico	157.010	0.4885	189.9916	0.4119
Denmark	6.9221	0.0044	6.9221	0.0044	6.9221	0.0044	Monaco	157.010	0.4885	189.9916	0.4119
Egypt	17.6156	0.3931	17.6156	0.3931	17.6156	0.3931	Netherlands	157.010	0.4885	189.9916	0.4119
Hong Kong	7.9399	0.0023	7.9399	0.0023							

MARKET DATA

FT500: THE WORLD'S LARGEST COMPANIES

Table with 12 columns: Stock, Price, Day, Chg, 52 Week High, Low, Yld, P/E, MCap m. Includes sections for Australia (AS), Canada (CS), China (HS), Denmark (DK), FT 500: TOP 20, FT 500: BOTTOM 20, Interest Rates: Official, Interest Rates: Market, Commodities, Bonds: Index-Linked, Bonds: Ten Year Govt Spreads, Bonds: High Yield & Emerging Market, Bonds: Benchmark Government, Global Investment Grade, Global US Cash Market, and Global FTSE Actuarial Indices.

FT 500: TOP 20

Table with 12 columns: Stock, Price, Day, Chg, 52 Week High, Low, Yld, P/E, MCap m. Lists top 20 FT 500 companies.

FT 500: BOTTOM 20

Table with 12 columns: Stock, Price, Day, Chg, 52 Week High, Low, Yld, P/E, MCap m. Lists bottom 20 FT 500 companies.

INTEREST RATES: OFFICIAL

Table with 12 columns: May 23, Rate, Fed Funds, Current, Since, Last 52 Weeks, Month, Change. Shows official interest rates.

INTEREST RATES: MARKET

Table with 12 columns: May 23, Overnight, Change, One, Three, Six, One Year, Month, Change. Shows market interest rates.

COMMODITIES

Table with 12 columns: Energy, Price, Day, Chg, 52 Week High, Low, Yld, P/E, MCap m. Lists commodity prices.

BOND INDICES

Table with 12 columns: Index, Day's Change, Month's Change, Year, Return, Return 1 Year, Return 3 Year, Return 5 Year. Lists bond indices.

BONDS: INDEX-LINKED

Table with 12 columns: Price, Yield, May 23, 1 Year, 2 Year, 3 Year, 5 Year, 10 Year, 15 Year, 20 Year, 30 Year, Return, No of Stocks. Lists index-linked bonds.

BONDS: TEN YEAR GOVT SPREADS

Table with 12 columns: Bid vs Bid, Spread, Bid vs Bid, Spread, Bid vs Bid, Spread, Bid vs Bid, Spread. Lists ten-year government spreads.

BONDS: HIGH YIELD & EMERGING MARKET

Table with 12 columns: May 23, Red, Coupon, Ratings, Bid, Bid, Day's Chg, Mths, Spread, Chg vs, Yield, Yield, Yield, Yield, Yield, Yield. Lists high yield and emerging market bonds.

BONDS: BENCHMARK GOVERNMENT

Table with 12 columns: Red, Coupon, Price, Bid, Bid, Day's Chg, Wk, Chg, Yld, Yld, Yld, Yld, Yld, Yld. Lists benchmark government bonds.

BONDS: GLOBAL INVESTMENT GRADE

Table with 12 columns: May 23, Red, Coupon, Ratings, Bid, Bid, Day's Chg, Mths, Spread, Chg vs, Yield, Yield, Yield, Yield, Yield, Yield. Lists global investment grade bonds.

GLOBAL US CASH MARKET

Table with 12 columns: May 23, Price/E, Yield, Change in Yield, Month, Year, High, Low, 52 Week, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016, 2015, 2014, 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2002, 2001, 2000, 1999, 1998, 1997, 1996, 1995, 1994, 1993, 1992, 1991, 1990, 1989, 1988, 1987, 1986, 1985, 1984, 1983, 1982, 1981, 1980, 1979, 1978, 1977, 1976, 1975, 1974, 1973, 1972, 1971, 1970, 1969, 1968, 1967, 1966, 1965, 1964, 1963, 1962, 1961, 1960, 1959, 1958, 1957, 1956, 1955, 1954, 1953, 1952, 1951, 1950, 1949, 1948, 1947, 1946, 1945, 1944, 1943, 1942, 1941, 1940, 1939, 1938, 1937, 1936, 1935, 1934, 1933, 1932, 1931, 1930, 1929, 1928, 1927, 1926, 1925, 1924, 1923, 1922, 1921, 1920, 1919, 1918, 1917, 1916, 1915, 1914, 1913, 1912, 1911, 1910, 1909, 1908, 1907, 1906, 1905, 1904, 1903, 1902, 1901, 1900, 1899, 1898, 1897, 1896, 1895, 1894, 1893, 1892, 1891, 1890, 1889, 1888, 1887, 1886, 1885, 1884, 1883, 1882, 1881, 1880, 1879, 1878, 1877, 1876, 1875, 1874, 1873, 1872, 1871, 1870, 1869, 1868, 1867, 1866, 1865, 1864, 1863, 1862, 1861, 1860, 1859, 1858, 1857, 1856, 1855, 1854, 1853, 1852, 1851, 1850, 1849, 1848, 1847, 1846, 1845, 1844, 1843, 1842, 1841, 1840, 1839, 1838, 1837, 1836, 1835, 1834, 1833, 1832, 1831, 1830, 1829, 1828, 1827, 1826, 1825, 1824, 1823, 1822, 1821, 1820, 1819, 1818, 1817, 1816, 1815, 1814, 1813, 1812, 1811, 1810, 1809, 1808, 1807, 1806, 1805, 1804, 1803, 1802, 1801, 1800, 1799, 1798, 1797, 1796, 1795, 1794, 1793, 1792, 1791, 1790, 1789, 1788, 1787, 1786, 1785, 1784, 1783, 1782, 1781, 1780, 1779, 1778, 1777, 1776, 1775, 1774, 1773, 1772, 1771, 1770, 1769, 1768, 1767, 1766, 1765, 1764, 1763, 1762, 1761, 1760, 1759, 1758, 1757, 1756, 1755, 1754, 1753, 1752, 1751, 1750, 1749, 1748, 1747, 1746, 1745, 1744, 1743, 1742, 1741, 1740, 1739, 1738, 1737, 1736, 1735, 1734, 1733, 1732, 1731, 1730, 1729, 1728, 1727, 1726, 1725, 1724, 1723, 1722, 1721, 1720, 1719, 1718, 1717, 1716, 1715, 1714, 1713, 1712, 1711, 1710, 1709, 1708, 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1375, 1374, 1373, 1372, 1371, 1370, 1369, 1368, 1367, 1366, 1365, 1364, 1363, 1362, 1361, 1360, 1359, 1358, 1357, 1356, 1355, 1354, 1353, 1352, 1351, 1350, 1349, 1348, 1347, 1346, 1345, 1344, 1343, 1342, 1341, 1340, 1339, 1338, 1337, 1336, 1335, 1334, 1333, 1332, 1331, 1330, 1329, 1328, 1327, 1326, 1325, 1324, 1323, 1322, 1321, 1320, 1319, 1318, 1317, 1316, 1315, 1314, 1313, 1312, 1311, 1310, 1309, 1308, 1307, 1306, 1305, 1304, 1303, 1302, 1301, 1300, 1299, 1298, 1297, 1296, 1295, 1294, 1293, 1292, 1291, 1290, 1289, 1288, 1287, 1286, 1285, 1284, 1283, 1282, 1281, 1280, 1279, 1278, 1277, 1276, 1275, 1274, 1273, 1272, 1271, 1270, 1269, 1268, 1267, 1266, 1265, 1264, 1263, 1262, 1261, 1260, 1259, 1258, 1257, 1256, 1255, 1254, 1253, 1252, 1251, 1250, 1249, 1248, 1247, 1246, 1245, 1244, 1243, 1242, 1241, 1240, 1239, 1238, 1237, 1236, 1235, 1234, 1233, 1232, 1231, 1230, 1229, 1228, 1227, 1226, 1225, 1224, 1223, 1222, 1221, 1220, 1219, 1218, 1217, 1216, 1215, 1214, 1213, 1212, 1211, 1210, 1209, 1208, 1207, 1206, 1205, 1204, 1203, 1202, 1201, 1200, 1199, 1198, 1197, 1196, 1195, 1194, 1193, 1192, 1191, 1190, 1189, 1188, 1187, 1186, 1185, 1184, 1183, 1182, 1181, 1180, 1179, 1178, 1177, 1176, 1175, 1174, 1173, 1172, 1171, 1170, 1169, 1168, 1167, 1166, 1165, 1164, 1163, 1162, 1161, 1160, 1159, 1158, 1157, 1156, 1155, 1154, 1153, 1152, 1151, 1150, 1149, 1148, 1147, 1146, 1145, 1144, 1143, 1142, 1141, 1140, 1139, 1138, 1137, 1136, 1135, 1134, 1133, 1132, 1131, 1130, 1129, 1128, 1127, 1126, 1125, 1124, 1123, 1122, 1121, 1120, 1119, 1118, 1117, 1116, 1115, 1114, 1113, 1112, 1111, 1110, 1109, 1108, 1107, 1106, 1105, 1104, 1103, 1102, 1101, 1100, 1099, 1098, 1097, 1096, 1095, 1094, 1093, 1092, 1091, 1090, 1089, 1088, 1087, 1086, 1085, 1084, 1083, 1082, 1081, 1080, 1079, 1078, 1077, 1076, 1075, 1074, 1073, 1072, 1071, 1070, 1069, 1068, 1067, 1066, 1065, 1064, 1063, 1062, 1061, 1060, 1059, 1058, 1057, 1056, 1055, 1054, 1053, 1052, 1051, 1050, 1049, 1048, 1047, 1046, 1045, 1044, 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852, 851, 850, 849, 848, 847, 846, 845, 844, 843, 842, 841, 840, 839, 838, 837, 836, 835, 834, 833, 832, 831, 830, 829, 828, 827, 826, 825, 824, 823, 822, 821, 820, 819, 818, 817, 816, 815, 814, 813, 812, 811, 810, 809, 808, 807, 806, 805, 804, 803, 802, 801, 800, 799, 798, 797, 796, 795, 794, 793, 792, 791, 790, 789, 788, 787, 786, 785, 784, 783, 782, 781, 780, 779, 778, 777, 776, 775, 774, 773, 772, 771, 770, 769, 768, 767, 766, 765, 764, 763, 762, 761, 760, 759, 758, 757, 756, 755, 754, 753, 752, 751, 750, 749, 748, 747, 746, 745, 744, 743, 742, 741, 740, 739, 738, 737, 736, 735, 734, 733, 732, 731, 730, 729, 728, 727, 726, 725, 724, 723, 722, 721, 720, 719, 718, 717, 716, 715, 714, 713, 712, 711, 710, 709, 708, 707, 706, 705, 704, 703, 702, 701, 700, 699, 698, 697, 696, 695, 694, 693, 692, 691, 690, 689, 688, 687, 686, 685, 684, 683, 682, 681, 680, 679, 678, 677, 676, 675, 674, 673, 672, 671, 670, 669, 668, 667, 666, 665, 664, 663, 662, 661, 660, 659, 658, 657, 656, 655, 654, 653, 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MANAGED FUNDS SERVICE

Fund	Bid	Offer	+/-	Yield	1Yr	3Yr	Fund	Bid	Offer	+/-	Yield	1Yr	3Yr	Fund	Bid	Offer	+/-	Yield	1Yr	3Yr					
M & G Securities (1200)F PO Box 9338, Chelmsford, CM9 2ZF www.mondg.co.uk/charities-enq/Dealing: 0800 917 4472							Ministry of Justice Common Investment Funds (UK) Property & Other UK Unit Trusts The Equity Ix Tracker Fd Inc 2124.00 - 0.00 2.37 12.79 6.52 Distribution Units							Prusik Investment Management LLP Enquiries - 0207 493 1331 Regulated Prusik Asian Equity Income B Dist \$174.17 - -1.03 6.01 1.83 1.30											
Charifund Inc 1539.55 - -10.20 5.60 10.86 6.16 Charifund Acc 33029.9 - -29.71 5.00 10.84 6.15 M&G Charities East Asia Fund (Dist) Inc £ 1.09 - 0.00 - 5.87 -1.24 M&G Charities East Asia Fund (Dist) Inc £ 40.98 - 0.04 3.29 5.87 -1.25 M&G Charities East Asia Fund Inc £ 0.93 - 0.00 4.25 9.26 6.28 M&G Charities Multi Asset Fund Acc £ 118.68 - -0.22 3.84 9.27 6.28							Mirabaud Asset Management www.mirabaud.com, marketing@mirabaud-am.com Please find more details on our website www.mirabaud-am.com Regulated Mir - Glob Strat. Bd I USD \$125.24 - -0.12 0.00 8.11 0.55 Mir - DiscEur D Cap GBP £193.33 - -0.31 0.00 15.36 -1.65							Scottish Friendly Asset Managers Ltd Scottish Friendly Hse, 16 Blythwood Sq, Glasgow G2 4HU 0141 275 5000 Authorised Inv Funds Regulated Managed Growth ♦ 402.10 - -0.60 - 14.59 7.67 UK Growth ♦ 456.80 - -2.20 - 10.36 4.71											
MMIP Investment Management Limited Regulated Multi-Manager Investment Programmes PCC Limited UK Equity Fd CI A Series 01 £ 3080.43 3080.41 -21.75 - -2.98 13.94 Diversified Absolute Retn Fd USD D A2 £ 1988.02 - 45.53 - -1.51 1.32 Diversified Absolute Retn Sglly Call A2 £ 1579.00 - -1.96 - 0.70 2.45 Global Equity Fund A Lead Series £ 1747.13 1747.16 -5.31 - -1.04 6.13							Mirabaud Asset Management www.mirabaud.com, marketing@mirabaud-am.com Please find more details on our website www.mirabaud-am.com Regulated Mir - Glob Strat. Bd I USD \$125.24 - -0.12 0.00 8.11 0.55 Mir - DiscEur D Cap GBP £193.33 - -0.31 0.00 15.36 -1.65							Stonehage Fleming Investment Management Ltd www.stonehagefleming.com enquiries@stonehagefleming.com Regulated SF Global Best Ideas Eq B USD ACC \$278.26 - -0.19 0.00 13.30 2.43 SF Global Best Ideas Eq D GBP INC £ 331.76 - -0.29 0.00 10.28 6.15											
Marwyn Asset Management Limited Regulated Marwyn Value Investors £ 329.72 - -0.14 0.00 - -7.17							Purisma Investment Fds (UK) (1200)F 2nd floor, 20-22 Bedford Row, London, WC1R 4EB Order Desk and Enquiries: 0345 922 0044 Authorised Inv Funds Regulated Global Total Fd PCG A 524.45 - 0.25 0.26 33.44 13.28 Global Total Fd PCG B 517.18 - 0.25 0.07 33.11 13.00 Global Total Fd PCG INT 506.18 - 0.24 0.00 23.78 12.72						Stonehage Fleming Investment Management Ltd www.stonehagefleming.com enquiries@stonehagefleming.com Regulated SF Global Best Ideas Eq B USD ACC \$278.26 - -0.19 0.00 13.30 2.43 SF Global Best Ideas Eq D GBP INC £ 331.76 - -0.29 0.00 10.28 6.15												



Purisma Investment Fds (UK) (1200)F
2nd floor, 20-22 Bedford Row, London, WC1R 4EB
Order Desk and Enquiries: 0345 922 0044
Authorised Inv Funds
Regulated
Global Total Fd PCG A 524.45 - 0.25 0.26 33.44 13.28
Global Total Fd PCG B 517.18 - 0.25 0.07 33.11 13.00
Global Total Fd PCG INT 506.18 - 0.24 0.00 23.78 12.72

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Please find more details on our website www.mirabaud-am.com
Regulated
Mir - Glob Strat. Bd I USD \$125.24 - -0.12 0.00 8.11 0.55
Mir - DiscEur D Cap GBP £193.33 - -0.31 0.00 15.36 -1.65

Marwyn Asset Management Limited
Regulated
Marwyn Value Investors £ 329.72 - -0.14 0.00 - -7.17



McInroy & Wood Portfolios

Oasis Crescent Global Investment Funds (UK) ICVC (UK)
Regulated
www.oasisinvestments.com
Oasis Crescent Global Equity Fund USD A (Dist) \$ 38.36 - -0.17 0.82 11.41 0.05
Oasis Crescent Global Income Fund USD A (Dist) \$ 10.12 - 0.00 3.78 5.11 0.03
Oasis Crescent Global Low Equity Fund USD A (Dist) \$ 13.00 - -0.04 1.48 8.59 -0.04
Oasis Crescent Global Medium Equity Fund USD A (Dist) \$ 14.61 - -0.05 1.06 8.84 -0.03
Oasis Crescent Global Property Equity Fund USD A (Dist) \$ 8.75 - -0.04 1.77 16.43 -0.35
Oasis Crescent Global Short Term Income Fund USD A (Dist) \$ 0.94 - 0.00 3.36 4.56 0.74
Oasis Crescent Variable Fund GBP A (Dist) £ 10.39 - -0.05 0.73 7.22 1.25

Ram Active Investments SA
www.ram-ai.com
Other International Funds
RAM Systematic Emerging Markets Eq \$254.91 254.91 -0.47 - 15.95 1.68
RAM Systematic European Eq \$612.13 612.13 -2.09 - 12.81 3.61
RAM Systematic Fund Global Sustainable Income Eq \$176.03 176.03 -0.68 0.00 17.29 4.27
RAM Systematic Long Short European Eq \$164.80 164.80 0.04 - 12.16 4.38

Superfund Asset Management GmbH
www.superfund.com, +43 (1) 247 00
Other International Funds
Superfund Green Gold \$131.48 - -30.57 - 10.26 -10.24
Superfund Green Silver \$153.47 - -33.57 - 19.54 -13.38
Regulated
Superfund Green US\$ \$26.38 - -9.38 - -3.37 -13.99
Superfund Black Blockchain EUR € 19.80 - 1.46 - 86.27 - -
Superfund Gold Silver & Mining EUR € 11.97 - 0.16 - - - -

McInroy & Wood Portfolios Limited
Easter Airstation, Haddington, EH41 3SF 01620 825867
Authorised Inv Funds
Balanced Fund Personal Class Units 6274.91 - -11.10 1.40 4.21 4.90
Income Fund Personal Class Units 2984.11 - -0.30 2.40 6.00 5.42
Emerging Markets Fund Personal Class Units 2128.80 - -3.90 1.48 -3.09 -0.59
Smaller Companies Fund Personal Class Units 8375.11 - 13.10 1.30 3.51 -3.22

Omnia Fund Ltd
Other International Funds
Estimated NAV \$1107.45 - -11.89 0.00 17.64 20.07

Royal London
80 Fenchurch Street, London EC3M 4BY
Authorised Inv Funds
Royal London Sustainable Diversified A Inc £ 2.63 - 0.01 1.33 12.15 3.19
Royal London Sustainable World A Inc 410.80 - 0.89 - 15.07 6.26
Royal London Corporate Bond Mth Income 76.75 - 0.01 - 3.17 -2.06
Royal London European Growth Trust 236.40 - -1.79 1.61 11.19 7.89
Royal London Sustainable Leaders A Inc 878.00 - 2.08 1.44 3.42 6.48
Royal London UK Growth Trust 693.00 - 2.38 2.13 11.35 5.37
Royal London UK Income With Growth Trust 218.20 - -1.00 4.68 11.07 5.69
Royal London US Growth Trust 494.50 - 1.58 0.00 23.21 15.71
Additional Funds Available
Please see www.royallondon.com for details

Thesis Unit Trust Management Limited
Exchange Building, St Johns Street, Chichester, West Sussex, PO19 1UP
Authorised Funds
TM New Court Fund A 2011 Inc £ 20.78 - -0.03 0.24 10.16 2.37
TM New Court Fund - A 2014 Acc £ 21.01 - -0.04 0.26 10.17 2.36
TM New Court Equity Growth Fund - Inc £ 23.12 - -0.04 0.06 11.38 2.65

MILLTRUST INTERNATIONAL

PLATINUM CAPITAL MANAGEMENT

Ruffer LLP (1000)F
2nd floor, 20-22 Bedford Row, London, WC1R 4EB
Order Desk and Enquiries: 0345 601 9610
Authorised Inv Funds
Regulated
WS Ruffer Diversified Rtm C Acc 101.28 - -0.47 1.15 3.55 -
WS Ruffer Diversified Rtm C Inc 98.27 - -0.45 1.16 3.55 -
WS Ruffer Equity & General C Acc 626.25 - 0.05 1.23 3.19 3.35
WS Ruffer Equity & General C Inc 558.18 - 0.04 1.25 3.19 3.36
WS Ruffer Gold C Acc 321.77 - 9.96 0.32 23.38 2.27
WS Ruffer Gold C Inc 193.92 - 6.00 0.34 23.38 2.27
WS Ruffer Total Return C Acc 545.04 - 0.25 1.96 -3.98 -0.46
WS Ruffer Total Return C Inc 328.78 - 0.15 1.99 -3.98 -0.45

TROY ASSET MANAGEMENT

Milltrust International Managed Investments ICAV (IRL)
mimi@milltrust.com, +44(0)20 8123 8316 www.milltrust.com
Regulated
Milltrust Global Emerging Markets Fund - Class A \$ 93.89 - -3.87 0.00 2.35 -9.39

Platinum Capital Management Ltd
Other International Funds
Platinum All Star Fund - A \$163.41 - - - 10.63 2.20
Platinum Global Growth UCITS Fund \$ 10.16 - 0.05 - 23.00 -8.97
Platinum Global Income UCITS Fund USD Dist \$ 9.42 - -0.70 0.00 -19.83 13.34
Platinum Global Dividend UCITS Fund \$ 49.91 - -0.03 0.00 7.73 -4.53

Milltrust International Managed Investments SPC
emv@milltrust.com, +44(0)20 8123 8315, www.milltrust.com
Regulated
Milltrust Alaska Brazil Fund SPA \$ 94.94 - -0.62 0.00 7.83 6.16
Milltrust Laurium Africa Fund SPA \$ 104.90 - 0.23 0.00 12.06 -1.66
Milltrust Marcellus India Fund SP \$ 142.72 - 0.19 0.00 16.04 3.30
Milltrust Singular ASEAN Fund SP Founders \$ 149.37 - -0.43 0.00 15.94 -2.02
Milltrust SPARK Korea Equity Fund SPA \$ 126.88 - 0.52 0.00 17.58 8.88
Milltrust Xinghai China Fund SPA \$ 91.82 - -2.30 0.00 4.30 -17.51
The Climate Impact Asia Fund SPA \$ 71.78 - 1.06 0.00 9.03 9.70

Private Fund Mgrs (Guernsey) Ltd
Regulated
Monument Growth 21/05/2024 £575.11 580.73 1.57 0.88 5.23 3.31

Rubrics Global UCITS Funds Plc
www.rubricsam.com
Regulated
Rubric Emerging Markets Fund UCITS Fund \$ 141.80 - -0.36 0.00 2.07 -0.04
Rubrics Global Credit UCITS Fund \$ 17.57 - -0.01 0.00 3.87 -0.62
Rubric Global Fixed Income UCITS Fund \$ 172.99 - -0.21 0.00 3.88 -1.35

Troy Asset Mgt (1200)
2nd floor, 20-22 Bedford Row, London, WC1R 4EB
Order Desk and Enquiries: 0345 688 0950
Authorised Inv Funds
Regulated
Trojan Ethical Global Inc D Acc 109.59 - 0.32 2.54 5.35 -
Trojan Ethical Global Inc D Inc 102.74 - 0.30 2.59 5.34 -

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Guide to pricing of Authorised Investment Funds: (compiled with the assistance of the IMA, The Investment Association, Camomile Court 23 Camomile Street, London EC3A 7LL. Tel: +44 (0)20 7831 0898.)
OEIC: Open-Ended Investment Company. Similar to a unit trust but using a company rather than a trust structure.
Different share classes are issued to reflect a different currency, charging structure or type of holder.
Selling price: Also called bid price. The price at which units in a unit trust are sold by investors.
Buying price: Also called offer price. The price at which units in a unit trust are bought by investors. Includes manager's initial charge.
Single price: Based on a mid-market valuation of the underlying investments. The buying and selling price for shares of an OEIC and units of a single priced unit trust are the same.
Treatment of manager's periodic capital charge: The letter C denotes that the trust deducts all or part of the manager's/operator's periodic charge from capital, contact the manager/operator for full details of the effect of this course of action.
Exit Charges: The letter E denotes that an exit charge may be made when you sell units, contact the manager/operator for full details.

Time: Some funds give information about the timing of price quotes. The time shown alongside the fund manager's/operator's name is the valuation point for their unit trusts/OEICs, unless another time is indicated by the symbol alongside the individual unit trust/OEIC name.
The symbols are as follows: ♦ 0001 to 1100 hours; ◆ 1101 to 1400 hours; ▲ 1401 to 1700 hours; # 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available. Historic pricing: The letter H denotes that the managers/operators will normally deal on the price set at the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers/operators must deal at a forward price on request, and may move to forward pricing at any time. Forward pricing: The letter F denotes that that managers/operators deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers/operators. Scheme particulars, prospectus, key features and reports: The most recent particulars and documents may be obtained free of charge from fund managers/operators. * Indicates funds which do not price on Fridays.
Charges for this advertising service are based on the number of lines published and the classification of the fund. Please contact data@ft.com or call +44 (0)20 7873 3132 for further information.

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ARTS

Revenge story ramps up bedlam to the max

This week's film releases reviewed by Danny Leigh and Jonathan Romney

What did I just see? Many people will have asked the question after *Mad Max: Fury Road*, the brilliantly cranked 2015 revival of the dystopian saga. At the time, the multiplex had been given over to the bright colours of Marvel. Here was something else. Director George Miller's action blockbuster was at once surgical and berserk, a pulp fantasia set past the far side of the end of the world. Follow that. (Full disclosure: it was my favourite film of the decade.)

Now Miller picks up his own gauntlet. The result is *Furiosa: A Mad Max Saga*, starring Anya Taylor-Joy: a prequel, the focus nudged from here to there. Last time round, Tom Hardy's deadpan Max ceded much of the movie to righteous heroine Furiosa, then played by Charlize Theron. Nine years on, it is her origin story Miller rewinds into, opening with a scene as original as it gets: tempting fruit hanging from a tree in a green and matriarchal Eden.

But the post-apocalypse is never far away. From the outback dust come marauders and a warlord: Dementus, a yapping wildman played by Chris Hemsworth.

Much has been made in pre-publicity of Taylor-Joy having only 30 lines in the film. Thank God. From the first *Mad Max* in 1979, Miller has been doing what Hollywood calls worldbuilding since that involved casting Tina Turner. (As in 1985's *Mad Max Beyond Thunderdome*.) Many directors would now drown us in lore.

But in keeping the title character free from chat, Miller helps *Furiosa* become its best self: an episodic but single-minded revenge story, strewn with action at once ornate and purist. (Few films this noisy share so much with silent cinema.) Callbacks are limited to *Fury Road*. Amid monstrous bike convoys, we are reacquainted with



grotesque despot Immortan Joe and his white-faced "war boys".

All of which is still a blast. The flipside is we don't see a lot we haven't seen already. Thirty years after *Thunderdome*,

Top: Anya Taylor-Joy in 'Furiosa: A Mad Max Saga'. Above: Adria Arjona and Glen Powell in 'Hit Man'

Fury Road seemed to arrive out of nowhere, a reminder a blockbuster could whirr with outlandish invention. Theron and Hardy were really support acts. The star was Miller's fevered vision.

Now, with less raw novelty, Taylor-Joy is asked to compensate. Remarkably, she does. Though streaming gave her *The Queen's Gambit*, the film industry has never known what to do with her Space Bambi energy. Here is one good answer. The actor's sheer singularity fits the character perfectly. Her presence stands in for the shock of the new.

In a story that hymns the strength of women, the men can feel like weaker links. Hemsworth dances on the cliff-edge of pantomime. But it must be hard to match a performance to Miller's particular flavour of bedlam: cartoonish and herky-jerky, with grisly touches and sad grandeur. You wonder if Miller and *Dune*

for which streaming execs pay \$20mn.

The chemistry between Powell and Arjona is potent. Amid the body heat, *Hit Man*'s questions actually get more provocative. Just how much moral confusion can a movie audience deal with? It would be a spoiler to say – but you may find it as fascinating as I did to be asked. DL
In UK and US cinemas now and on Netflix from June 7

Horror films often work best when solidly rooted in everyday reality – which is where *In Flames* scores heavily. Apparitions and evil portents are plentiful but, in its early stretches, this feature by Canadian-Pakistani writer-director Zarrar Kahn focuses on the feel of contemporary Karachi and the ordinary difficulties faced by Mariam, a medical student (Ramesha Nawal).

After her grandfather's death, Mariam is left wondering how she, her young brother and their widowed mother, teacher Fariha (Bakhtawar Mazhar), will cope financially. Her affable uncle offers to help, but can he be trusted? Can any man in this story? A possible exception is Asad (Omar Javaid), a fellow student who takes a shine to Mariam. But forces will intervene to make their relationship all the more difficult – forces earthly and otherwise.

Intolerance and misogyny strike the real note of terror from the start: sitting quietly in the family car to listen to music, Mariam is assaulted by a fanatic who smashes the window and calls her a whore. Later, the threats get stranger: milky-eyed revenants, a dark haze on a shower wall, some generic but well-handled dream imagery.

But more profoundly disturbing is the depiction of daily ordeals, notably when a desperate Fariha tries to ingratiate herself with her lawyer: pathos in the most ancient melodrama tradition, but very effective in this specific social context.

When the enigmas are finally unwrapped, it hardly comes as a

Furiosa: A Mad Max Saga

George Miller
★★★★☆

Hit Man

Richard Linklater
★★★★☆

In Flames

Zarrar Kahn
★★★★☆

Slow

Marija Kavtaradze
★★★★☆

surprise that the spectre haunting Karachi is entrenched patriarchy. Overall, surprise is not the film's strong suit, but as a visually rich vehicle for social commentary *In Flames* has plenty of tricks to play, which Zarrar Kahn deploys elegantly if not always subtly. And Ramesha Nawal always holds our attention, suggesting Mariam's resilience, even while she languishes in ever-increasing melancholy. Nawal's own flame here is subtle but it is constant. JR
In UK cinemas now

The title *Slow* has nothing to do with the measured, contemplative pace of so-called "slow cinema", the international mode that has yielded some of this century's more visionary, and sometimes more testing, art films. Marija Kavtaradze's feature is rather more animated than that: hers is the slow of dancefloor romance, and of two people gradually getting to know each other, their desire and their potential compatibility.

This Lithuanian love story is about dancer Elena (Greta Grinevičiūtė) and Dovydas (Kęstutis Cicėnas), a professional interpreter of sign language. They first meet when Dovydas translates for deaf teenagers at a class that Elena gives, and she wonders about this smiling man with his precise gestures and eloquent facial expressions.

They get talking – Dovydas is not deaf himself, but learned sign language for his brother – and it becomes clear that their attraction is mutual. But Dovydas announces that he is asexual, and the confidently libidinal Elena is left wondering what this means for a possible relationship between them.

Slow is very much about communication, in words or otherwise. Elena's body language is prominent throughout – both with Dovydas and other admirers, and in the film's sequences of modern dance. There are also characters less adept at communicating, like Elena's chilly, detached mother (an imposing appearance by Rimante Valiukaite).

The film won Kavtaradze a directing award at Sundance last year, and you can see why: *Slow* is made with craft, insight and empathetic tenderness. But it feels a little earnest, at times solemn – not least because of the glum angst-pop numbers by Irya Gmeyer aka April Snow.

What keeps *Slow* buoyant is the rapport between its very convincing leads – the wry, saturnine Cicėnas and Grinevičiūtė, who exudes humour and no-nonsense sensuality. By the end, though, the film and their amours get a little stifling. The viewer may weary of the dance before the characters do. JR
In UK cinemas now

Anya Taylor-Joy's sheer singularity fits her character perfectly in 'Furiosa: A Mad Max Saga'

director Denis Villeneuve swap notes on what it says about the times that the most vital big-ticket cinema now being made is about depravity and sand.

Of course, *Dune* is a tale of order and intrigue, set across time and space. Miller's canvas is our world, boiled down to oil and bullets. More than once, you may think of Cormac McCarthy's historical novel *Blood Meridian*, with its "legion of horrors" and reflections on man's lust for war, echoed here. It feels strange to shudder at such dark realities and still thrill to the film's giddy joyride. But then, as Miller reminds us, such is the madness of movies – and people. DL
In cinemas now

The heart might sink at the thought of *Hit Man*. Last year, David Fincher and Netflix gave us *The Killer*, a wholly tiresome portrait of an assassin. Now, a second brand-name director, Richard Linklater (*Boyhood*, *Before Sunrise*), arrives with another tale of a gun for hire, and Netflix again in the mix, having paid a reported \$20mn to release the film.

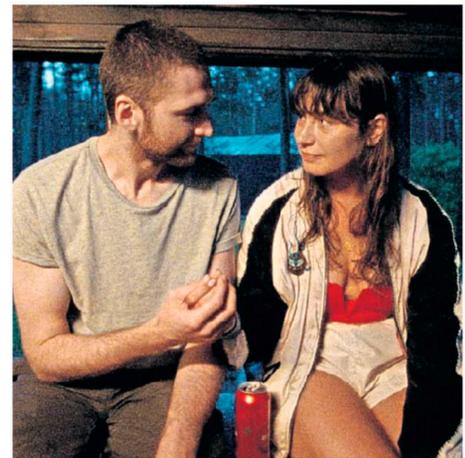
But wait! Linklater has delightful surprises up his sleeve. The movie is richly enjoyable. It is also, in part, a true story. How true? *Somewhat*, says a title card. That may be precisely the right amount.

The star and co-writer is Glen Powell, appearing opposite Adria Arjona while trading on dude-ish likeability and the kind of film-star good looks that almost pass for everyday. His character Gary Johnson doesn't read as a pin-up. Instead, he is a schlubby New Orleans professor of psychology and philosophy.

Yet double lives are being led. Gary also lends an electronics expertise to the local police: a civic-minded presence at sting operations, who in an emergency is asked to masquerade as a contract killer. The gig is an unlikely triumph – and then a repeat engagement.

If that sounds impossible, the *somewhat* hasn't kicked in yet. The real Gary Johnson did pretty much exactly this. And it's borderline miraculous how matter-of-factly *Hit Man* now carries off a potential clash of tones that would capsize most films. There are comic hairpieces and larky charm. There is also the sobering fact of endless ordinary people eager to have their spouses killed.

Linklater himself slips in and out of disguise. Chewy ideas about identity and collective reality have the hallmark of one of America's most intellectually curious moviemakers. But the film goes mainstream too, becoming a steamy crime romance of the kind



Left: Greta Grinevičiūtė and Kęstutis Cicėnas in Lithuanian romance 'Slow'. Below: Ramesha Nawal, left, and Bakhtawar Mazhar in the horror story 'In Flames'



Investors' Chronicle

FT FINANCIAL TIMES

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FT BIG READ. SOCIETY

Some experts believe the EU is nearing its demographic tipping point, with repercussions for government finances and the bloc's long-term economic and geopolitical prospects.

By Valentina Romei, Eleni Varvitsioti and Arjun Neil Alim

Has Europe's population peaked?

In Telendos, a tiny Greek island in the Aegean Sea, Savas Glinatsis until recently held the distinction of being the sole student in the local primary school.

A decade ago the island had over 100 permanent residents but now the population is close to 60, according to the 2021 census. Savas, who turned eight last year, was the island's only child.

"He was entirely alone," says his mother, Maria Platsi, a native of Telendos. In November, Platsi decided to relocate with her son to Kalymnos, a larger neighbouring island. "I wish Savas could attend school in Telendos as I did, but I cannot bear for my child to be isolated," Platsi says.

Europe's dearth of children is not confined to Greece. This year could mark a turning point in EU history, with the population of 448m beginning a decline that is expected to persist, marking an unprecedented shrinkage in peacetime, according to UN projections.

The EU population rose in the year to January 2023, helped by an influx of displaced persons from Ukraine, after a temporary two-year dip that reflected the impact of the pandemic. Last year, Eurostat forecast that the population would peak at 453m in 2026.

But the 2023 numbers came in below expectations as EU births fell to levels Eurostat had not forecast for another two decades, suggesting the peak may come before 2026.

What is becoming clear is that the EU's long-predicted demographic inversion is coming sooner than many experts predicted. While in the past few decades immigration has helped prop up population numbers, and the increased participation of immigrants and women in the labour force have compensated for the accelerating fall in the EU's working-age population, soon these factors will not be enough.

The EU is not alone in facing these pressures. Japan's demographic decline has become an enduring problem while China and South Korea now have some of the lowest fertility rates – the number of children per woman of reproductive age – in the world.

But many of the 27 countries that make up the EU have experienced extremely low birth rates for decades. With the most productive part of the population now shrinking, there is additional pressure on government finances with consequences for the bloc's economic and geopolitical prospects.

Consequently, the EU has become a testing ground for government-led pro-natal policies, most of which have so far proven ineffective at stopping birth decline. Another remedy – increased immigration – is a politically charged topic in many capitals. Populist anti-immigration parties are likely to make gains in the European parliament elections held from June 6 to 9.

"If we do not consider the demographic trends and mitigate [them] where possible, we may end up sleep-walking into dark scenarios," says Dubravka Šuica, the European Commission's first ever vice-president for democracy and demography.

These scenarios include "looming threats to our competitiveness, pressure on our budgets, the strain on public services and pensions, and the potential for jobs across every sector of the economy to go unfilled", she adds.

Šuica, who is at the end of her five-year term, has called on governments to establish ministries of demography and on the EU to create a council with a dedicated budget line. Without proper organisation, she says, "nobody feels responsible". Another problem is that the demographic effects play out slowly, over the long term, reducing the impetus on governments to act now.

For Šuica, the issue necessitates a greater sense of urgency among policymakers. "The EU is on the brink of a demographic revolution," she says, one that demands a "profound rethinking of our institutional, political, economic and cultural frameworks".

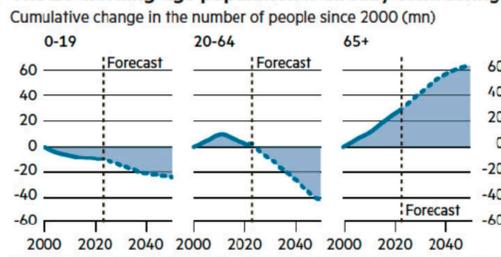
The countries that now form the EU are relatively new to these demographic challenges. After the second world war, most European countries experienced a baby boom, which contributed to solid population growth across the continent.

Since then, factors including rapid growth in educational attainment, particularly among women, improved nutrition and hygiene, control of infectious diseases and the dissemination of

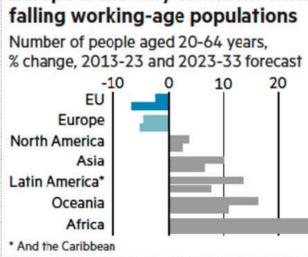


FT montage/Getty/Dreamstime

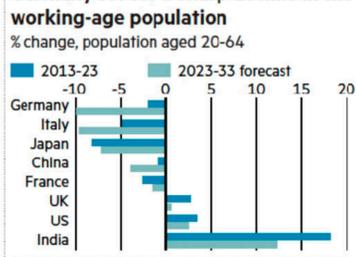
The EU working-age population is already contracting



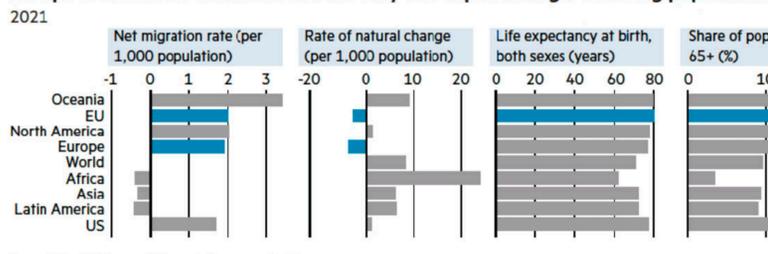
Europe is the only continent with falling working-age populations



Germany set for a sharp decline in the working-age population

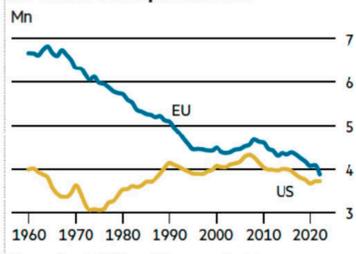


Europe is the oldest continent and the only one experiencing a declining population



Source: FT calculations on UN population prospects data

EU births have plummeted



Sources: Eurostat; UN population prospects data

"I can understand that people somehow feel like [they should] go far right... but at the same time we cannot live without [migrants]"

birth control methods have resulted in plummeting birth rates and rising life expectancy.

Crucially for economic growth and public finances, the EU's working-age population, those aged 20-64, who contribute the bulk of tax revenues, shrank from a peak of 270m in 2011 to an estimated 261m this year, according to UN data. Relative to total population, the EU working-age group peaked at 61.4 per cent in 2008 and has now dropped to 58 per cent.

With a declining share of the population in work, "GDP per head is going to be persistently low," says Michael Saunders, economist at Oxford Economics. "Compared to the path you've been on for most of the last 50 years in which living standards continue to improve, it feels very different."

Germany has lost about 2m people aged 20 to 64 since the numbers in that group peaked in 1998, according to an FT analysis of UN data. In the next decade, the EU's largest economy is set to lose another 10 per cent of its working age population, some 5m people.

In February, German economy minister Robert Habeck flagged labour shortages as the biggest risk to the country's economic growth. The Institut der Deutschen Wirtschaft, a think-tank, has estimated that the lack of workers could cost Germany €49bn of lost output in 2024.

Declines in the EU's working-age population are expected to exacerbate shortages in some sectors more than others. Many member states have a high demand for skills in areas such as engineering, science, technology and care.

Demand for workers has eased over

the past year as Germany's economy has struggled. But nearly 40 per cent of businesses are still suffering from a shortage of qualified workers, rising to nearly 70 per cent among legal and accounting services, according to a survey by the Ifo Institute, a Munich-based research institution.

Lower sales last year did not lead to lay-offs among the 867 staff at Ringmetall, a Munich-based manufacturing company that is part of Germany's famed *Mittelstand* of small and medium-sized firms.

"All of [our production sites] are quite remote to decrease the cost base of production," says Ingo Middelmeine, head of investor relations. "This makes it more difficult to find good employees. So once we have them, we try our best to keep them." Retention measures include offering office staff flexible working, but that option isn't possible for factory-floor workers.

Immigration and increases in employment rates, particularly among women – whose participation in the workforce among those aged 20 to 64 rose nearly 10 percentage points since 2009 to 70 per cent in 2023 – have so far compensated for the overall demographic declines. But most forecasters say that soon they will not be enough.

The European Commission's latest ageing report forecasts that labour input will fall from the late 2020s despite often "substantial" expected increases in job participation among older workers stemming from pension reforms.

Given the expected decline in hours worked, "labour productivity growth would become the sole driver of GDP growth," said the report. That is not

encouraging. EU productivity growth has been weak for more than a decade and has contracted since the end of 2022, widening the gap with the US.

Many experts urge governments to invest in skills and education to boost the value of what is produced per hour worked. The EU has attempted to address the issue with initiatives such as the "European Year of Skills", helping people to get the right skills and companies to fill skill shortages.

"We will need to make major investments for the enhancement of [the] human resources that we have, rather than trying to increase the fertility rate," says Wolfgang Iutz, founding director of the Wittgenstein Centre for Demography and Global Human Capital in Vienna. He adds that the risks of not doing so include "social conflict" and "losing out in terms of global competitiveness" with "not only our role in the world being diminished but also the wellbeing of people in Europe".

A key factor determining the EU's competitiveness and economic growth is the bloc's ability to attract global talent.

The EU has recognised that it is struggling to establish itself as a top destination for high-skilled workers. Last year the European Commission launched a "Skills and Talent Mobility package", a series of measures to make the EU more attractive to talent from outside, such as the Talent Pool platform, which facilitates recruitment of jobseekers from non-EU countries in EU-wide shortage occupations.

But immigration is largely a matter

for member states and is a leading voter concern. Some of the discussion ahead of the EU parliamentary election has been hijacked by "great replacement" theorists, who believe that liberal elites are promoting non-white immigration from outside Europe to undermine ethnic and cultural homogeneity.

"I can understand that people somehow feel like [they should] go far right... because they think that migrants will spoil their [nation's] identity, but at the same time we cannot live without [immigrants]," says Šuica.

Across Italy, schools have been closing or merging due to a lack of pupils. In Trapani, a small city in Sicily, immigration has provided an important inflow of new students. "Population decline is a challenge for us, we struggle to have the minimum number of pupils to create a class," says Anna Maria Sacco, the head of Ciaccio Montalto, an education body that oversees four schools. "What saved us are foreign-born students."

Since 2019, the number of foreign-born pupils rose by more than 50 per cent in the primary school she manages, limiting the fall in overall pupil numbers to 15 per cent.

To try to slow demographic decline, many EU countries have introduced financial incentives such as "baby bonuses" in Italy, Poland and Greece, and loans that get written off for couples with at least three children in Hungary.

Since its re-election last July, the centre-right administration in Greece has pledged to address the country's demographic challenges, establishing for the first time a Ministry of Social Cohesion and the Family. This year, the government raised the birth allowance, a one-off payment for having a child, from €2,000 to €2,400-€3,500 based on family size. The government also provides vouchers for families to access both public and private nurseries. "To reverse the declining demographic trend, you have to make measures permanent and give parents a [long-term] perspective," says Marina Stofou, secretary-general for demography and housing policy in the new ministry.

However, even family-friendly policies that have helped support fertility rates in the past no longer work as well as they did, according to Šuica. In 2022, the number of babies born in the EU fell below 4m for the first time since data collection began in 1960.

Births hit a postwar low in France and Spain, and a nine-decade low in Greece. In Italy they are at the lowest they have been since the modern state was created in 1861, while in Finland, they are the lowest since comparable data collection began in 1776.

The EU fertility rate dropped to 1.46 in 2022, with the figure as low as 1.16 in Spain, 1.24 in Italy and 1.29 in Poland. It fell below the replacement level of 2.1, at which the population is stable without immigration, in the early 1970s.

The trend in births is unlikely to be reversed, according to Sarah Harper, professor of gerontology at Oxford University. Better education and independence mean "women have lost the obligation to reproduce," she says. "We have an entire regional bloc that for quite a long time has had very good health and economics and education" – the drivers of lower fertility and longevity, she adds.

Experts think that Europe could make more of its "longevity dividend", capitalising on healthier older generations and breaking negative narratives around ageing. Europe has the highest life expectancy of any continent and the highest median age.

Most EU countries have taken steps to keep people at work for longer, such as increasing the retirement age to reflect longer life expectancy in Italy, Portugal and Greece. But in 2022 only 6 per cent of those aged 65 and above were in employment in the EU compared with a quarter in Japan, says OECD data.

Europe has also seen the number of those aged 85 and over double in the last two decades, adding pressures on health spending and public finances.

These strains are keenly felt in the district of Fiesole in Florence, Italy. Don Mauro, a local priest, says that in his district, cemeteries and retirement homes are struggling with a lack of space and funerals far outnumber baptisms.

Lots of older people are now living on their own and are "very frail", the priest says. He has started helping families to find carers, often foreign-born women, but says there is a "severe" shortage as immigration has not kept up with demand. The number of young people and babies is falling and "older people need more time and support", he adds.

"Population decline is a challenge for us, we struggle to have the minimum number of pupils to create a class"

The FT View



FINANCIAL TIMES

'Without fear and without favour'

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More effort needed on financial literacy in the UK

The education system is falling short in teaching children this vital life skill

When the Financial Times launched the FT Financial Literacy and Inclusion Campaign in 2021, the case for financial education was clear. Financial literacy has been shown time and again to improve life outcomes, across ages and demographics, while boosting economic potential.

Three years of experience working with young people, women and marginalised communities has only confirmed FLIC's view of the importance and scale of the challenge. It has therefore been heartening to see increased attention from policymakers in recent years. Yet a report this week by the UK's parliamentary Education Committee suggests that much more needs to be done.

The report finds uptake in England's schools is poor: only 33 per cent of

primary school students receive some financial education, while just 39 per cent of secondary school students said they received any financial training. And the subject remains non-compulsory for students over 16.

The quality of existing programmes is also subpar. Today's students, bombarded on social media by crypto boosters and get-rich-quick schemes, reach financial choices at a far earlier age than previous generations. The committee found that current curriculums do not match these modern needs.

Many of the issues can be attributed to poor implementation. Financial education is often neglected altogether, or is squeezed into timetables as an afterthought. Curriculum content is scattered across personal, social, health and economic (PSHE) education and maths, and there is rarely a senior administrator tasked with its implementation across a school. Curricular material also varies widely in terms of quality and motivation: FLIC and other educational

organisations produce impartial material, while commercial organisations such as banks may want to brand-build as well as educate.

There is also insufficient evaluation. Research suggests that financial literacy should be incorporated into maths curriculums. But the majority of financial education is in PSHE courses, where it is not sufficiently evaluated for its rigour, or treated as a priority by administrators. According to the parliamentary report, only 3 per cent of time in maths classes is devoted to financial topics, out of step with both recommended best practice and the reality of most people's usage of maths in adulthood.

The report makes a number of sensible proposals. Schools should appoint a financial literacy co-ordinator to assess curriculums and have a joined up approach. Quality and progress should be more heavily monitored, including through expanding PSHE reviews and by the UK opting into the OECD's Pisa evaluation for financial literacy. Finan-

Parliamentary committee proposes that quality and progress be monitored and that the subject be compulsory to age 18

cial education should be made compulsory for all students from primary school to age 18, even if the calling of an election raises questions over whether prime minister Rishi Sunak's "Maths to 18" initiative will ever materialise.

But more needs to be done. Exam boards should include more financial maths in papers. Curriculum providers should focus more on the skills students need to thrive in today's financial world. Most crucial of all, sufficient maths teachers must be recruited, and better trained on foundational finance.

If Labour wins the election, it has pledged a major curriculum review across all subject areas. That would take several years, but it would offer a chance to embed knowledge of everyday finance into schooling at every level. In the meantime, implementing the Education Committee's recommendations without delay would help the current generation of students navigate financial pitfalls, while also fulfilling more of their economic potential.

Opinion Employment

What if the government insured you for a pay cut?

Ann Kiernan



Soumaya Keynes

Imagine losing your job, your income grinding to a halt while your bills flow in relentlessly. It hurts. You hunt for a new position, but can't find one that matches your previous wage. Eventually you give up, and swallow a pay cut. Now imagine a government wage insurance scheme. For a limited time, it covers some of the gap between your old and new pay. The situation still hurts, but a bit less.

Between 2009 and 2022, more than 30,000 Americans didn't have to imagine. Workers over the age of 50 who had been turfed out of their jobs for trade-related reasons could benefit from a federal programme called "Reemployment Trade Adjustment Assistance". If people found new jobs, the programme handed out up to half their fall in wages for up to two years, to a maximum of \$10,000. And a new

Policymakers hope this will sharpen the incentives to find work after being laid off

study suggests that, remarkably, the RTAA paid for itself.

Fans of wage insurance argue it will make workers more accepting of disruptive forces such as trade and technology. ("Let's stuff your mouth with banknotes to stop you complaining about losing your livelihood!") Perhaps it could even help people jump from shrinking industries to expanding ones, by limiting the upfront pay cut. Penny-pinching policymakers hope that it might sharpen the incentives to find work after being laid off.

Given that many Americans feel towards freer trade what I feel about cold baked beans, the programme has hardly transformed public opinion. Critics point out that as policies to help the disaffected go, wage insurance is pretty pricey. And, awkwardly, older evidence suggests that such handouts don't help people off unemployment benefits. Studies of Canadian and German schemes failed to find big effects on the speed of re-employment.

The new study, by Ben Hyman of the Federal Reserve Bank of New York, Brian Kovak of Carnegie Mellon University and Adam Leive of the University of California, Berkeley, compares RTAA recipients with similar workers who were slightly too young to be eligible, as well as those whose employers unsuccessfully applied for the

scheme. For those in their sample, job losses hit hard. Of workers aged 47 to 53, no more than two-thirds were employed four years later.

Some of the economists' estimates of the effects of wage insurance will disappoint its strongest advocates. Compared with the ineligible, recipients were no more likely to be employed after four years, were no more likely to switch industry and the jobs they did accept didn't tend to last longer.

Add to that a hefty price tag. On average, subsidy recipients got around \$5,600 from the programme, though the average cost per eligible worker was lower (around \$3,000) since some people didn't know about the scheme. That is on top of an administration cost of \$150 per eligible worker.

But there is some good news. It seems encouragement to find a job works, in the short-term. On average, eligible workers spent around three months less in unemployment after they first lost their job. (And finding a job quickly seems to be good for earnings.) That yielded the government as much as \$11,000 per head through lower unemployment benefits and higher taxes.

Why would this American scheme look so much better when the other evaluated versions flopped? The authors claim that the disappointing results were caused by poor take-up. In Germany, workers had to apply for and be approved for the scheme before starting their new job, whereas in Canada they had to find another full-time job within 26 weeks. When the US scheme had similarly strict eligibility criteria before 2011, take-up was dismal, too.

OK, so what? Policymakers should probably gather a bit more evidence before promising wage insurance to everyone, including the young. A broader scheme could bring the risk that the labour market adjusts to change who benefits from the payments. What if the subsidies depress wages, in effect handing a bung to employers without benefitting workers? Or what if it helps eligible job-hunters, but makes securing work harder for everyone else?

At least reintroducing wage insurance for older workers affected by trade seems like a decent plan.

Historically, Trade Adjustment Assistance was a Democrat demand, balanced against Republicans' desire for trade negotiations. But recently such bargains have been harder to strike, and as of May 20, 727 employer petitions covering 115,592 workers were in bureaucratic limbo. Only a fraction of those might be eligible for wage insurance. Still, it seems a shame that political wrangling would get in the way of a good idea.

soumaya.keynes@ft.com

Letters

Nationalistic flag-waving won't help to create a British tech giant

Jeremy Hunt's comment that the success of the UK tech sector will be central to the success of the UK economy is hard to disagree with ("Hunt dreams of creating a \$1tn 'British Microsoft' as he shrugs off foreign raids", Interview, May 14).

However, when considering his further point that "the UK can create a \$1tn homegrown tech giant to rival Microsoft or Google", it's important to remember that US-born tech giants did

not flourish because they were vying to be US flag-wavers. Similarly, today's small UK tech businesses won't be driven by such motives either. A vision narrowed to a UK national scale could risk limiting start-ups to aspire to nothing beyond selling out to those with deeper pockets.

Rather than being confined by borders, we should be seeking to dismantle them; forging stronger ties with the US and other like-minded

countries to allow UK tech communities to flourish and grow. More support for UK tech businesses to make overseas investments and acquisitions, particularly in the US, is paramount, alongside more university exchange programmes, increased investment in UK universities, thoughtful simplification of the rules around merger control and the National Security and Investment Act as well as benchmarking sector-

relevant tax and investment incentives against the US. Such a transatlantic tech community will create and encourage businesses with strong UK components that can thrive globally. Whether they end up being majority US-owned or majority UK-owned, the UK stands to benefit if it positions itself at the heart of, and not apart from, the global tech ecosystem.

Nick O'Donnell
Partner, Bird & Bird, London ECA, UK

The ageing 'problem' has a climate change upside

Martin Wolf riffs nicely on a problem that affects almost every country in the world – namely ageing populations ("Longer lives mean profound social change", Opinion, May 13).

The mystery is why he never places this problem in the context of shrinking populations and the existential threat of climate change.

The elderly bulge is a transition phenomenon, comparable to the global population explosion that began around 1900, creating a youth bulge in most countries.

The elderly bulge is expected to stop growing by 2050 and will gradually diminish over the following decades as its members die.

Wolf's opinion piece leaves readers believing that there is nothing good about the ageing problem. He should have pointed out that the ageing problem results from the sharply declining fertility (childbearing) around the world that is causing populations to shrink. Furthermore, meeting the challenges of climate change will be much easier in a future where the global population is shrinking than it would be if the global population were doubling in the next 70 years (for example) to 16bn, as it has more than trebled from 2.5bn in 1950.

The strong point in Wolf's piece is indisputable. "Profound social change" will be required to avoid serious social turmoil in the years ahead – from both the ageing bulge and the below-replacement-level fertility. This change will not be easy or smooth, but it has a bright side. It can make the planet more liveable for our grandchildren and their children.

Lex Rieffel
Washington, DC, US

Shaken but not stirred by convertible bond analysis

I read with interest Satyajit Das's FT column discussing convertible bonds ("Convertible bond issuance may only delay a reckoning", Markets Insight, May 1). The article points out that convertibles come with repayment risks; however, this risk is not any greater than the risks associated with other debt securities. In fact, a convertible is the most flexible debt instrument available in the market – convertibles include no financial covenants, require no ratings, and can be converted into equity to address the debt liability.

Additionally, even in a potential repayment scenario, convertibles provide ease of refinancing as issuers can negotiate with existing investors and roll a convertible into a new security or into shares.

The article touches on hedging by arbitrage traders. However, their participation can also enhance market liquidity and facilitate efficient pricing, benefiting all stakeholders. Issuers do



need to be mindful of the stock price impact from a convertible offering, but that impact can be mitigated through a number of strategies.

Additionally, there are billions of dollars of long-only convertible capital, and many of these investors can also buy an issuer's equity, bolstering the shareholder register.

Currency and repackaged credit risks mentioned in the article are considerations in some markets but are extremely rare, and therefore largely irrelevant in the US, the largest convertible market in the globe by far. The article is also silent on innovations in the US market, such as capped call hedges and independent advisers, that have improved convertible attractiveness and transaction efficiency.

In addition to unrated companies, many high-quality, rated companies issue convertibles to reduce interest costs.

In the last several months, we have advised Uber, Super Micro, Federal Realty and Xerox on their offerings – every one of these companies has unfettered access to the debt markets, and they chose to issue convertibles because of their attractiveness.

For investors, a convertible provides a unique opportunity to participate in potential equity upside while enjoying bond-like downside protection.

This is why convertible investors have provided precious capital to issuers in need in every volatile market, including during the depth of the Covid crisis. The assertion that convertibles exacerbate financial distress overlooks the strategic flexibility they offer in navigating market volatility.

In conclusion, while convertibles can pose certain risks, they are a valuable tool for companies seeking to diversify funding sources, and their benefits far outweigh the challenges when approached with prudence and foresight.

Syed Raj Imteaz
Head of Convertible and Equity Derivatives Advisory, ICR Capital
New York, NY, US

Intended or not, BoE rates policy reassured the public

While Mervyn King, now Lord King, is rightly credited with playing a full part in avoiding systemic risk during his period as governor of the Bank of England (2003-2013), he may be adrift when criticising Andrew Bailey, the current governor, for not increasing interest rates as inflation increased in the period 2020-21 ("Ex-governor attacks BoE for not raising rates sooner", Report, May 3).

This is the period during the Covid lockdown when the government injected £70bn through the furlough scheme to protect the economy, and it could have been seen as counterproductive to then tighten the economy by raising interest rates.

Lord King's view seems to be based on economic modelling, however.

By definition, theoretical models cannot take account of a pandemic, and as such, the way the Bank of England kept rates down was theoretically just as likely to be successful as raising rates.

Whether he intended it or not, Bailey's policy of low interest rates had the effect of reassuring the public that the political and monetary authorities were genuinely extending to the public an understanding of their plight.

Public opinion cannot be modelled, or accurately anticipated, and it is public opinion that makes or breaks policy, both practical and theoretical.

Had interest rates been increased earlier in the interests of controlling possible future inflation, public support for our overall system may have been put at risk – a much bigger risk than inflation after the pandemic was over.

Charles Bishop
Managing Director, Capital Value Brokers
London W8, UK

When tax authorities need to ginsay the accountants

Regarding the problem of trying to tax the super-rich ("We are a step closer to taxing the super-rich", Opinion, May 20) based on their wealth, we have seen how Donald Trump overvalues for the purposes of collateral for borrowings or appeal bonds, or when trying to impress the arbiters of the Forbes 400 annual ranking of America's richest, while he undervalues the same assets when calculating his taxes.

Given that most billionaires have assets in many classes that cannot be readily and objectively valued – real estate, private equity, venture capital, sports teams and yachts spring to mind – we can foresee a situation where the army of accountants currently dedicated to tax avoidance would be turning their attention to belittling their clients' portfolios, while the tax authorities will need an army of their own to ginsay the accountants

Oliver Corlett
Glasgow, UK

We ask students how they feel about exams obsession

Students and employers need trusted qualifications, but as Stephen Bush suggests, targets and exams can "multiply well past the point of effectiveness" (Opinion, May 21).

This may be happening with GCSEs in England. Pupils face more hours of high-stakes exams at 16 than their peers in every other major country.

It is smart, as Bush writes, to regularly review "whether your targets are working as they should". That's why at the OCR exam board we have commissioned former education secretary Charles Clarke to review learning and assessment at 11 to 16.

We want to reduce the burden of assessment, and to develop bold and pragmatic policy ideas for the next government.

We're consulting leading educationalists, including some of our own here in Cambridge. But crucially, we're underpinning this work with the views of thousands of students and teachers. All too often it is the subjects of targets who get overlooked.

Jill Duffy
Chief Executive, OCR
Cambridge University Press & Assessment,
Cambridge, UK

Risk aversion checklist for any incoming government

Andy Haldane's piece "Why an uncertain world needs to take on more risk" (Opinion, May 18) was spot on in its analysis but short on practical suggestions to overcome risk aversion.

The coming UK election campaign ought to produce bold policies to transform the UK economy.

I would make three suggestions. First, we need an emergency programme to remove the NHS backlog in three years, thereby returning 1mn-2mn people back to the workforce. Second, an immediate massive public housing programme by local councils, funded initially through borrowing and ultimately rents, which would increase labour mobility. Third, we need to improve critical infrastructure and skills to incentivise the private sector and remove obstacles to growth. Tax incentives for investing in electric vehicle charging networks, funding for research, innovation and training in new technologies spring to mind.

Sadly we are more likely to have policy pusillanimity and more of the same risk aversion.

Jeremy Clarke
Saffron Walden, Essex, UK

Corrections

● The name of Latymer Upper School in London was misspelt in an article on May 21.

● Xinjiang region is in north-west China, not the north-east as wrongly stated in an article on May 21.

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Opinion

America must face reality and prioritise China over Europe

Elbridge Colby

It is increasingly common to hear from Americans that we must focus more on China and Asia and less on Europe. Unsurprisingly, this perspective is not always welcomed. Commentators often charge that such counsel is rooted in "isolationism", "weakness" or the personal agendas of given leaders.

It is not. It is rooted in deep structural realities. The fact is that the US will have to prioritise China and Asia over Europe in the coming years, regardless of who is in charge – the primacy of Asia and the rise of a superpower China compel it.

Many opponents of a refocus towards Asia like to wrap themselves in the legacy of cold war strategy – namely to prevent any potentially hostile power from dominating the most important industrialised region of the world –

used to lead America to Europe, today it indicates America must concentrate on Asia.

Moreover, the most important American rival is itself in Asia: China. While the Chinese economy is smaller than America's in dollar-denominated terms, it is comparable, if not larger, in more geopolitically relevant purchasing power parity terms. China's military has grown at a breathtaking pace while the country is competing at the forefront of key military and dual-use technologies.

No one knows what Beijing will decide, but China seems to be doing almost everything consistent with preparing for a war with America. It is attempting to sanction-proof its economy and is conditioning its population to be ready for stormy weather ahead.

Any responsible administration must therefore prepare for the possibility of a war with China. US policy should seek to deter conflict with the manifest ability to deny China a successful invasion of Taiwan. Unfortunately that ability is not something that can be assumed. Indeed, credible sources indicate America is on track to lose such a war.

Many will concede this but say America should still be able to provide the bulk of the defence for its allies in both Asia and Europe. But this is simply not realistic. It is a fact that the US does not have a military large enough or appropriately designed to fight two major wars, especially should fighting break out simultaneously with China and Russia. And there is very significant

We need to induce our allies to take primary responsibility for their own defence

overlap between the needs for a fight over Taiwan and one in Europe, not enough resources to go around, and an urgent demand for the US to make up lost ground in Asia.

Unfortunately, these deficits cannot be remedied quickly or easily. So what is the right strategic response?

Despite stirring rhetoric from leaders in Congress and the press, a foreign

policy of US primacy is simply not possible. We do not have the military for it, and even if the budget were available, we could not field one in sufficient time. Meanwhile, there is growing concern about the size of America's deficits, and many are warning about increasing our already high debt load. So primacy is not a serious option.

Nor, though, is isolationism. Pulling back to our own shores and allowing the chips to fall where they may would almost certainly lead to a Chinese-dominated Asia, with grave consequences for the American economy. Our interests in Europe and the Middle East would fare no better.

The answer lies between those two extremes, in strategic prioritisation: grappling with the reality of scarcity and the need for hard choices, focusing resources and willpower where America's most important interests are endangered – Asia.

But this does not mean abandoning Europe. Rather, it involves inducing our European allies to take primary responsibility for their own defence. In 1988, West Germany alone boasted an army

of 12 active and three ready reserve divisions. If we are serious about following the cold war example, then European rearmament is the way.

The best way forward is to face reality, recognise Europe must take the lead for its own defence and transition together as part of a reformed but more sustainable Nato. Unfortunately, this will involve vulnerabilities – the US must withhold forces from Europe that may be needed for Asia, even in the event of Russia attacking first. This is because if the US ties down or loses key forces for a defence of Taiwan in a less significant European fight, it is asking for China to attack. But this does not mean abandoning Europe; it means working together on a plan to manage these vulnerabilities as best we can.

Is this a perfect solution? No. But we are not in a world of perfect solutions. Those who pretend that we are may be the most dangerous of all. Better to face reality and implement strategies for it. That's the only responsible course.

The writer served as Pentagon lead for the 2018 National Defense Strategy

Sighs of relief will be coming from the BoE and Treasury

Nicholas Macpherson

This weekend, the Treasury and Bank of England will be breathing a collective sigh of relief.

Officials no longer have to worry about the prospect of a tax-cutting mini-Budget in the autumn. The Bank of England no longer has to worry about politics clashing with monetary policy decisions. Of course, the Monetary Policy Committee will have to navigate its meeting on June 20. But Wednesday's inflation figures provide a fig leaf for masterly inaction.

Central banks may be independent but for good reasons they do all they can to avoid changing interest rates in the heat of an election campaign. With four MPC meetings in the second half of the year, there will be plenty of opportunities for the BoE to adjust monetary policy.

An election in early July provides the incoming chancellor with the opportunity to develop a credible fiscal plan for a Budget in late November or early December. There will be time enough for a comprehensive spending review over late summer and early autumn. And no doubt the Treasury is already making preparations.

Spending pressures are increasing. The NHS and social care are underfunded beyond the current year. The war in Ukraine will necessitate more spending on defence. And both main parties are likely to commit to generous compensation schemes for those affected by the Post Office and infected blood scandals. None of these pressures are reflected in the

A new chancellor will have several months to come up with a creative solution to the tax conundrum

plans the new chancellor will inherit. Whichever party forms the next government will face difficult tax decisions. If spending is going to rise, taxes will have to rise too. Both main parties are likely to rule out increases in the main rates of income tax, national insurance and VAT during the course of the election campaign. The problem is these are the taxes that account for the vast majority of revenue.

With inflation falling, the government will no longer be able to rely on fiscal drag from frozen tax allowances to deliver the revenues they need. The new chancellor will at least have several months to come up with a creative solution to this tax conundrum. I would advise them to look again at the health and social care levy introduced by Rishi Sunak when he was chancellor but abolished by his predecessor as prime minister, Liz Truss.

Both main parties will no doubt make much of their fiscal rules during this campaign. The Conservatives will argue that theirs are more responsible. Labour will insist theirs are essential for an economy starved of investment. When I was at the Treasury, I always advised chancellors not to become mesmerised by such rules. They come and go. The British people rightly have never shown much interest. And the markets generally discount them.

What matters is the substance: does the government have a credible fiscal plan? If the next chancellor can set one out by the end of the year, the prize could be considerable. The economy is growing. Living standards are improving. The Bank of England is set to reduce interest rates. If the government can demonstrate it has a grip on the public finances, its funding costs are likely to fall and sterling is likely to rise, enabling the bank to cut interest rates further.

Sound macroeconomic policy on its own is not going to improve the British economy's capacity to grow – for that, you need sensible policies on skills, investment, competition and above all trade. But it's a start. And it is not entirely fanciful to suppose that, if the electorate returns a government with a strong mandate, Britain could become a beacon of stability with the economy outperforming expectations in the years ahead.

At least, that will be the hope of Treasury and BoE officials this weekend as they start preparing for the next government.

The writer is a former permanent secretary at the UK Treasury

Mesoeconomic systems have come of age

FINANCE

Gillian Tett



This week BMW, Jaguar Land Rover and Volkswagen are in the crosshairs of the US Congress. The reason? A Senate committee report claiming that their supply chains use parts made by forced Uyghur labour – which is embarrassing given that China is about the only issue of bipartisan consensus in Washington right now.

No doubt other executives will be scrambling to assess their own supply chain risks. So should investors. But there is a third professional group that is also worth watching in this connection: economists.

A couple of decades ago, they did not focus much attention on supply chains. That was partly because the discipline was dominated by macroeconomics (top-down systemic studies) and microeconomics (bottom-up studies of individual incentives) – and industrial supply chains fell in the middle. But that lack of attention also reflected an assumption that supply chains always worked seamlessly, and thus were boring.

When I was a rookie reporter in the early 1990s, I sometimes called purchasing managers' trade groups, and

was invariably greeted with surprise, since they rarely dealt with economics reporters. Now, however, geopolitical, environmental, social and political shocks are pushing supply chains into the limelight. And one oft-overlooked consequence of this – as Bill Janeway, an economics professor at Cambridge, notes in a thoughtful essay – is the emergence of what he calls "mesoeconomics", or the study of the "middle" space between micro and macro, where supply chain networks exist.

One trigger for this intellectual shift is that supply chain shocks have recently wrongfooted inflation forecasts, as the White House laments. Another is that industrial policy is back in vogue with a vengeance.

A third impetus is digital innovation. Big Data is enabling economists to track business networks with once-unimaginable levels of detail, almost in real time. "That means every set of inter-firm relationships can be characterised mathematically as a graph, which allows for the use of concepts from graph theory," Janeway explains.

To put it another way: while economists used to act like medieval doctors, making diagnoses by looking at body parts and deducing how these interact, they now aim to be more like physicians with microscopic cameras who watch how blood circulates in order to assess a patient's health. Networks matter.

The Bank for International Settlements recently did a novel analysis of global value chains, and the IMF is looking at them, too. Economists are also

using mesoeconomics to explore pricing pressures and innovation.

This shift is still at an early stage. But to my mind it should be loudly applauded, for at least three reasons. First, and most obviously, policymakers will get a better sense of how the economy actually works and inflation develops by using this kind of graph analysis. Second, the shift may help to widen the scope of the economics profession, to promote more imagination.

One such rethink started 15 years ago, after the 2008 financial crash, when the fields of behavioural finance and behavioural economics shot to prominence, blending psychology and economics. Neuroeconomics, which looks at how economic decision-making occurs into the brain, is now blossoming.

Economists used to act like medieval doctors but they now aim to be physicians with microscopic cameras

But this creative interdisciplinary thinking needs to go much further. Take, for instance, the analysis of non-monetary exchanges, such as the massive swap of data for services in the consumer tech sphere. Twentieth-century macro and micro economics struggle to do this. Fields such as anthropology, which have theories around barter, might help.

And this highlights the third reason why the rise of mesoeconomics should be welcomed: network analysis is crucial in many fields of the political economy, and has long been overlooked.

Consider finance. After the financial crisis it became clear that one reason for that disaster was that bankers had been "slicing and dicing" credit risks in complex transaction chains that were dangerously concentrated on single bottlenecks or nodes. This concentration had gone undetected because few people were analysing this network – instead they were focusing either on their individual risk or using top-down analysis to look at the entire system.

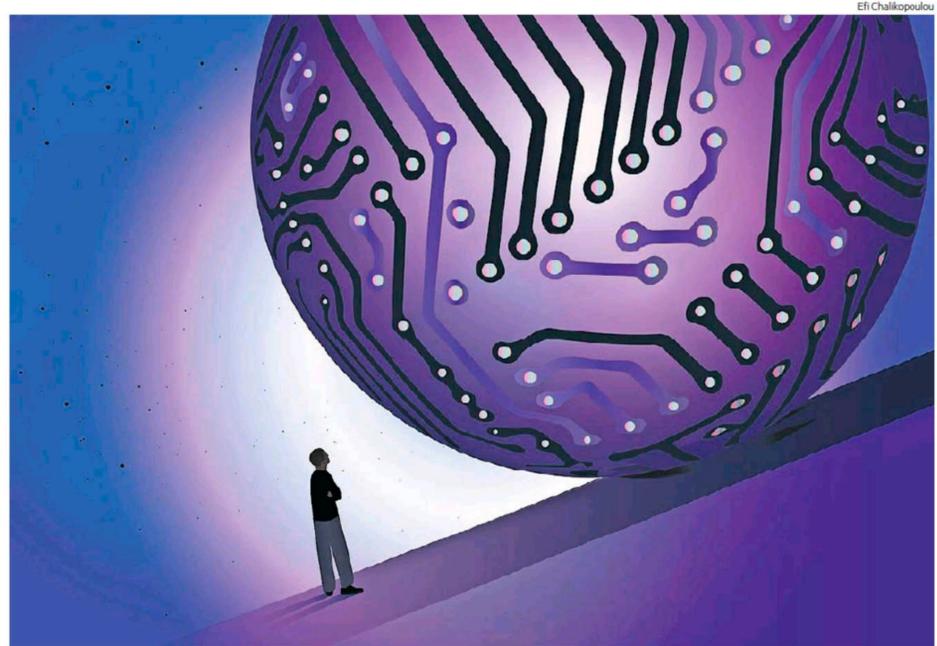
Today financiers and regulators are

savvier about these networks of transactions. However, networks matter in other ways, too. For example Michael Hsu, acting head of America's Office of the Comptroller of the Currency, has warned that banks' use of cloud computing is so concentrated on a few suppliers that this creates new bottlenecks and vulnerabilities. The BIS shares these fears.

Another example: Tim O'Reilly, a tech pundit and entrepreneur, notes that economists and policymakers often ignore the economic impact of digital supply chains. Network analysis, he tells me, is needed to track "the ecosystems of value creation that have sustained the world wide web and how they are being disrupted by large language models".

So we don't need just "mesoeconomics", but more "mesotech" and "mesofinance" analysis too. Perhaps Congress and other governments could extend their newfound focus on supply chain risks into funding for this research. The auto sector might be one place to start.

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Efi Chalkopoulou

Scarlett Johansson is right: AI companies should be more transparent

TECHNOLOGY

John Thornhill



In the film *Her*, a lonely writer called Theodore Twombly falls in love with the disembodied voice of Samantha, a digital assistant played by the actor Scarlett Johansson. "I can't believe I'm having this conversation with my computer," Twombly tells Samantha. "You're not. You're having this conversation with me," Samantha coos.

The genius of Spike Jonze's script is its exploration of the borderlands between the artificial and the real. But the science fiction film, released in 2013, has acquired ironic resonance today after OpenAI launched its latest GPT-4o multimodal artificial intelligence chatbot, seemingly mimicking Johansson's voice.

Johansson said she had declined OpenAI's requests to use her voice,

adding that she was "shocked and angered" to discover the company had deployed one "eerily similar" to her own. She called for greater transparency and appropriate legislation to ensure that individual rights were protected. OpenAI paused the use of the voice, which it later explained belonged to another unnamed actor.

The incident might have struck officials attending the latest AI Safety Summit in Seoul this week as a diverting celebrity tantrum. But the dispute chimes with three more general concerns about generative AI: the theft of identity, the corrosion of intellectual property and the erosion of trust. Can AI companies responsibly deploy the technology? Unnervingly, even some of those previously in charge of ensuring safety are asking that question.

Last week, Jan Leike resigned as head of a safety team at OpenAI following the departure of Ilya Sutskever, one of the company's co-founders and chief scientist. On X, Leike claimed that safety at the company had taken a back seat to "shiny products". He argued that OpenAI should devote much more

bandwidth to security, confidentiality, human alignment and societal impact. "These problems are quite hard to get right, and I am concerned we aren't on a trajectory to get there," he posted.

In his own parting remarks, Sutskever said he was confident OpenAI would build AI that was "both safe and beneficial". However, Sutskever was one of the board members who last year tried to oust the company's chief executive

Some in the industry fear regulation may only strengthen the grip of Big Tech

Sam Altman. After Altman was reinstated following a staff revolt, Sutskever said he regretted his participation in the coup. But his own departure will remove another counterweight to Altman.

It is not just OpenAI, though, that has stumbled in deploying AI technology. Google has had its own problems with generative AI when its Gemini chatbot

generated ahistorical images of Black and Asian Nazi Stormtroopers. Both companies say mis-steps are inevitable when releasing new technologies and they respond quickly to their mistakes.

Still, it would instil greater confidence if the leading AI companies were more transparent. They have a long way to go, as shown by the Foundation Model Transparency Index, published this week by Stanford University. The index, which analyses 10 leading model developers across 100 indicators including data access, model trustworthiness, usage policies and downstream impacts, highlights how the big companies have been taking steps to improve transparency over the past six months but some models remain "extremely opaque".

"What these models allow and disallow will define our culture. It is important to scrutinise them," Percy Liang, the director of Stanford's Center for Research on Foundation Models, tells me. What worries him most is the concentration of corporate power. "What happens when you have a few organisations controlling the content and behaviour of future AI systems?"

Such concerns may fuel demands for further regulatory intervention, such as the EU's AI Act, which received approval from the European Council this month. More than a quarter of US state legislatures are also considering bills to regulate AI. But some in the industry fear regulation may only strengthen the grip of the big AI companies.

"The voices in the room are Big Tech. They can entrench their power through regulation," Martin Casado, an investment partner at the VC firm Andreessen Horowitz, tells me. Policymakers need to pay far more attention to Little Tech, the scores of start-ups using open-source AI models to compete against the bigger players.

Ten nations and the EU at the Seoul summit this week agreed to establish an international network of safety institutes to monitor the performance of frontier AI models, which is welcome. But they should now listen to Johansson and dig much deeper into the powerful corporate structures that deploy these models.

john.thornhill@ft.com



Tabby Kinder

Can the AI boom stop the tech exodus from San Francisco?

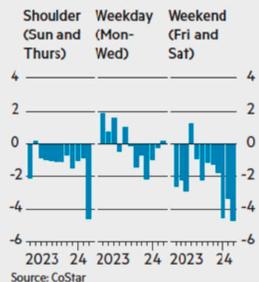
INSIDE BUSINESS

Pent-up demand for travel in danger of being tapped out



Leisure appetite falls

US hotel occupancy, year-on-year change (%)



Source: CoStar

Americans' urge to splurge on pricey vacations is fading. After the pandemic put the brakes on the travel industry, leisure spending bounced back strongly over the past two years.

All that pent-up demand from the pandemic is at risk of being tapped out. If "revenge travel" was the buzzword in 2023, then "normalised demand" is poised to be this year's corporate catchphrase. Investors should adjust their expectations accordingly.

Hotel operator Marriott International, pictured above, is among the many leisure companies saying demand for travel is normalising, particularly in the US and Canada. Revenue per available room (RevPAR) or room revenue for leisure travellers from the region was flat year on year in the first quarter. Meanwhile, US online travel site Expedia cited lower than expected growth in gross bookings for lowering its full-year guidance.

At Southwest Airlines, first-quarter revenue per available seat mile came in at the low end of the airline's own forecast amid softening demand from leisure passengers. Even Airbnb is seeing a slowdown. It said customers booked 132.6mn nights and experiences in the first quarter. That

was 9.5 per cent ahead of the same period a year earlier, but the slowest pace of growth since the pandemic.

Overall, RevPAR for the hotel industry in the US fell 2.2 per cent in March, the first year-on-year drop since the pandemic, according to CoStar, a property data group. The decline in pricing power should come as no surprise. US hotel occupancy has declined year on year for 12 consecutive months, decreasing 2.5 per cent year on year in March.

There are bright spots. While US growth has stagnated, demand in Europe and Asia has been more enduring. This makes travel companies with more international exposure a safer bet.

Corporate travel, slower than the leisure segment to recover from the pandemic, also offers some comfort. The number of domestic trips taken by business travellers is expected to rise 7 per cent this year, compared with a 1.9 per cent increase for leisure travellers, according to the US Travel Association.

Business travellers tend to pay higher fares and hotel rates. This is good news for companies that cater to this group, such as Delta Air Lines and Hilton Worldwide. Over the past 12 months Delta, Hilton and Booking have outperformed their group peers. Expect the gap to persist.

National Grid's £7bn rights issue reveals energy transition costs

Electricity grids are one of the big bottlenecks of the energy transition. They will require vast investments to meet growing demand. That puts network companies in the position of having to raise equity, flog assets or contain dividends to square the numbers. National Grid – which yesterday announced a £7bn rights issue, disposals and a dividend "rebase" – is ticking all three boxes.

Its dash for cash is for a good cause. The UK network company sees room to invest £60bn between 2025 and 2029, almost twice as much as its capex between 2020 and 2024. A big chunk of the uplift will come from de-bottlenecking the domestic grid, with capex on the high-voltage transmission network set to more than triple. That will drive 10 per cent annual growth in its asset base between 2025 and 2029.

Electricity demand in the UK is forecast to broadly double by 2050. With this sort of opportunity ahead, National Grid does not want to find itself counting nickels and dimes. Hence the blowout equity increase.

At £7bn, its rights issue is equivalent to 17 per cent of its pre-announcement market capitalisation. On top of that, it plans to sell a liquefied natural gas terminal in the east of England and its US onshore renewables business, which UBS values at £3.6bn.

It will rebase its dividend to keep the overall cash outflow flat despite the

rise in the share count. That translates into a 14.7 per cent cut in dividends per share, which will then grow in line with inflation. Overall, this puts National Grid on a firm footing to fund its long-term growth plan and keep leverage between 60 and 70 per cent.

But the trouble for investors is that, at least initially, growth will not be enough to compensate them for all the additional equity they are putting in.

To get its £7bn, National Grid will issue 1.085bn new shares, raising its total count from 3.7bn to 4.8bn. As a result, despite expected net income growth, it is guiding to flattish underlying earnings per share in 2025. While EPS will then rise at a respectable clip, this initial effect means annual growth will be modest, around 5 per cent a year to 2029 on Bernstein calculations. That compares with 6 to 8 per cent expected between 2021 and 2026.

Funding the green transition is a laudable ambition but it will not light up returns.

Private ownership of Hargreaves would offer some advantages

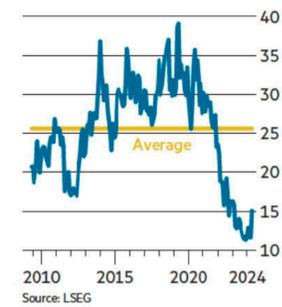
UK wealth and asset managers are in the grip of consolidation. Under pressure from falling fees and growing regulation, roll-ups, integrations and cost-cutting are under way across the industry. Hargreaves Lansdown, itself a disrupter having gathered £150bn from do-it-yourself investors, now finds itself a target. It has rejected a £4.8bn approach from a private consortium led by buyout group CVC.

It should come as no surprise that Hargreaves' board has batted away the 985p a share approach. True, the UK's largest retail investor platform is particularly vulnerable to aggressive competition. Its shares were 60 per cent lower at the start of this year than in 2020, underperforming peers such as AJ Bell and IntegraFin. Valuations across the sector have also been under pressure as rising interest rates depress prices for financial assets.

Even so, CVC's offer looks overly opportunistic. At a 28 per cent premium to the three-month average undisturbed price, it would only

Hargreaves under pressure

Forward price-to-earnings ratio



Source: LSEG

equate to about 15 times 2025 earnings. Hargreaves' valuation peaked at about 40 times earnings in 2019 and has averaged 25 times over the past 15 years. Peers currently trade at between 18 and 20 times forward earnings.

The discount reflects Hargreaves' incumbent position and outsized fee structure – both of which should diminish. Equity trades at Hargreaves cost £12 each versus £5 at AJ Bell and £4 at Interactive Investor. Its all-in annual fee is equal to 38 basis points compared with 27bp and 19bp respectively for the two competitors, thinks Citi.

Regulators are taking a hard look at wealth and asset managers as part of new Consumer Duty regulations. Platforms have attracted scrutiny for how much of the interest earnings on customer cash they choose to keep. This income supported earnings during the period of higher rates.

The question is how far and fast earnings from fees will fall. Say that earnings estimates today are overstated by 20 per cent, then CVC's prospective offer looks a lot healthier at closer to 19 times – albeit still too low. An offer at £12 a share on the same earnings equates to a 23 times multiple and a substantial premium to peers as well.

A reset of fees would be less painful if done away from public markets. Also, its clean balance sheet could take on debt to enhance private equity returns via dividends. CVC executives may well have extolled those benefits to keep founder, and 20 per cent shareholder, Peter Hargreaves at the eponymous wealth manager.

Oaktree's Inter Milan takeover shows risks of private debt in sport

Football club Inter Milan this week became the property of Oaktree Capital Management, a Los Angeles-based debt specialist that manages nearly \$200bn and is owned by Brookfield.

Oaktree in 2021 had loaned €275mn to Inter Milan's then-majority owner, Chinese retailer Suning, to help weather the pandemic. The club's fine on-pitch performance did not do enough for its bottom line. The loan balance, through a so-called payment-in-kind feature, ballooned to €400mn based on a 12 per cent interest rate. When Suning could not repay or refinance the loan, Oaktree moved in.

The presence of big-money financial investors, from Wall Street to sovereign debt funds, is not new anymore in professional sports. But rather than just private equity, private debt funds are proliferating and offering expensive loans for sport franchises that may not be steadily cash generative.

In US sports leagues, franchises were typically family-owned and passed through generations. Eventually the "masters of the universe" arrived with their personal fortunes. But leagues historically forced team owners to be conservative with debt capital.

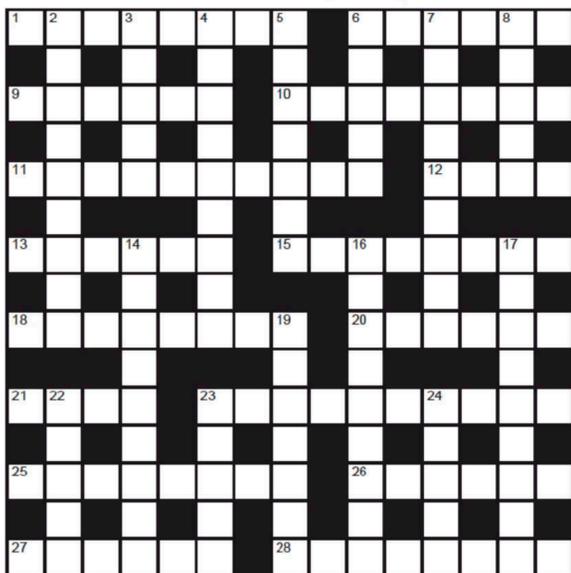
With franchise values skyrocketing, leagues are becoming more lax on capital structure restrictions. Tapping private debt could allow heady paper valuations to materialise in deals. That comes with risks. The National Basketball Association's Minnesota Timberwolves are in the middle of a sale in which an issue arose over how much a potential loan from the Carlyle Group to the putative buyers would end up limiting sporting decisions.

A person close to Oaktree told the Financial Times that by taking over Inter Milan, it was protecting the investment of its limited partners. In a press release, the firm also acknowledged the club's "community, history and legacy".

Can Oaktree be a long-term football owner? Can big profits coexist with chasing trophies? The more pressing question for football fans is how much debt the fund itself will want to put on the team now that its balance sheet has been cleansed.

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Solution 17,742

S P E E D Y S I N I S T E R
M X R D N L O E
O U T R A G E T I L A P I A
L R B T H S R
L E A R D E T E S T A B L E
E V D R R A L D
T R A V E L H E A R S A Y
T G A C D R C E
H A N D S O N R E C K O N
R N L L P D B G
O N T H E A L E R T T O R E
U T A O F T N
S H O O T U P B L A S T E D
F E F S F R O F
D E F E R R E D F O R M E R

JOTTER PAD

A musical anniversary tribute

ACROSS

- Small piece of a nation's at sea (8)
- Twist case of eager artist (6)
- Brief manipulation of report on sparkling ring (6)
- See 23 Down
- Edit generic DNA of relative (10)
- See 23 Down
- Just mean to follow spiritual leader (6)
- Very close to being the most drunk (8)
- Controversially, extreme divers free to remove trunks (8)
- Cargo delay involves uproar (6)
- See 23 Down
- Slightly altered self-image is what politician desires (10)
- Utter stench with sign of spirit (3,2,3)
- Half-term in Euston station (6)
- Harden attitude (6)
- Drawn very well without first-rate pattern makers (3-5)

DOWN

- Could be significant being educated differently (9)
- Tip-off of priest's crime (5)
- Money changes with size of protein producing same reaction (9)
- Elbow supporter with ultimate venom during detention (7)
- Peace force in the borders (5)
- Stepped up and betrayed grasping revolutionary (9)
- Scanning electronically, your items never get opened (5)
- Appeared to retain right to be supported (7,2)
- Listen to score and refuse to spy theme (9)
- Lose self-wonderfulness, wrecked by drink (9)
- Last report on old city of gold (3,4)
- Cancel Caesarean section in retirement (5)
- 23/21/10/12 Hide in pure earth-moving smash hit (5,4,8,4)
- Soldier's musical gun (5)



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