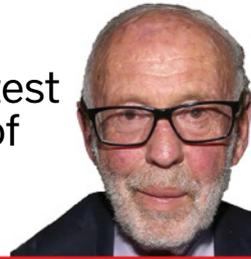


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# MONEYWEEK

MAKE IT, KEEP IT, SPEND IT

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## Trapping Taiwan

Will China cause  
a crisis?  
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## From the editor...



If you're going to make an outrageous prediction, be as vague as possible about the time

frame. The fanfare about the Dow Jones index eclipsing 40,000 a few days ago (see page 4) called to mind a key talking point in the early days of MoneyWeek: a book called *Dow 36,000*. James Glassman and Kevin Hassett said that the Dow Jones index, then at around 10,000, should reach 36,000 in three to five years.

### Magical thinking

The Dow finally hit 36,000 in 2021. Good things come to those who wait: stockmarkets will tend to expand with GDP and corporate profits. But Glassman and Hassett were after instant gratification. Their broad view was that stocks were actually no riskier than bonds over a long time horizon (about 20 years).

In other words, there was no need for investors to demand an equity risk premium (the extra return stocks offer compared with bonds). As more and more investors realised that, the equity risk premium would become smaller and smaller, implying much higher prices. In short, equities could be bid up enormously because they were actually not nearly as risky as everyone thought.

The magical thinking was of a piece with the era: in the dotcom boom we were all happy to believe six impossible business plans before breakfast. The fact that the



Shadow chancellor Rachel Reeves has raised the prospect of rent controls

*"Insanity is doing the same thing again and again and expecting a different result"*

previous 20 years had coincided with the biggest US equity bull market on record will have coloured the authors' view to a large extent too.

The economic and psychological backdrop is always a subtle, but key influence on ideas. Twenty years later, years of quiescent inflation despite ongoing central-bank money printing paved the way for modern monetary theory (MMT). The notion that one can print money with impunity is belied by a quick look at economic history (and the 100 trillion Zimbabwe dollar note magnet on my fridge), but years of quantitative easing lulled people into a false sense of security.

Today, we are faced with stubborn inflation (see page 12), high interest rates, economic stagnation (see page 22) and a darkening geopolitical backdrop (see pages 10 and 38). You might think that

in troubled times politicians need to be especially bold and keep well away from magical thinking, but this is not, sadly, the direction of travel.

For instance, shadow chancellor Rachel Reeves has raised the prospect of allowing councils to cap rents. When they tried rent controls in Scotland, landlords whose future earnings were capped sold up, reducing the supply of flats and propelling rents upwards.

This has always happened with rent controls, so the fact that they are trotted out again and again is extraordinary. The definition of insanity, said Albert

Einstein, is trying the same thing again and again and expecting a different result. Right on cue, I see that according to the Cato Institute, the supply of rental homes in Buenos Aires has grown by 240% and real rents have fallen by 34% since president Javier Milei abolished tenancy rent control.

Never mind. Judging by Wednesday afternoon's news, we may find out sooner rather than later whether they will work this time. We are not alone in our scepticism. Gold and silver, historic defences against instability and bad (especially inflationary) ideas, are at record highs. We don't publish next week; your next MoneyWeek will arrive on 7 June.

**Andrew Van Sickle**  
editor@moneyweek.com

### Hindujas top list

The 350 wealthiest individuals and families in Britain that make up this year's Sunday Times Rich List are worth a combined £795.36bn – a sum bigger than Poland's economy, says the paper's Robert Watts. But it appears "Britain's billionaire boom has come to an end". The number of UK-based billionaires fell to 171 from 177 last year as their wealth declined amid higher borrowing costs, anaemic economic growth, and persistent inflation. Others have left the country, vexed at the government's plans to scrap the non-domiciled tax status. Gopi Hinduja (pictured) and his family, who control the Indian conglomerate Hinduja Group, once again topped the list. Their wealth rose to £37.2bn – the largest fortune ever recorded by The Sunday Times. Prime minister Rishi Sunak and Akshata Murty saw their family's net worth rise to £651m in this year's list, thanks to Murty's stake in Infosys, the tech firm co-founded by her father. And Paul McCartney became the first British musician to reach billionaire status.



### Good week for:

British-Ghanaian author **Caleb Azumah Nelson** has won the Swansea University Dylan Thomas Prize for his second novel, *Small Worlds*, says BBC News. The 30-year-old was awarded the £20,000 prize in Swansea, which was the home city of poet Dylan Thomas. The prize was set up in Thomas's memory for writers aged up to 39, the age the poet died. The Sunday Times best-seller is about a relationship between a father and his son, with the story taking place between south London and Ghana.

*Les Distractions de Dagobert* by **Leonora Carrington** (1917-2011), "one of the most admired [paintings] in the history of surrealism", fetched \$28.5m, including fees, at auction with Sotheby's in New York – a record-high price for a British-born female artist, says The Guardian. Businessman Eduardo Costantini, founder of the Museum of Latin American Art of Buenos Aires, won the ten-minute bidding battle for Carrington's "definitive masterpiece".

### Bad week for:

The Financial Conduct Authority has charged **nine celebrities**, including Rebecca Gormley (pictured) and Biggs Chris, who both appeared on ITV reality show *Love Island*, and Lauren Goodger from *The Only Way Is Essex*, with plugging an investment scheme involving high-risk contracts for difference (CFDs – see page 45) on social media without authorisation from the regulator, says ITV News. They could face up to two years in prison.

Mining magnate and Australia's richest woman **Gina Rinehart**, worth \$30.2bn, has demanded the National Gallery of Australia remove an "unflattering" portrait of her by award-winning Aboriginal artist Vincent Namatjira, says the Australian Associated Press. Rinehart is listed as a friend of the National Gallery, having donated up to A\$9,999 (£5,250) to it.



# Europe emerges from its chrysalis



**Alex Rankine**  
Markets editor

“After a decade of stunning performance” on Wall Street, global investors are feeling uneasy about the dominance of US stocks in their portfolios, says Sharon Bell in the Financial Times. European equities could offer better value. The energy shock has made the last few years a tricky period for European markets, opening a large trans-Atlantic valuation gap. US shares trade on a price/earnings ratio of over 21, compared with 14 in Europe and around 12 in the UK.

European stocks have at least managed to hold their own this year, says Bastien Bouchaud in Les Echos. The Euro Stoxx 50 index has gained nearly 12% so far in 2024, just a smidge behind the S&P 500. Inflation has cooled faster on the “old continent” than in the US, with the European Central Bank poised to start cutting interest rates as early as June. Easier money usually finds its way into financial markets, which will support share valuations.

## Tuck into the Granolas

Much as US markets have been driven by the “Magnificent Seven” tech firms, so too a handful of European giants have made the running. Dutch chip specialist ASML has accounted for about a fifth of the Euro Stoxx 50’s gains this year alone. Bank Société Générale has dubbed the outperformers the “Seven Wonders of Europe”, says Jamie Chisholm for MarketWatch. The group includes ASML, pharma group Novo Nordisk, luxury conglomerates LVMH and Hermès, software play SAP and industrials Siemens and Schneider Electric. Many of them also feature in Goldman Sachs’ “Granolas” category, a pan-European grouping of



Novo Nordisk: one of the “seven wonders of Europe”

11 top stocks that also includes UK firms AstraZeneca and GSK.

The Granolas make up about a quarter of the Stoxx 600 market and contributed 60% of the gain in the year to 1 March, says Michael Fahy in Investors’ Chronicle. The group collectively trades at a roughly 60% valuation premium to the wider European market, but is still on a discount of 30% to the Magnificent Seven. Over three years they’ve broadly “matched the returns of the US tech giants”, but with less volatility. No European firms rise to the trillion-dollar valuations of the biggest US companies, says Jocelyn Jovène for Morningstar. But the Granolas do represent a more diversified grouping than the US tech giants, taking in healthcare, technology and both cyclical and defensive consumer themes.

European stockmarkets have transformed over the past decade, says Frédérique Carrier of RBC Wealth Management. No longer the preserve of stodgy banks and telecom groups, today fast-growing technology, healthcare, industrials and consumer discretionary firms together account for 57% of the MSCI Europe ex UK index, up from 37% in 2011. “Bloated conglomerates” have slimmed down into leaner operators: return on equity rose from 9.8% in 2011 to 13% last year. Europe may lack the dynamism of the US or emerging economies, but investors often overlook the fact that about 55% of revenue comes from outside Europe. “No longer wan and listless... European equities are emerging from their chrysalis with newfound potential.”

## A big boost for America’s bulls

The Dow Jones Industrial Average has hit 40,000 points for the first time as US markets continue to boom. A corporate earnings season that was better than expected has kept Wall Street chugging higher, say Saqib Iqbal Ahmed and Lewis Krauskopf for Reuters. Round numbers may be arbitrary, but “breaking the 40,000 barrier is a big psychological boost for the bulls”, says Chris Zaccarelli of Independent Advisor Alliance. It is three years since the index passed 30,000 points.

The Dow is regarded as an anachronism by professional investors. The \$89bn in investments benchmarked to the Dow is dwarfed by the \$11.45trn that is pegged to the S&P 500, a more accurate gauge of the US market. The



Dow tracks the market performance of 30 large US companies, including Amazon, McDonald’s and Walt Disney, says Allison Morrow for CNN. It ranks companies by share price rather than market capitalisation. The Dow thus

considers Goldman Sachs more important than Apple, even though the tech firm is over 20 times larger than the investment bank by market value. Still, the Dow dates back to the 1890s and is “embedded in the American psyche”. For

ordinary people, it is synonymous with the stockmarket. “The number of Google searches for ‘Dow Jones’ is always higher than the searches for ‘S&P 500’,” says Nick Colas of market research firm DataTrek.

The Dow’s antiquated construction means it tends to give companies “that used to be considered great” too much weight, says James Mackintosh in The Wall Street Journal. It has yet to include semiconductor star Nvidia, for example, so the index has lagged the S&P by 5% this year. When the Dow does add new companies it is often a sign that the market is about to peak, as when it rebalanced towards Microsoft in late 1999 shortly before the dotcom bust.

## An overlooked Asian market

The Philippines is something of “an afterthought for investors” in Asia, says The Economist. Local politics is often ugly and the infrastructure is unreliable, but GDP growth has been impressive, averaging 6% a year since 2012. The country of 115 million is in a “demographic sweet spot”. Half of the population is still rural, leaving plenty of scope for growth as urbanisation occurs.

While many of its neighbours fear the prospect of a Trump presidency and new tariffs, the Philippines looks unusually “Trump-proof”. Tariffs wouldn’t affect remittances from its two million citizens who work abroad, contributing 9% of GDP with the cash they send home to their families. Nor would tariffs dampen tourism, a sector in which this balmy, hospitable country enjoys “enormous untapped potential”. The local PSEi stock index has gained 2.8% so far this year, but has stagnated for most of the past decade. The cyclically adjusted price/earnings ratio of 14.8 is typical for an emerging market and similar to the UK.

That is not cheap enough to tempt foreign investors, who have been net sellers of local stocks every year since 2018, says Ian Sayson on Bloomberg. More recently, Philippine stocks have proved especially vulnerable to rising US interest rates. “Still, as the US rates cycle turns markets might start to cotton on to one of Asia’s neglected growth stories. Investors need not jump in yet, but it’s one to watch.”

# China’s rally has room to run

China has announced “the most significant steps yet” to tackle a long-running property crisis, says João da Silva for BBC News. The central bank will establish a ¥300bn (£32.8bn) fund to enable local governments to buy up unsold property and convert it into social housing. That could help address the housing glut and ease financial pressure on heavily leveraged developers. Minimum down payments for property buyers will also be cut. The prices of new homes fell 0.6% between March and April, the biggest fall since November 2014. The local CSI 300 stock benchmark hit an eight-month high following the news, say Lim Hui Jie and Shreyashi Sanyal on CNBC. The property bust has been a significant drag on sentiment.

### Hang Seng surges

The CSI 300 has rallied 8.5% this year. Hong Kong’s Hang Seng has done even better, climbing 14.5% to outstrip America’s S&P, says John Woods of Lombard Odier. That is partly explained by the Hang Seng’s large allocation to technology shares on the Chinese mainland. They have fallen to “particularly attractive valuations” following an official clampdown in recent years. China’s growth potential is being overlooked, says Dina Ting in the Financial Times. The country now vies



The housing-induced drag on consumption militates against a big jump in corporate profits

with Japan for the title of world’s biggest car exporter. Private investment in artificial intelligence (AI) lags only the US, while on factory lines industrial robot installations are outpacing “those of the rest of the world combined”. That’s all very well, says Bloomberg News, but basing growth on manufacturing and exports is a risky strategy. The White House has already announced a new set of tariffs on Chinese electric vehicles, with the EU likely to follow suit. What China really needs is to orientate its economy towards domestic, consumer-led growth. Yet data shows that while industrial output surges, retail sales growth lags behind. “China is having a two-speed recovery”, says Larry Hu of Macquarie Group.

Chinese shares look well placed to keep rallying, says Jacky Wong in The Wall Street

Journal. The Hang Seng China Enterprises index, which tracks Hong Kong-listed mainland firms, trades on just 8.9 times forward earnings... compared with a ten-year average of 11.3 times. But a more durable rally will require a lasting boost to corporate profits, a tall order given the housing-induced drag on consumption. There is still “plenty” of scope for a recovery in valuations, especially in the beaten-up tech sector, agrees James Reilly of Capital Economics. Chinese shares have been left out of the AI mania that has bid up US tech, leaving them at a large discount. Valuations won’t return to their 2021 peaks, but continued official support should keep markets perky over the coming months. Still, with “structural headwinds” such as trade tariffs mounting, a more long-running bull market appears unlikely.

## Viewpoint

“[Copper] is the most compelling trade I have ever seen in my 30-plus years [in commodity markets]. You look at the demand story, it’s got green [capital expenditure]... AI can’t happen without the energy demand, and the constraint on the electricity grid is going to be copper... So [we have] unprecedented demand growth against unprecedented weakness in supply growth because we have not been investing [in new mines]... Many of our clients... say it is the highest conviction trade they’ve ever seen... in 2022 and 2023... The Chinese property market started to sink... and [now] demand for copper so far this year is up 6% year on year despite an incredibly weak property market in China... What has shifted... is confidence from investors in metals that you can buy these markets based upon the green capex story despite a weak China property story.”

Jeff Currie, Bloomberg Odd Lots podcast

## ■ The meme-stock frenzy makes a comeback



In early 2021, struggling US video-game retailer GameStop became the poster child for the “meme-stock” craze, whereby ordinary investors coordinated online to bid up valuations of faddish shares. At the apex GameStop’s price had risen by 1,600% in a month, but it has trended down over the past three years. On 13 May, however, Keith Gill, a popular trader known as “Roaring Kitty”, posted a drawing of a man leaning forward in a chair on social media site X. Many took it as a reference to GameStop, propelling the share price up fourfold in days before it fell back. This rally is much smaller than 2021’s, but, as Katie Martin puts it in the Financial Times, it shows “there are still plenty of idiots mucking around” in stock markets.

# Airlines hit mild turbulence

Budget carriers easyJet and Ryanair are in for a bumpier ride now that demand among consumers seems to be slowing. Matthew Partridge reports

Shares in easyJet fell by 7% last week after the budget airline posted a first-half loss that was slightly larger than expected and announced the departure of CEO Johan Lundgren, says Karen Gilchrist on CNBC. Pre-tax losses came in at £350m for the six months to 31 March 2024.

Lundgren claims that the company has “positive momentum” coming into the summer travel season, with consumers still inclined to spend on holidays, “particularly to classic European destinations such as Spain, Portugal and Turkey”.

The fact that Lundgren is being replaced at the top by finance boss Kenton Jarvis implies “a smooth passing of the baton and no change to corporate strategy”, says AJ Bell’s Russ Mould. Combined with the management’s confidence that the company is on track to meet its medium-term target of annual pre-tax profits of £1bn, the news should have been “reassuring”.

But in this case it was “just not enough to please the market”, with the negative reaction from shareholders suggesting that the status quo was exactly what they didn’t want. They were clearly hoping an outsider would come in and “shake things up”.

## A mixed record

It’s easy to understand investors’ mixed feelings about Lundgren and his team, says Lex in the Financial Times. His time at the top was “rarely without drama”. EasyJet had to raise equity twice to get through the pandemic, while he faced questions over his strategy, including whether he “should have been more aggressive in a grab for market share post-pandemic”. Still, Lundgren deserves credit for leaving easyJet in a “robust state”. It should also “avoid the worst of the snarl-up in aeroplane deliveries that will constrain capacity in the next few years” and should support higher ticket prices.

EasyJet is not the only airline experiencing pockets of turbulence. Shares in rival Ryanair



EasyJet claims to be enjoying “positive momentum”

have fallen back from €21 (£18) last month to around €18 (£15), says Alistair Osborne in The Times. The fall comes after Ryanair admitted that it now thinks summer fares are going to be “softer” than either Michael O’Leary or the market previously expected. Ryanair is also set to suffer from more aircraft delivery delays from Boeing, which could prove costly given that the airline has already hired extra crew members.

It seems that customers’ “insatiable demand” for flights is finally cooling, says Hargreaves Lansdown’s Susannah Streeter. While consumers have been “ring-fencing budgets to satisfy their wanderlust”, there are now signs that many more are “starting to balk at higher prices”, with prices having risen by a fifth over the past year. And “recessionary winds” around Europe, with economies set to remain “highly sluggish” this year, mean that people may remain “cautious”. Still, a bout of “washout weather in key markets” may still prompt spurts of seat-buying to sunnier destinations.

## Czech in the post offers more cash

Last week the government announced that the proposed £3.5bn purchase of Royal Mail by Czech billionaire Daniel Křetínský will be subject to a national security review, say Alex Ralph and Ali Mitib in The Times. The move comes after the board of International Distributions Services (IDS), which owns Royal Mail, said that it was “minded” to accept the offer from Křetínský’s investment firm EP Group. While the non-binding 370p a share offer is higher than his first 320p bid last month, a possible foreign takeover of the 508-year-old postal service has caused concern among MPs, unions and campaigners.

“Almost every aspect” of Křetínský’s fresh offer is “unsatisfactory”, says Nils Pratley in The Guardian. While the 73% premium to the pre-bid share price of 214p may seem “huge”, it isn’t that attractive given that the government and Ofcom are conducting a review that “could, possibly, deliver economic sustainability for Royal Mail in the form of a reduced second-class service”. Furthermore, Křetínský’s lack of transparency makes him “almost the definition of problematic”. Finally, the set of “contractual undertakings” that the board of IDS is negotiating with Křetínský are so weak and vague that some might view them as “junk mail”.

The combination of a state veto on a “controversial takeover of vital national infrastructure”, and the “uncertainty” over IDS’s true value means that “no one seems confident that this deal is going to happen”, says Lex in the Financial Times. Indeed, a cynic might think that this bid is an attempt to “focus minds on overdue changes to the service obligation”. After all, if the government agreed to Royal Mail’s proposals “to move second-class deliveries to three days a week and slow delivery of bulk business mail”, IDS could be worth “well in excess of 400p a share”. Such an outcome might suit Křetínský, who already owns 27% of the company, as he would get a big return without “the trouble of a union showdown and tricky restructuring”.

# Cheap Walmart increasingly cheerful

Shares in US retailer Walmart, deemed a “bellwether” for the US consumer, have reached an all-time peak, propelling its market value above \$500bn, says Alexandra White in the Financial Times. The bounce is due to an unexpectedly positive quarterly report.

The company boasted revenues of \$161.5bn, while net income jumped to \$5.1bn thanks to “lower markdowns and better inventory management”. And the firm’s outlook remains “rosy” owing to “stubborn inflation” prompting wealthier consumers “to visit the store”.

Walmart certainly seems to be “benefiting from more affluent households trading

down”, a trend that has left rivals with a more “middle-market” strategy “exposed”, says Hargreaves Lansdown’s Sophie Lund-Yates. But it is also looking to the future, expanding its offering of goods in the hope that “as inflation eases, customers will also be more likely to start splashing the cash on discretionary, non-food items, such as electronics and clothing”.

Broadening the range of products on offer is a sensible strategy given that getting people to buy a new dress “is an easier ask than convincing people to trade back up to branded butter if they’re satisfied with the cheaper option”.

Walmart’s success stands in marked contrast to the lacklustre results of other major retail brands, such as Starbucks and McDonald’s, which both recently missed analysts’ expectations, says Aimee Donnellan on Breakingviews. They have been victims of their own “greedflation”, with McDonald’s increasing its gross profit margin from 51% in 2020 to 62% in 2023, while Starbucks’ margin climbed from 16% to 24%.

Walmart’s, at 24%, has remained steady. Starbucks and McDonald’s have been punished: their forward earning multiples are now below pre-Covid levels, while Walmart’s is higher.

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Benchmark (FTSE allshare index)

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NAV	2.1	4.7	60.7	111.8	286.5	997.6
FTSE All-Share Index	3.9	0.6	25.2	27.7	63.0	227.1

**Discrete performance (%)**

Annual Total Return	29/02/24	28/02/23	28/02/22	28/02/21	29/02/20
Share Price	13.4	(1.6)	25.5	31.1	(2.8)
NAV	4.7	11.1	38.1	17.5	12.2
FTSE All-Share Index	0.6	7.3	16.0	3.5	(1.4)

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# A horrifying and avoidable scandal

The defensive culture of public bodies must change to avoid future calamities. Emily Hohler reports

The Infected Blood Inquiry has finally come to an end following a five-year investigation. The Inquiry's chair, Brian Langstaff, called the scandal, which resulted in thousands of Britons being infected with contaminated blood between 1970 and 1998, the "worst" in the history of the NHS and said that it could have been "largely" avoided. Almost 3,000 people are known to have died after contracting HIV or hepatitis, while a total of 30,000 were given contaminated blood. Langstaff's 2,527-page report said the scandal was made worse by a "subtle, pervasive and chilling" cover-up, extending to both the government and the NHS, says Katy Balls in *The Spectator*. Langstaff, a former High Court judge, described the scale of suffering as "horrifying".

The report found that doctors and civil servants "knew the risks" to those receiving blood transfusions, but "pretended not to", says Isabel Hardman, also in *The Spectator*. Langstaff described a "defensive culture" in the NHS and civil service. Key documents were "destroyed" while civil servants "sought to mislead successive ministers with a 'nothing to see here' approach". Health officials failed to ensure rigorous selection of blood donors to exclude high-risk donors, such as prisoners, or to block high-risk products from abroad, notes the *Financial Times*. "Sickeningly, doctors conducted research by using products on patients, including children, without gaining consent or informing them of the risks." The "most shocking section" of the report is the case of Treloar College, which specialised in treating children with haemophilia, says Allison Pearson in *The Telegraph*. Here, the state school's on-site NHS centre injected children with plasma blood products, despite clinicians being "well aware" of the risk. Only 30 of the 122 pupils are still alive.



The infected blood scandal was made worse by a "subtle, pervasive and chilling cover-up"

## A £10bn apology

"Britain's recent history has been grimly punctuated by catastrophes" that have followed a similar template, says *The Times*. From the Hillsborough disaster to the Post Office scandal to the mothers and babies "killed and maimed in failing NHS maternity units", almost all have been the "consequence of state incompetence, followed by obfuscation by the powerful and delayed disclosure to the powerless".

Rishi Sunak has issued an apology and the government is now expected to set out a compensation scheme costing up to £10bn. Survivors with HIV will receive £2.2m-£2.7m each; those with hepatitis up to £1.1m, say Kate Burgess and Eleanor Hayward in *The Times*. Family members – spouses and children – will receive payouts ranging from £30,000 to £110,000. To put that £10bn in context, Jeremy Hunt spent £9bn cutting 2p off national insurance in the Budget, says Oliver Wright in the same paper. However, "critically for a

chancellor, with one eye on the election", it won't affect his ability to cut taxes again before election day, even if it should. This is because it is seen as a one-off cost rather than a recurring one and there is therefore no obligation for the government to "account for it directly under its fiscal rules". Instead, the £10bn, or "whatever the scheme ends up costing", will effectively be added to the government's debt. Perhaps the "ultimate irony" of this scandal is that just as successive governments failed to deal with it in the first place, "so this government is passing the cost on to its successors".

Many of the report's recommendations will be hard to put into practice, says *The Economist*. Changing the defensive culture of public bodies has been recommended before, but never successfully implemented. If all this suffering is "to mean something", it must result in accountability, says *The Times*. "In the future, those in public service" must be legally obliged to "act with full candour when failure is exposed".



Macron faces further hurdles

## Riots send nickel prices soaring

Nickel prices jumped almost 7% on Friday as violence in New Caledonia disrupted production in the French overseas territory, the world's third-biggest supplier of the mineral, says Mark Burton on Bloomberg. French president Emmanuel Macron declared a state of emergency and sent 1,000 police to the islands after a week of violent protests by pro-independence groups left at least six dead. The price surge coincided with an International Energy Agency report predicting "robust demand" for minerals critical for the clean-energy transition, including nickel, says Lukanyo Mnyanda in the *Financial Times*.

The protests erupted after the French National Assembly proposed granting voting rights to French residents who have lived in the territory for ten years, potentially diluting the power of the indigenous Kanak electorate who comprise 41% of the 300,000-strong population, says the BBC. "Because this requires a change to the constitution, the measure faces further hurdles." So far, Macron has refused to withdraw the amendment. The violence has been "some of the most intense" since the 1980s, when a Kanak uprising led to civil war, says Pete McKenzie in *The New York Times*. The ensuing peace agreements called for three independence referendums.

Nearly 50% voted in favour in the first two; the Kanaks boycotted the third in 2021 after Macron refused to delay it due to Covid and the pro-independence vote correspondingly slumped. The islands have "new strategic value to France" as the US and China "jostle for influence in the Pacific".

Nickel prices have fallen 32% since January 2023 as Indonesia ramped up supply and demand dipped due to sales of electric vehicles being "weaker than expected", adds Mnyanda. The market is now well supplied, suggesting the rally will be short-lived. That could change, however, if there is an "ongoing problem" in New Caledonia.



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# Crash sparks crisis in Iran

The death of the president comes at a difficult time. Matthew Partridge reports

Iran's president Ebrahim Raisi died in a helicopter crash on Sunday, "fuelling uncertainty at a time of increased tensions in the Middle East", say Bitu Ghaffari in and Najmeh Bozorgmehr in the Financial Times. The regime is confident any fallout will be contained, but the death of the "hard-line conservative", who was viewed as a possible successor to the supreme leader, Ali Khamenei, comes at a "difficult time" for Iran. The economy is "struggling in the face of US sanctions" and last October's terrorist attack on Israel by Tehran's proxy Hamas has caused the "shadow war" between Iran and Israel to break out into the open.



Ebrahim Raisi: the Butcher of Tehran will be missed by few

to push the interests of his son Mojtaba, who is seen as a possible successor. Khamenei may even try to engineer a victory for him in the upcoming presidential "election", in order to give the illusion of a "popular mandate". However, this may prove an "uphill struggle", given how much the current regime is hated by the Iranian people, many of whom "cheered" Raisi's death.

## A problem for us all

Indeed, the popular reaction to Raisi's demise, as well as the "panicked" reactions of many prominent regime figures, suggests that Khamenei's own death, when it comes, may "bring an end to the Islamic Republic once and for all", say Mark Wallace and Kasra Aarabi in The Telegraph. Given the regime's actions against its own people, its attempt to destroy Israel and its export of terrorism around the world, this would be a good thing. The West should do everything it can, both covertly and overtly, to "exacerbate the divisions within the regime's elite and embolden the Iranian people".

The helicopter crash isn't the only sign that the clerical regime in Tehran is "starting to unravel", says The Times. Iran's proxy armies are turning into a "liability", and many nearby nations have not been deterred by the Gaza war from "considering an anti-Iran containment alliance with Israel". Still, even a regime that is "melting down" can still harm the rest of the world, especially in its "constant search for enemies". The West cannot afford complacently to "shake our collective heads while we pass by on the other side of the street".

## Succession struggles

Some think the death of Raisi, known as the "Butcher of Tehran", could be an opportunity for the Iranian regime, which controls who can run for office, to "reinstate [relative] moderates and reformist figures into some state functions", says Lina Khatib in The Guardian. Such hopes are naive – reformists are only allowed to contest symbolically important offices when Khamenei wants to "project a softer image" on the world stage. With Khamenei more "concerned about succession" and eager to ensure he is replaced by someone who will carry on the same strategy, it is all but certain that Raisi's successor "will be another hard-line figure" close to Khamenei.

Khamenei's "thinly-disguised relief" at the news suggests that, at the very least, the supreme leader was worried that Raisi had started to develop a rival following inside Iran's establishment, says The Economist. It gives Khamenei an opportunity

## A horrific attack on democracy in Slovakia

Slovakia's prime minister Robert Fico (pictured) "escaped death by just a hair" last week when he was shot several times in "the first major assassination attempt on a European political leader for more than 20 years", says The Times. Fico's condition is now stable, but the attack has exposed an "increasingly febrile and polarised political climate in Slovakia" – a member of Nato and the EU – and across Europe. The authorities have said the suspect did not belong to any political groups, but online supporters of the populist PM



are accusing the opposition of "inciting violence against him", and some opposition figures have been offered police protection after receiving threats.

Fico is an "extraordinarily divisive figure", says The Economist. His second stint in office between 2012 and 2018 ended after mass anti-corruption protests following the murder of an investigative journalist. He then made another political comeback, allying himself with Hungary's Viktor Orban. He backtracked on plans

to block support for Ukraine, but has "remained friendly" with Russia, eliciting "fury" from Nato partners. Domestically, he has also tried to push through controversial legislation, including plans to scrap the public broadcaster as well as requiring NGOs receiving foreign funds to register.

But liberals should be reeling from this horror, not indulging in chin-stroking about populism, says Brendan O'Neill in The Spectator. The shooting was an "attack on the right of every one of us to choose our representatives without fear or dread". Fico won the popular vote in Slovakia, which makes the shooting "a crime against democracy in that nation".

## Betting on politics

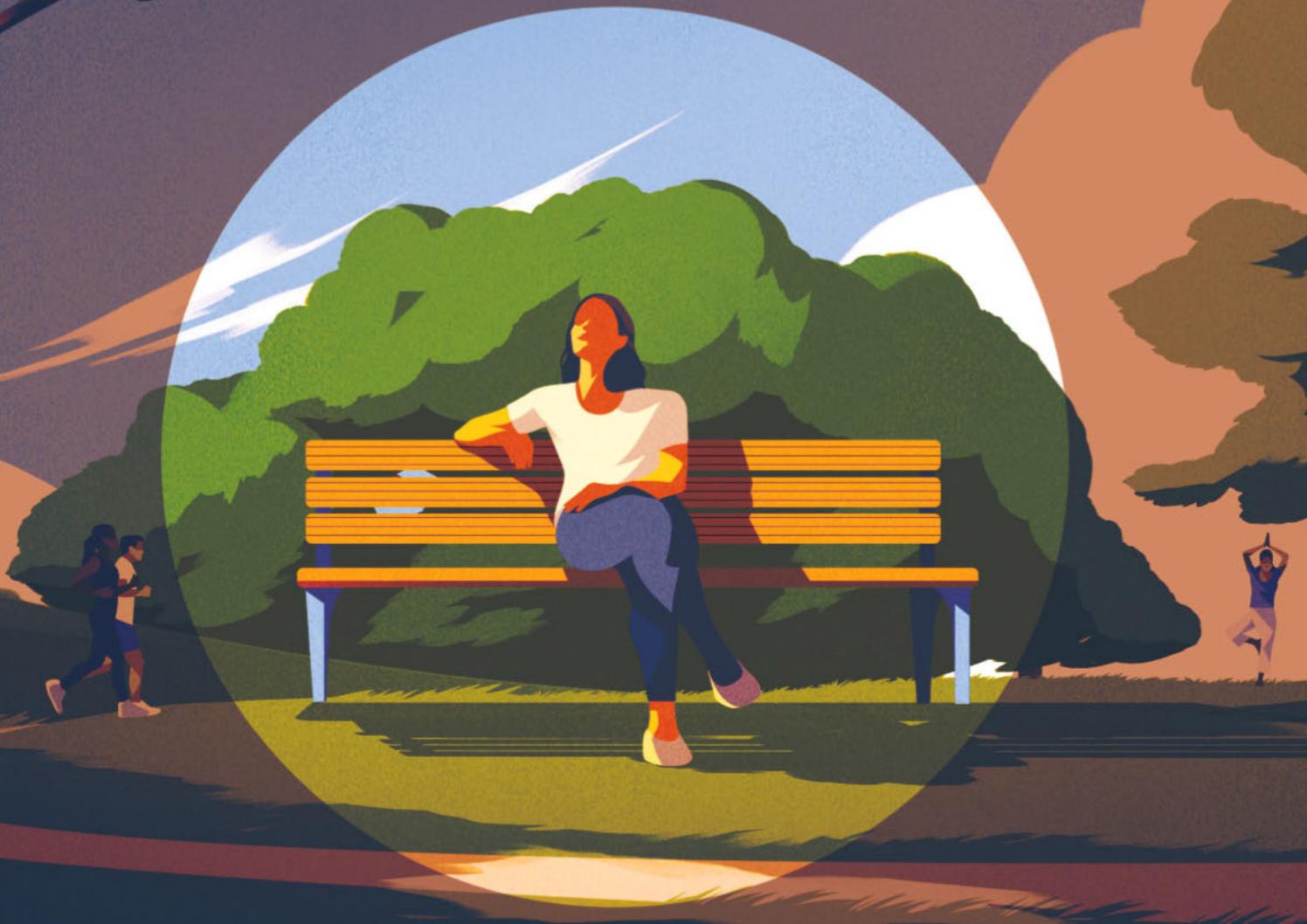
At the time of writing, rumours were circulating that Rishi Sunak was about to declare a date for the UK general election. While we await news, let's take a look at what's happening Stateside. With £16.8m matched on Betfair, the odds on Donald Trump continue to shorten – to 1.91 (52.3%), with Joe Biden at 2.66 (37.6%). Robert Kennedy and Michelle Obama are at 40 (2.5%) and 50 (2%) respectively, while Gavin Newsom and Kamala Harris are at 60 (1.7%) and 85 (1.2%).

As I've said over the past few years, I think that the odds allowed on Biden and Harris underestimate their chances, although the usual disclaimers apply. One interesting market is on who will come out on top in the first presidential debate, scheduled for 10 June. In a break with recent history, the debate will be taking place before either the Republican or Democratic conventions (the second one will take place in September).

Given that the "winner" of any debate is a matter of opinion, Ladbrokes has decided to settle the bet based on the person who comes out on top in the snap poll run by CNN, with bets voided if the debate ends up being cancelled. Ladbrokes thinks that Biden will emerge victorious, and is offering 4/11 (73.3%) on him. By contrast, Trump's odds are out at 2/1 (33%).

Even at those odds, Biden looks like value. Hillary Clinton comfortably won each of the three debates that she held with Trump in 2016, while Biden emerged ahead in the two debates that took place four years later (the second one was cancelled). Biden may be feeling the effects of age, but Trump is also noticeably slower on his feet, and his ability to exercise minimal self-control has also slipped away, as demonstrated by his courtroom tantrums and recent "Reich" gaffe. I'd therefore bet on Biden.

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## London

**Inflation stubbornly high:** The Bank of England and the prime minister got walloped by April's inflation figures, says Paul Dales of Capital Economics. Consumer prices were rising at 2.3% year on year that month, down from 3.2% in March, but nevertheless faster than expected. At least, the consumer price index (CPI) is now rising at its slowest pace since mid-2021 and now sits below the corresponding figures for the eurozone (2.4%) and the US (3.4%). On the other

hand, much of the slowdown was due to energy bills falling 12% month on month, in line with the lower energy price cap that came in at the start of April. Food inflation also slowed from 3.9% to 2.8% (and a far cry from the 19% recorded a year earlier). But "most disappointing" was that services inflation, which covers 80% of output, fell by just 0.1 percentage points to 5.9%. This and the fall in core CPI (which strips out volatile food and energy prices) from 4.2% to 3.9% suggests businesses are passing

on the government's rise in the minimum wage to consumers. An interest rate cut in June now "seems very unlikely" and even August is "looking a bit doubtful".

Meanwhile, government net borrowing rose to a three-year high in April, at £20.5bn, following a cut to National Insurance contributions. That shortfall has to be made up somewhere, says Danni Hewson of AJ Bell. "Further tax cuts might be a vote winner but figuring out how to pay for them is surely the biggest issue."

## Santa Clara

**Nvidia's power surge:** "The artificial intelligence (AI) bonanza keeps fuelling ever-greater expectations of turbocharged earnings growth [for Nvidia]," says Robert Cyran on Breakingviews. This week the chipmaker was expected to report revenue of \$24.6bn for the three months to the end of April, compared with \$6.5bn a year earlier. Nvidia produces the chips used to train AI systems. And with the likes of tech titans Microsoft, Amazon, Alphabet and Meta spending \$100bn last year on expanding their data centre infrastructure, the \$2trn company is struggling to keep up with demand. Revenue in Nvidia's data centre division grew 400% year on year in the last quarter, and the pricing power that gives Nvidia means it is able to make an "astonishing" 77 cents on every dollar of revenue. For now, customers have little choice but to buy Nvidia's chips, but rival Intel also once enjoyed such dominance, before its pricing power was "whittled away". "It's a cautionary tale for the industry, but one Nvidia needn't heed closely any time soon." If only it would, though, as Nvidia's dominance "isn't necessarily healthy" for the market, says John Authers on Bloomberg. Investors are treating its earnings releases – "Nvidia Days" – as events "with macroeconomic significance". Yet, it remains to be seen exactly how businesses will use AI to increase profits in the years ahead.

## Johannesburg

**Zuma barred:** South Africa's Constitutional Court has barred former president Jacob Zuma (pictured) from running in the upcoming general election on 29 May, says Ron Rose in the Financial Times. Zuma, who led the governing African National Congress (ANC)

from 2009 to 2018, resigned amid corruption allegations. In 2021 he was sentenced to jail for 15 months for refusing to cooperate with a corruption investigation but served only three months. South Africa's constitution disqualifies individuals sentenced to more than 12 months in prison from serving in the National Assembly. After falling out with the ANC, Zuma, 82, now leads the new uMkhonto we Sizwe (MK)

party, which has surprised analysts by polling above 10%. The ANC, which is polling at 46%, is predicted to lose its parliamentary majority, potentially leading to a coalition, although it's unlikely they will partner with MK. Zuma's party shrugged off the court ruling, stating that he will still be on the ballot paper. The ruling could even benefit MK in the polls, as it reinforces Zuma's narrative of being a victim of the ANC elite. The election is considered "the most consequential since the end of apartheid... 30 years ago". "The first 15 years [after apartheid] saw widespread improvements in people's lives," says The Economist. "But the latest 15 have been grim", with high unemployment, a high murder rate and regular power cuts.



## The way we live now... turning ashes into gold dust

Towns and cities in Japan have taken to sifting through the ashes of the deceased for the gold, silver and palladium found in dental fillings, artificial joints and medical implants to boost their coffers, says Richard Lloyd Parry in The Times. Tajimi, a city in central Japan, expects to make ¥10m (£50,000) a year from cremations, while nearby Gifu makes ¥63m and some local governments are even said to rake in more than £1m.

Cremation is common in Japan, a country with an ageing population and the number of deaths rising. After incineration, family members sift

through the fragments of bone with chopsticks and place them in an urn. In western Japan, only the largest pieces are taken away, and the rest are left with the crematorium, where they are sometimes auctioned off to private firms before being returned for burial. There is little objection to the revenue-raising scheme. "If this project was contemplated ten or 20 years ago, people's feelings would have been different," says Tajimi official Yoshitsugu Kito. "But it's changed these days, and people have come to accept ashes being used effectively for the sake of future generations."



Bigger fragments are placed in an urn

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Will Anglo's spin-off be a gem?

## London

**A sparkling spin-off:** Mining giant Anglo American plans to sell or spin off its 85% stake in diamond miner De Beers amid a takeover attempt by Australian rival BHP, says Jon Yeomans in *The Sunday Times*. Anglo has twice rejected BHP's advances and is planning to offload its iconic diamond house to focus on copper, iron ore and fertilisers, but the strategy has received mixed reactions. Some investors support the plan; others see it as doing BHP's work for them. De Beers operates in a volatile industry, with sales falling as consumers rein in their luxury spending amid competition from lab-grown diamonds. De Beers, which holds a third of the diamond market, is also unique in that it is considered both a miner and a retailer. But this makes it challenging to value, with estimates ranging from £2bn to £7bn. Finding interested buyers may prove difficult, because private-equity bidders might be hesitant to invest in the cyclical diamond industry. Potential buyers include Saudi Arabia's sovereign-backed mining venture, Manara Minerals; the UAE's International Resources Holding; French luxury giant LVMH, which may want control of a key supplier; and Cartier owner Richemont, says Lisa Jucca on *Breakingviews*. Indian firms could also be potential suitors. An initial public offering, probably in London, is another option open to Anglo American.

## Taipei

**Lai sworn in:** Taiwan's new president, Lai Ching-te (pictured), also known as William Lai, used his inauguration speech on Monday to emphasise Taiwan's democracy and to call on Beijing to "stop threatening Taiwan politically and militarily". Beijing has "long claimed" Taiwan as a province (see page 38) and it hasn't ruled out the "use of force to take it", says BBC News. China has made clear that it "deeply disapproves" of Lai, and during the swearing in of Lai and cabinet members, Beijing announced fresh sanctions on US firms it claims are involved in arms sales to Taiwan. Over the past eight years, China has cut off communications with Taiwan's government, increased military drills around the island, banned many Taiwanese imports and "poached" nearly half the country's diplomatic allies, so that only a dozen "still recognise Taiwan's [sovereignty]", says Banyan in *The Economist*. Although China describes Lai as a "troublemaking separatist", he is in reality a "pragmatic moderate", who wants to strengthen Taiwan without antagonising Beijing. More than 90% of citizens identify as Taiwanese, but a third also identify as Chinese and only 25% want independence. Lai called on China to "re-engage" with Taiwan on the basis of the "principles of reciprocity".



## Bangkok

**PM in trouble:** Thailand's Constitutional Court was set to decide this week whether to accept a petition from senators to oust prime minister Srettha Thavisin (pictured), who is accused of violating the constitution by knowingly appointing Pichit Chuenban, who had been imprisoned, as a minister, says Apornrath Phoonphongphiphat on *Nikkei Asia*. The petition could be deliberately timed to coincide with Srettha's state visits to Italy and Japan. In 2006, the army staged a coup when then-prime minister Thaksin Shinawatra was attending a United Nations General Assembly meeting in New York. The tension between the army and the ruling Pheu Thai party appears to be ongoing, despite the party allying with army-backed parties to form a government. In 2008, Pichit was sentenced to six months in prison for attempting to bribe Supreme Court officials with two million baht (£43,000) in cash in a paper bag. Pichit had been representing Thaksin in a corruption case and he claimed that the bag only contained snacks. He resigned on Tuesday.



## Hanoi

**Lam made president:** Vietnam's National Assembly has elected public security minister To Lam to the second-highest post in the ruling Communist Party – the presidency, says Atsushi Tomiyama on *Nikkei Asia*. His predecessor, Vo Van Thuong, had been viewed as a candidate to take over from Nguyen Phu Trong, 80, as general secretary but resigned in March after just a year in the post, having broken party rules. The following month, Vuong Dinh Hue, another potential candidate, also resigned his post as National Assembly chairman (fourth most senior in the state hierarchy after the prime minister). Then, earlier this month, a former cabinet secretary was arrested on corruption charges. The wave of recent resignations and dismissals, also involving others in senior posts, is thought to be in preparation for the 2026 Communist Party National Congress – "a pivotal event in Vietnamese politics", which may focus on Trong's successor. Despite the turmoil, Vietnam still offers "less political uncertainty" than other regional countries, with Vietnam the second-favourite destination for overseas expansion by Japanese companies, after the US. However, lower-ranking officials' fears of corruption crackdowns have led to some bureaucratic delays in the granting of business developments.

# The crisis in our universities

The government is determined to cut the numbers of legal migrants. The universities rely on a plentiful supply of them to stay in business. What happens next? Simon Wilson reports

## What's the situation?

The government was due to announce plans to make it harder for overseas students to come and study at UK universities, with the aim of cutting the level of legal immigration. For months now, the government's widely trailed plan to scrap the international graduate visa – which allows students to study at UK universities and then stay for at least two years after their course – has been the source of rumbling division within the Conservative party and unease from universities and business. Sunak is under intense pressure from the right of his party to scrap the system to get net migration figures down, but many cabinet ministers are worried about the consequences. As MoneyWeek went to press, it was widely reported that Sunak would back down.

## Why does this matter?

Because whatever the detail of any watered-down plan (an announcement was expected on Thursday, 23 May), the debate has highlighted the crisis afflicting the sector – and its reliance on overseas students to make ends meet. Despite the myth that international students “take” places from domestic students, says Rachel Cunliffe in *The New Statesman*, the reality is that universities accept large numbers of foreign applicants and use the higher international fees to subsidise places for domestic students, whose fees are capped at the 2018 level of £9,250. Overseas students typically pay two or three times more than that, and up to £38,000. That's cash that universities desperately need – fees from non-EU students rose from 5% of universities' total income in 2000 to 20% last year.

## Why has there been such an influx?

Boosting numbers of foreign students was the intended goal of specific government policy. Under the UK's International Education Strategy, launched in March 2019, the government sought to boost education exports to £35bn per year and set a target of 600,000 international students studying in the UK by 2030. To attract students, they were allowed to bring dependants to work in the UK for at least two years after completing their studies. Since then, the lure has proved strong. Indeed, the strategy “worked only too well”, says Jeremy Warner in *The Telegraph* – 114,000 graduate visas were issued last year, plus a further 30,000 visas for their dependants. The number of overseas students already exceeds the 600,000 target, six years early.

## Are some exploiting the system?

That's the view of many on the Tory right. In a recent report for the Centre for Policy



The strategy to attract foreign students has worked only too well

Studies, ex-ministers Robert Jenrick and Neil O'Brien dismissed the economic and fiscal benefits of the scheme and called for its wholesale abolition. And there can be no doubt, says Warner, that some people are indeed using the graduate route “as a back-door way into the UK jobs market and eventual residency”. However, earlier this month the Migration Advisory Committee, the UK government's independent adviser, concluded a 14-week investigation, commissioned by Cleverly, into the graduate visa scheme. It found there was no evidence of widespread abuse and it should remain in place as vital to universities' finances. It also found that graduate visa holders swiftly found similar jobs to those of British graduates, with similar earnings.

## What will the government do?

In January, new rules were introduced banning international students from bringing family members into the country, and raising salary thresholds needed to remain here post-study – a move that is proving more effective than expected in rapidly slowing demand. The MAC report found that the number of international students paying a deposit to study in the UK this autumn had fallen 63% (as of this month) compared with a year earlier. Further measures under consideration include a clampdown on recruitment agents that market British degree courses overseas, with penalties for those who fail to supply the type of students they promise; mandatory English tests for those students who remain in the UK; and restricting the visa route to the 24 research-intensive Russell Group universities. There are also plans to prevent institutions with high dropout rates from recruiting overseas

students. However, many universities have become dependent on the recent influx of overseas students to stay afloat, and are already desperately worried about the fall-off in numbers.

## How bad is the crisis?

Multiple institutions are on the brink of financial distress, with potentially devastating consequences for current students and staff – and, indeed, the taxpayer, who could soon be on the hook for rescue packages and bailouts. Earlier this month a report by the Office for Students forecast that 40% of England's universities would end this year in the red. The MAC report warns that cutting overseas student numbers would cause universities “substantial financial difficulty” and could lead some to “fail”.

## Why is the sector in trouble?

The root causes of the crisis are well known: rapid expansion of higher education since the 1990s, without a concomitant increase in funding, and a real-terms fall – for political reasons – in the fee levels paid by UK students. Compared with other rich OECD countries, the UK spends relatively little on higher education. On average, those countries spent \$11,700 (2019 figures, adjusted for purchasing power parity), but the UK spent just \$7,000. Germany (\$15,900) and France (\$13,900) were much higher. Given the political toxicity of raising tuition fees, the funding dilemma probably boils down to either lowering the point at which graduates start repaying loans, or increasing subsidies from taxation. Either way, it's clear that the UK's funding model is broken, says the *Financial Times*. And with the imminent general election, Labour may shortly inherit the problem – it's high time it set out a credible vision of its own.

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# Time is running out for BT

The telecoms giant has turned a corner, but that just makes it all the more attractive to circling buyers



**Matthew Lynn**  
City columnist

It now looks almost certain that the Royal Mail will be sold off to the Czech billionaire Daniel Kretínský. But what will happen to what was once, a long time ago, the other half of the old Post Office – BT? Last week, the telecoms giant delivered its most upbeat results for years. The new CEO, Allison Kirkby, who took over from Philip Jansen in February, may have had to own up to a fall in profits over the year, but revenues are rising, and she was able to push the dividend up substantially while also promising significant cost cuts. The stockmarket liked what it heard, with the shares rising by 13% on the day the figures were revealed.

## A mountain to climb

That is a significant change in sentiment. Until last week, BT was one of the most shorted stocks in the FTSE 100. More importantly, takeover rumours have been swirling around the conglomerate ever since French entrepreneur Patrick Drahi took a stake of almost 25%, close to the level where he would be forced to make a full-scale bid. With a market value of only £13bn, BT looked increasingly likely to be taken over, either by Drahi, or by one of the private-equity firms. With a far better set of results, Kirkby is leading a fightback.

There is still a mountain to climb, however. The shares are still down by three-quarters over the last decade. BT has paid a high-price for its disastrous diversification into sports broadcasting under the hapless leadership of Gavin Patterson: the attempt to take on Sky in live football was always an odd move for what was basically a phone company, and ended up racking up losses of £2bn. And BT has had to pay for rolling



Kirkby: leading the fightback

out a full-fibre broadband network. An ageing phone network was no longer able to carry the vast amounts of data that we all now require to be served up at home, but replacing it with fibre wire, especially in a country as densely populated as the UK, has proved hugely expensive, with the full cost estimated at around £15bn.

Kirkby has some luck on her side. She has taken over at a moment when the company's fortunes are about to improve. It is now largely out of the sports broadcasting business, and although the upgrade to the broadband network has been expensive, most of the work has now been done. A recent report by the broker Berenberg estimated that annual spending

on the roll-out will come down by as much as £1bn a year over the next couple of years. With those two costs massively reduced, it will be possible to improve returns to shareholders. For the first time in a decade, BT's shares may well be an opportunity to make money again.

## The firm is still in play

The problem, though, is that Drahi still has a huge and threatening stake. That means the company remains effectively in play. He could still make an offer for the whole company, or else a rival bidder could easily purchase the stake wholesale and put themselves in poll position. There is one clear lesson that can be learned from the history of major bids on the UK market. A firm is at its most vulnerable not when its share price is at rock bottom, but when it has turned the corner and it is starting to recover. No one wants to buy into a company when it is in a state of chaos, its costs are soaring, and the market is in free fall. It is too risky and it is too much work to solve all the problems. The time to buy is when it has started to improve, but the price is still fairly low.

The moment to launch a takeover will be over the next few months. At £13bn, the company is a bargain for a foreign predator. There are only two ways to stop that. Either fund managers and small investors get behind the company and drive the shares back up again so that it is not a bargain any more, or else the government blocks a takeover, possibly even signalling in advance that a full-blown bid would not be allowed to proceed. BT is a valuable national asset and one that should not be sold to a foreign bidder. There may be some fireworks for shareholders over the next few months – and some decent returns as well. But time is running out to save BT.

## City talk

● Jeremy Hunt should “pull the plug” on a big retail sale of NatWest's shares, says Nils Pratley in *The Guardian*. The state has reduced its stake in NatWest from 84% to under 27% over the years; 11% has been sold during the past five months.

Shares have been “dribbled” into the market (and bought by institutional investors) so as not to disturb the price and achieve full value. “Why mess with this winning formula?” Brokers have suggested that a 10% discount would be required to entice punters. So with an estimated £3bn offer, the Treasury could be giving away £300m of value compared with the market price. That would waste public

money. It is best to stick to the “trading plan”.

● “If the proof of the pudding is in the eating, then Raspberry Pi is already an appetite-pleaser,” says Lex in *The Financial Times*. The British microcomputer maker plans a £500m initial public offering (IPO) in London in early June. It will be a boon for the London Stock Exchange amid demands for more technology and growth companies to go public. The number of tech stocks on the exchange is shrinking. Raspberry Pi, which started as an educational start-up, now fulfils the technological requirements of manufacturing businesses. While its initial focus was on

enthusiasts and hobbyists, sales to companies now account for 70% of revenue. The firm has shifted towards fuller control of supply chains and direct distribution, bolstering revenue and profits. When the growth rates of peers are taken into consideration, Raspberry Pi could be valued at £630m or higher. “Such ingredients point to a successful float.”

● Burberry says its top priority this year is to “refine its brand expression and increase product focus in storytelling”. However, “wouldn't a better priority be trying to sell more of its overpriced garb?” asks Alistair Osborne in *The Times*. On the other hand, storytelling

and selling luxury clothes seem “vaguely related”. Burberry aims to establish itself as a “modern British luxury brand”, with its checked pattern making a comeback on its website, but “what sort of past stories does Burberry want people to remember”? The company is struggling in a luxury-market downturn, it has issued two profit warnings in recent months and is facing a 36% drop in operating profits. The stock has lost 60% in 14 months. Burberry may be acquired, which would at least “make a story of sorts”.



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# Choosing an India fund

Tracker funds have earned excellent returns, but trusts that backed small-cap growth stocks did even better



**Cris Sholto Heaton**  
Investment columnist

I'm always cautious about using single-country funds for investing in emerging markets because many of them are heavily concentrated in few companies or sectors. Regional or global emerging-market funds are often a better way to get a well-diversified portfolio. However, India is an exception, since it's an unusually deep market.

The MSCI India index – which is broader than older benchmarks such as the Nifty or the Sensex – has just 36% in its top ten holdings, which makes it less concentrated than the FTSE100 (50%). Sector diversification is good: financials are around 25%, with a range of others (consumer discretionary, energy, technology and industrials) around the 10% mark. The FTSE India holds more stocks (228 versus 136) and the weights of many of the larger holdings are a bit lower, making it even more diversified in terms of companies (sector weights are broadly similar).

That means a country tracker seems a sensible default option, with the two most popular being iShares MSCI India ETF (LSE: IIND) and Franklin FTSE India ETF (LSE: FRIN). The FTSE India index has a slightly better recent performance, probably on account of its greater exposure to mid-sized stocks. We can't say if that will definitely continue but the Franklin fund also has a lower expense ratio (0.19% versus 0.65%), so that looks marginally the better choice.

## Going for growth has paid off

Alternatively, we have a choice of four India investment trusts: **Abrdn New India** (LSE: ANII), **Ashoka India Equity** (LSE: AIE), **India Capital Growth** (LSE: IGC) and **JP Morgan Indian** (LSE: JII). Ashoka has the strongest record over five years, followed by India Capital Growth.

## India active versus passive

Total return in sterling



Both have comfortably beaten the market, due in part to their heavy tilt towards smaller growth companies, as well as any value that the managers have added through stock selection (Ashoka has 43% in small caps, India Capital Growth has 50%). Both New India and JP Morgan Indian have lagged the benchmark, which reflects a greater weight in large caps, plus perhaps a more conservative approach. Certainly, New India explicitly favours large-cap, high-quality stocks, and these tend to lag when markets are as exuberant as India is now.

Therein lies the tricky decision. Valuations for small growth stocks reflect that optimism: the MSCI India Small Cap is on a trailing price/earnings ratio of 34 – albeit with high forecast earnings growth – while the MSCI India is on 26. The trusts that have done well on the back of the small-cap boom are very popular with investors. Ashoka trades at a near -2% premium to net asset value (NAV), while India Capital Growth is on a fairly modest 6% discount. In contrast, Abrdn and JP Morgan are on a 17% discount.

If you are very bullish the obvious choice is to hold Ashoka or India Capital Growth. However, if you fear the market is a little frothy but want to back it for the long term, you might expect one of the ETFs to hold up better during pullbacks (see chart above) or favour New India, with its more conservative portfolio and wider discount.

## Guru watch

**Pierre Andurand,**  
founder,  
**Andurand**  
**Capital**  
**Management**



There will be a “massive supply shortage” of cocoa beans this year and next, says Pierre Andurand, the hedge-fund manager who placed a high-profile bet on the commodity in early March, shortly before cocoa futures spiked to a record of \$12,000 per tonne.

Cocoa production may fall by around 17% relative to last year, due to a combination of bad weather, climate change, a shortage of fertiliser, and an outbreak of plant diseases in Ghana and the Côte d'Ivoire, which together account for about 60% of global output.

“We're in a situation where we might actually run out of inventories completely,” Andurand tells Bloomberg. The inventory-to-grinding ratio – the stocks of cocoa beans relative to expected demand from processors – is likely to end the season at about 21% this year, compared with 35-40% in the past decade, he says, and could go as low as 13% in 2025.

“That's when you have a real shortage of cocoa beans... and that's when the price can really explode.” While cocoa futures have fallen back from their highs in March to below \$9,000 at present, they could easily spike above \$20,000 as inventories shrink.

Andurand is also bullish on copper, where prices have recently hit a two-year high. The world is facing a structural shortage of the metal due to rising demand for use in renewable energy infrastructure such as solar panels and wind turbines, and in data centres. “They're going to be built at whatever the cost of copper.”

Meanwhile, supply growth by the end of next year will be “zero to negative”, he says. Bringing new mines online takes many years, while new supplies are increasingly coming from less stable countries. Investors should expect a large jump in copper prices at some point as the scale of the deficit becomes clearer. “They could go up four times over five years... that's the kind of price moves I'm expecting.”

## I wish I knew what futures were, but I'm too embarrassed to ask

A futures contract is an agreement to buy or sell something at a pre-arranged price on a pre-arranged date (known as the delivery date). Futures were developed for agricultural goods such as grain and later for other commodities such as oil, gas and metals. Since the 1970s, financial futures have been widely used for trading in stocks, bonds, currencies and other assets.

Futures may be physically settled (by delivering the asset in exchange for payment) or cash settled (meaning that one party to the contract must make a payment to the other party that reflects the difference between the contract price and

the current price of the asset). Physical delivery is common with commodities, while financial futures are almost always cash settled.

Futures contracts are traded on exchanges such as the Chicago Mercantile Exchange (CME) in the US, and play a key role by managing the risk that either buyer or seller fails to meet their obligations. Traders make an up-front payment based on the face value of the contract to the exchange (known as initial margin). They may need to make further payments (maintenance margin) if the trade goes against them. If one party defaults, the exchange steps in to complete

the trade, using the margin and drawing on its own reserves if necessary.

Futures can be used for hedging (an airline might buy oil futures to hedge against rising fuel prices), but also for speculative trading. They offer in-built leverage (all the trader pays immediately is the initial margin), or may be more liquid or easier to trade than the underlying asset.

Futures are entirely standardised contracts, with all key terms – such as the specifications of the underlying asset and the delivery date – set by the exchange. If a buyer and seller need customised terms, they would instead use forwards – privately negotiated contracts that don't trade on an exchange.



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## America's AI start-up boom

Editorial  
The Economist

An “array of data” suggests that Americans are rediscovering their “go-getting spirit”, says The Economist. Applications to form businesses hit a record high of 5.5 million last year and the monthly average is around 80% higher than in the pre-Covid decade. Since Covid, mature firms have lost one job for every four created by start-ups. There has been a “particularly sharp” increase in applications involving artificial intelligence (AI), carrying “echoes” of the 1990s when “the internet took off”. Entrepreneurs, assisted by remote working and a tight job market (if their idea fails, they can fall back on paid work), are creating AI-powered tools to “interact with customers, prepare taxes, sift through court records and more”. A “striking feature” of the boom is that it has spread to smaller cities across the US. The rise of remote work also means even “scrappy start-ups can tap into big talent pools” in places such as Silicon Valley. It’s also easier to connect with people and test out products in smaller places. The “big unknown” is whether this will “translate into productivity gains”. But if there is little in the data to show this is happening, this may simply mean that, as in the 1990s, it will take a “few years” for these start-ups to “make their mark”.

## A lesson in investment from Japan

Robin Harding  
Financial Times

Shinzo Abe’s 2014 reform to the Government Pension Investment Fund of Japan, which turned it from a largely domestic portfolio with 60% held in Japanese government bonds to one that is 50% equity and 50% international, must be the “most lucrative asset-allocation review in history”, says Robin Harding. According to strategists at Eurizon SLJ Capital, the portfolio has grown from ¥137trn in 2014 to ¥226trn today, compared with ¥168trn had no change been made. The portfolio has benefited from the weakness of the yen, but that was a calculated risk, not a “lucky accident”. This policy experiment is one the world should study. It shows the value of thinking differently as well as the importance of showing leadership (Abe withstood waves of “bad publicity”). The shift was “relatively conservative” and the funds managed by professionals, a “depressing contrast” with a UK scheme whereby councils borrowed billions from central government to make disastrous investments. As the world ages, the demand for pension-paying assets rises too. Like Abe, we should be thinking “more like investors with large obligations, large balance sheets and a very long time horizon”.

## US tariffs are a shot in the foot

Gernot Wagner and  
Conor Walsh  
The New York Times

US president Joe Biden’s 100% tariffs on Chinese electric vehicles (EVs) are ostensibly to protect US manufacturers in swing states from competition, but are in effect “little more than a handout” to the likes of General Motors and Ford, say Gernot Wagner and Conor Walsh. Current tariffs of more than 25% already mean that middle-income Americans can’t afford low-cost Chinese cars: 85% of current EV drivers have a household income above \$75,000. The hope is that US manufacturers will one day be able to make low-cost EVs, but that day is “still a long way off” and until then EVs will remain a luxury. Firms now also have “less incentive to invest in new technologies” while Chinese firms carry on selling their EVs abroad, cutting off opportunities for US firms to export their own products. A tariff focused on greenhouse-gas emissions, which the EU is introducing in 2026, would be preferable. It would “protect America’s nascent green economy and give consumers access to the cheaper clean cars and solar panels” while encouraging foreign manufacturers to “decarbonise their products, leading to a virtuous circle”. Given China’s “soaring” emissions, carbon tariffs would still be “tough” on the country, but at least “for the right reasons”.

## Posh shops with hefty price tags

Carol Ryan  
The Wall Street Journal

Property on famous luxury shopping streets such as New York’s Fifth Avenue is currently looking “as overpriced as the clothes”, says Carol Ryan. “While the average commercial building is worth 20% less than in 2022, the world’s most exclusive shops have barely been touched by the highest US and European interest rates in two decades.” Cartier’s Swiss owner, Compagnie Financière Richemont, recently bought a property on London’s Bond Street at a “rock-bottom 2.2% rent yield”, around half the current base rate. The reason for similar deals is that such buildings are scarce. Bond Street has 150 buildings, only two-thirds of which are “posh enough” for the flagship store of a luxury brand. Supply is even tighter on Fifth Avenue and Rodeo Drive in Los Angeles. This creates “intense competition for both space and ownership”. LVMH, the world’s biggest luxury company, has more than 70 brands. Moreover, luxury brands made “huge” sums during the pandemic. Richemont, for instance, has more than €7bn of net cash on its balance sheet. Most luxury stores are still in the hands of sovereign wealth funds or rich families who may have owned the building for years, but the temptation to “cash out” is likely to grow.

## Money talks

**“Being rich is... not the endgame – [it] is being able to do the things you want to do in life. And if you haven’t established what that is, all the money in the world is not going to make you happy.”**

*Dragons’ Den* investor Deborah Meaden (pictured), quoted in the Financial Times



**“In the past few years, the business has brought the old adage to mind that [its] work may be both good and original, but what is good is not original and what is original is not good.”** Columnist Alexander Larman on tech giant Apple, in *The Spectator*

**“My children, without exception, have wonderful careers without a fortune. We are fine.”** US filmmaker Francis Ford Coppola insists that putting \$120m of his own money into his science-fiction epic *Megalopolis* won’t leave his children poorer, quoted in *The Hollywood Reporter*

**“David Cameron... came back to London empty-handed... The continental Europeans were not entirely blameless when it came to Brexit. We lost patience with the special role that Britain always played in European politics. We didn’t do enough to help them come to a different referendum result.”** Friedrich Merz, head of Germany’s Christian Democratic Union, quoted in the Financial Times

**“Those things which he was not allowed to do on the trading floor at Goldman [Sachs] – act on information, artificially inflate prices, choose whom to sell to – were commonplace, even acceptable, in the buying and selling of artworks... ownership of works is often shrouded in legal mystery.”** Orlando Whitfield, author of *All That Glitters: A Story of Friendship, Fraud and Fine Art*, on a Goldman Sachs trader’s experiences at auction, quoted in the Literary Review

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# The next big scandal

[samf.substack.com](http://samf.substack.com)

The Infected Blood Inquiry released its report this week on the failures that led to more than 30,000 people being infected with deadly viruses through contaminated blood products between 1970 and 1991. And former Post Office CEO Paula Vennells gave evidence to an inquiry into the systems that led to hundreds of subpostmasters being falsely convicted of theft. Such scandals fly under the radar of day-to-day politics, says Sam Freedman, and by the time the full truth comes to light, those responsible can no longer be held to account. That's worrying because there are plenty of possible candidates for the next big scandal.

School buildings are a good example. Last summer they made the headlines when three ceilings made with so-called "bubbly concrete" collapsed. No one was hurt, but the

Department of Education has known since the summer of 2021 that there is a "critical and very likely" risk of a building collapse or failure causing death or injury. The government has identified other schools at risk and funded repairs, but there is "a much wider array of structural problems with old buildings and no money to fix them". The NHS has the same problem. A major disaster is around the corner.

Another possible scandal in the making might be the result of the big rise in the number of physicians and anaesthesia associates without medical degrees being recruited to work in hospitals and GP surgeries. This is a way to boost staffing at lower cost, but has led to a "semi-revolt" by doctors worried about the consequences. GPs have also been "directed and incentivised" to reduce referrals to keep



hospital waiting lists from being overwhelmed. Similarly, around 40,000 cases a month are being rushed through the criminal justice system on a tight time schedule for minor offences. Meanwhile, accidental benefit overpayments have led to demands for repayment that leave people with life-changing debts. Will we find at some future date that such policies have led to avoidable tragedies?

With a new government likely to arrive soon, there is an opportunity for a reset. But the

longer a government stays in power, the more likely trouble of this kind is to build. That's why we also need investigative journalism, which is in crisis as it's expensive and doesn't lead to "clickbait engagement". We need more powerful organisations in the media and beyond to expose wrongdoing and challenge power. Otherwise, in 2030, "we'll be watching another drama series about a foreseeable tragedy or horrendous injustice, wondering why it took so long to uncover".

# The EU is a Remainer nightmare

[unherd.com](http://unherd.com)

With EU elections less than a month away, imagine how baffled pro-EU, anti-Brexiteers must be, says Thomas Fazi. For years they've painted Brussels as a "beacon of progressivism, peace and democracy", as opposed to the "far-right, racist and economically suicidal project" of Brexit. Yet it is the EU that is about to swing to the right, as several European governments already have. Britain, on the other hand, is almost certain to vote in a centre-left party in less than a year. Anti-immigrant unrest is prompting several EU governments to contemplate a Rwanda-style asylum system. The police have broken up peaceful assemblies and protests. Germany is mired in economic stagnation. And as for the EU's peace project, all European governments are now "on a war footing". EU authorities have even been peddling their own version of "Russiagate", blaming Russian interference for democratic elections that don't go their way. This is no surprise. Despite being portrayed as a bastion of social and workers' rights, it was Brussels that drove the assault on the post-war European social and economic model and attempted to prevent any democratic backlash to it by restricting the scope of decision making by elected governments. The UK made the right choice in decoupling from this dysfunctional bloc.

# Three cheers for Clarkson

[capx.co](http://capx.co)

*Clarkson's Farm*, a reality TV show starring Jeremy Clarkson, now in its third season, has "evolved from a show about the vagaries of farming into one of the most potent rallying cries for planning reform ever aired", says Henry Hill. Clarkson is filmed doing what farmers are supposed to do: diversifying his business, cooperating with neighbours, investing in the

community. But a "malignant coalition" of planning officers, councillors and do-gooders has "thwarted him at every turn".

The latest season saw Clarkson launch an appeal, and he won. The council was routed. Clarkson can carry on



Clarkson (with trusty lieutenant Kaleb Cooper, left): a rallying cry

with his restaurant. But the show provides a reminder of "how totally absurd the current planning regime is", and "how urgent remains the cause of reform". Instead of clear rules around which businesses can plan, local politicians have "huge discretion to exercise arbitrary power in pursuit of personal vendettas". Appeals take time and money, which Clarkson has in abundance, but most do not. The show has a happy ending and offers hope – but hope is no substitute for the certainty hard-pressed farmers and other business folk deserve.

# Obesity is no big deal

[snowdon.substack.com](http://snowdon.substack.com)

The restaurant critic William Sitwell is "mad as hell and is not going to take it any more", says Christopher Snowden. A study that showed that people with a body mass index (BMI) of between 30 and 35 are 38% more likely to be off work for a week with illness than someone of a healthy weight, and the severely obese twice as likely, had Sitwell rattling off a column for *The Telegraph* calling for authoritarian measures to force people to be healthier.

Thirty-eight per cent is roughly how much more sick leave women take than men. People aged 50-64 are around twice as likely to take sick leave than people aged 16-24. Yet society has managed to employ women and the middle-aged without the economy collapsing. Besides, sick days are a trivial issue compared with long-term sickness, the rise of which is mainly down to mental, not physical, health.

How is Sitwell to force feed the nation healthier food? Compulsory free school meals. The only result of that will be a system based on the NHS model: "free at the point of use, but absolutely awful".

# Why the US and UK have diverged

They pursued different policies after Covid, and America chose more wisely, says Max King

Britain and America have been adopting radically different fiscal strategies since the pandemic and it is increasingly clear who has been vindicated: America. America's fiscal gamble with the Inflation Reduction Act (IRA), a 2022 package of tax cuts and government spending to encourage infrastructure investment and energy self-sufficiency, estimated by Goldman Sachs to have cost \$1.2trn, appears to have paid off.

America's debt-to-GDP ratio had fallen to 30% by the early 1980s, but had risen above 100% by the pandemic, according to Ed Yardeni of Yardeni Research. The cost of Covid and the resulting slump in GDP drove the ratio above 130%, but it has since fallen back. GDP growth accelerated from 1.9% in 2022 to 2.5% in 2023, although it slipped back to an annual rate of 1.6% in the first quarter.

Inflation has been unexpectedly slow to fall back to its target rate of 2%, largely owing to a strong economy. Productivity growth has accelerated, reaching an annual rate of nearly 5% in the third quarter of 2023, a marked improvement on the average annual rate of just 1.3% per annum between 2005 and 2018. Even if, as is likely, productivity growth slows, it is expected to remain well above this rate.

But could this progress be derailed by a fiscal crisis as US debt spins out of control? Longview Economics has issued a rather encouraging report suggesting otherwise. In it, Chris Watling argues that fiscal policy in the US has been tightened, with the government's primary fiscal balance (before interest costs) coming down. The congressional Budget Office estimates that the tightening amounts to 1.3% of GDP, while the International Monetary Fund (IMF) estimates 2.1%, which more than reverses the loosening in 2023 as a result of the IRA.

This is driven by rising tax revenue (note: not rising tax rates) and broadly flat total spending, despite rising interest costs. With fiscal and monetary policy tight, Watling argues, there is room for more reductions in interest rates than the market now expects if economic growth is not to slow sharply.

## A cost-of-taxation crisis

It's early days, but the US's fiscal gamble appears to be working, unlike the UK's very different strategy. Terrified of a government debt-to-GDP ratio exceeding 100%, and mindful that the world is much less interested in owning gilts than in owning US Treasuries, the UK slammed on the fiscal brakes. Taxes have been raised to the highest levels for more than 70 years, discouraging investment and reducing incentives to work. Britain is undergoing a cost-of-taxation crisis.

The result is a flatlining economy and no discernible improvement in the state's budgetary position. Money



Donald Trump will inherit a thriving economy if he returns to power

has continued to be thrown at welfare and public services in the vain hope that these will improve, but the Office for National Statistics shows otherwise. Public-sector productivity, it says, fell by 2.3% in 2023 and 1% in the first quarter, so it is now 6.8% below its pre-Covid level.

The private sector cannot compensate for this, so overall productivity is stagnating and economic growth relies on immigration, with income per capita stagnant. What's more, following the US lead is regarded with horror. The attempt by the short-lived Truss government to kick-start economic growth with tax cuts prompted an establishment coup. The US experience suggests it could have worked.

This is not the only example of British economic strategy diverging unsuccessfully from the US. During the pandemic, the UK spent a vast amount of money trying to protect jobs through the furlough scheme and loans for businesses, a policy that encouraged fraud and waste. The US simply mailed cheques to all taxpayers and allowed unemployment to rise. After the pandemic, job creation boomed and both economic growth and productivity took off, while the UK struggled.

While America seeks to encourage key sources of economic strength, Britain, Janan Ganesh of the Financial Times observes, "is at war with everything it is good at". This encompasses the English Premier League (threatened with regulation), the ability of universities to attract foreign students, and tourism (via a "stingier sales tax for visitors than rival destinations").

Instead, "Britain is going through the kind of industrial dirigisme for which it has little historic aptitude", such as "picking winners in super-advanced manufacturing" despite "the state being unable to build 80 miles of high-speed rail from Birmingham to Manchester". Ganesh could have mentioned Britain's strident efforts to kill off hydrocarbon production, and only refers fleetingly to the deep hostility, as displayed by the Financial Conduct Authority (FCA), towards the financial sector it regulates.

But at least we have political stability while America is threatened by Trump! Yet all human experience is that prosperity encourages a nation to be at peace with itself while stagnation encourages strife, conflict and political extremism. Without growth, Britain will have much more to worry about than its standard of living.

*"Britain is going through the kind of industrial dirigisme for which it has little historic aptitude"*

The profits to be uncorked in wine  
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Why gold Britannias rule  
Page 34



# MONEYWEEK

ALTERNATIVE INVESTMENTS

May 2024



# Collectable treasures

# Passionate about collectables

Whether it's wine, whisky, art, cars or coins, there are many reasons to start collecting



People collect art for all sorts of reasons, as Sarah Ryan, founder of New Blood Art, says on page 32. That also goes for other types of collectables. Wine, whisky, coins or classic cars, every collector knows why they do what they do – even if their spouses sometimes struggle to see the attraction. Excitable newspaper editors and investment report writers will sometimes refer to collectables as “investments of passion” and “objects of desire”, with all the quasi-religious, pseudo-sexual associations of longing and suffering those words conjure up. Never ones to get carried away with our emotions, we at MoneyWeek have chosen the entirely sober term, “alternative investments”. But it is certainly true that, for a great many collectors, love plays a big part.

What other reasons might there be for collecting? Nostalgia is one. Every generation has its fads and obsessions, and that is no less true of the Millennial generation, aged in their late 20s to early 40s. As they continue to acquire wealth, they have been making their presence felt in almost every field of alternative investment. Cars from the 1980s hold a certain appeal, for example (see page 30). Boredom is another factor. Many a Millennial and younger, furloughed and confined to their homes during the pandemic, reached for their computers and phones, buying everything from digital artworks to trainers. No wonder the bubble in non-fungible tokens (NFTs) burst at the end of the lockdowns, prompting disappointment and even litigation. How do you value a “Bored Ape”?

But the pandemic spurred changes in other ways. The “big three” auction houses – Sotheby's, Christie's and Phillips – all started accepting cryptocurrency, and traditional salesrooms have made way for online auction spaces. Social media now plays a bigger part too. The world also feels perhaps more precarious than it once did, with wars breaking out, autocratic governments, climate change, the recent pandemic and high levels of public debt. Most collectables had a difficult year in 2023. Whether higher borrowing costs were to blame, or the froth from previous surges just needed wiping off, is up for debate.

Either way, it's not surprising investors have sought sanctuary in gold in recent months, and historical coins are a fun – if not the most practical – way to play the rising price of precious metals. Just don't be tempted to bury your stash like the Anglo-Saxon soldier on page 34. Which brings us onto costs. Collectables, for the most part, are tangible – you can hold them in your hands. There is something comforting in that. And try impressing your friends with a portfolio of boring old bonds. But it also means you have to think about storage, insurance, VAT, auction fees and much besides. Collectables also tend to be rare and unique, which makes them harder to sell in a hurry and you may very well get back less than what you paid. But if you love what you collect, then who cares? And with wine and whisky, as Richard Woodard notes on page 28, you can at least always drink it.

Chris Carter  
editor@moneyweek.com

## 26 Wine

The market for fine wine has been subdued over the past 12 months, but prices for some bottles are still rising if you know where to look, says Chris Mercer.



## 28 Whisky

Collecting rare whisky is no longer the niche hobby it used to be, says Richard Woodard. The liquid gold from Scotland is appealing to an ever growing number of enthusiasts, with prices to show for it.

## 30 Cars

Electric cars are in pole position to take over from older, diesel- and petrol-powered vehicles in the collecting stakes as a new generation of buyers gets behind the wheel.



## 32 Art

Valuations of artworks by fledgling artists at degree-show level can only rise if their careers take off, says Sarah Ryan, founder of New Blood Art. And you never know – you may even find the next Banksy.



## 34 Gold coins

It's not just the metal that makes gold coins precious. Many are beautiful works in their own right, with stories to tell us of our long-forgotten past.



# *Diversification is a key part of financial planning*



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# Fine wine to stash away

Prices have softened of late, but patient investors can still spot opportunities, says Chris Mercer

*Specialist knowledge is essential and established, reputable merchants can offer insights for investment portfolios*

**F**ine wine trading has been subdued in the past 12 to 18 months amid macroeconomic uncertainty and higher interest rates. Prices have fallen on the secondary market following a period of strong gains, especially for blue-chip Burgundy and Champagne, according to data from Liv-ex, a global marketplace for the trade. Its Liv-ex Fine Wine 100 index, which tracks prices on some of the world's most collectable wines, dropped 15% in the 12 months to 30 April. The broader-based Liv-ex 1000 fell 15.6%. However, both indices were still up by nearly 43% and 60% respectively over ten years.

Despite the current malaise, buyers are still turning up. Sotheby's sold a record \$159m of wine and spirits at auction in 2023. Its top wine lot was five magnums of Domaine de la Romanée-Conti, Romanée-Conti grand cru 1999, which sold for \$275,000 in New York, including buyer's premium.

## Up and coming wine regions

Naturally, there are finite supplies of the most sought-after wines, and prices have tended to rise over the long term, particularly on five-star vintages, as drinkers pop corks and supplies dwindle. Bordeaux's Château Latour 1996, for example, has risen in price by 450% since its initial release, says Liv-ex. Inevitably, there are no guarantees of future price gains and release prices can have an effect on investment outcomes, too.

Still, fine wine has become more alluring to a wider pool of wealthy collectors worldwide in the past 15 years or so. Matthew O'Connell, CEO of the LiveTrade online trading platform at merchant Bordeaux Index, sees this as supportive of future growth: "There's a positive medium-to-long-term supply and demand imbalance, and greater penetration of the asset to come." The market, he says, has a history of growth spurts followed by "settling off" periods.

As for what to buy, there is a relatively fixed group of investment-grade wines. Secondary market trading activity is an important aspect, alongside quality, brand reputation and longevity. That said, Bordeaux now shares the market with other regions to a much greater extent. Famous Burgundy producers such as Domaine de la Romanée-Conti (DRC), Armand Rousseau or Leroy commonly top auction price charts, thanks in part to the relative scarcity of their wines, which are typically tightly allocated on release.

Champagne and Italy have also come to the fore, as well as certain names in other regions, from California to the Rhône Valley. But Bordeaux remains a cornerstone of the market, even if price momentum has been relatively muted in recent years. So-called "first growth" estates, including Château Latour, Lafite Rothschild, Mouton Rothschild, Margaux and Haut-Brion, produce relatively large volumes with long lifespans, for example.

Nick Pegna, global head of wine and spirits at Sotheby's, highlights the relative accessibility of top Bordeaux for new investors, versus blue-chip Burgundy.

Specialist knowledge is essential and established, reputable merchants can offer insights for investment portfolios. Some, such as LiveTrade or Berry Bros. & Rudd's BBX, have developed digital trading platforms,

while technology has made it easier to compare prices, such as via Liv-ex or Wine-Searcher. Prospective investors and collectors should always research companies carefully. Wine investment isn't regulated, and scams have been an issue in the past. Fake fine wines, for example, have been a problem down the years. Counterfeiter Rudy Kurniawan, convicted in the US in 2013, was known as "Dr Conti" for his prolific production of copycat DRC wines. While reputable merchants and auction houses do check bottles' authenticity, it's something for buyers to be mindful of. If the price for that rare Burgundy looks too good to be true, then it probably is.

## Storage and costs to consider

Wines bought as an investment should be stored "in bond" and, crucially, in an account "under your own title", says Pegna of Sotheby's. VAT and import duty aren't payable on in-bond stock, but professional storage costs need to be factored in. Buying wines early in their lifespan, including on release, can help ensure "perfect provenance", yet it could take ten years or more before a wine becomes interesting to resell.

A wine's condition can also have an effect on resale opportunities. Collectors can transfer stock to Berry Bros. & Rudd (BBR) to be listed on its BBX trading platform, for instance, but wines must come from an approved list of bonded storage facilities and they need to be in their original cases, says Sebastian Balcombe, BBR's quality and authentication specialist. Storage costs needn't be prohibitive, adds Bordeaux Index's O'Connell. "If you invest in the right wines, the cost of storage should be about 0.25%-0.3% a year." Additional costs can include selling fees or commission, while investors may also need to get professional advice on the tax situation regarding fine wine collections.





# Dispatches from Bordeaux

## Wine's market of futures

As the 2023 En Primeur campaign comes to a close, Mr.Wheeler's Wine Club zooms in on Bordeaux's unique combination of age-worthiness and value

The arrival of spring is a busy time for wine lovers, brokers and collectors, with the oenophile community descending upon Bordeaux for the En Primeur (EP) campaign. This year has been particularly interesting, and not without drama, following the announcement of surprising price dips for some of the region's flagship names – more as a result of economic uncertainty than of the quality and potential of the wines themselves.

Bordeaux EP is effectively a market of futures: a belief in the potential of a wine

based on the quality and character it shows before ageing, as well as on harvest conditions and economic mood. It therefore requires the same uncanny combination of insight, knowledge, faith and luck as financial markets.

In essence, however, Bordeaux remains a source of consistent quality at incredible value, especially for those willing to look beyond the performance of En Primeur trading floor. Grown alongside some of the world's most expensive wines are overlooked gems and outstanding everyday drinkers.

Our May club selection reflects this combination of unsung value and future potential which Bordeaux delivers across price points and styles – from the more classical to a more modern, fruit-forward approach. It spans ten years of harvests, starting with a classic 2009 Médoc, **Château Malaire's Cuvée Grande Réserve** – a perfect example of elegant, savoury development underpinned by enduring vibrancy – and closing with **Château Trébiac 2019**, in which the minerality and vegetal freshness of Graves lifts a warm core of fleshy red fruit.

Looking for classical finesse and some cellaring potential? **Château Puy-Blanquet St-Émilion Grand Cru 2018** delivers

### About Mr. Wheeler

Mr.Wheeler was founded upon the Wheeler family's more than 140 years of experience in the wine trade. Now with 6th and 7th generation at the helm, the company remains true to the principles that have guided the Wheelers since 1883: carving an ever bigger space for quality wines, at a fair value for both consumers and suppliers, while delivering the best customer service. The company ships directly from producers, guaranteeing identity and provenance, from grape to glass.

on both fronts, with silky tannins holding layers of black fruit, sweet spice and wildflowers. It's drinking beautifully now but might also benefit from some time tucked away. **Château Giscours' Petite Sirène 2016**, on the other hand, challenges classicism, with its zesty liveliness and pleasant rusticity. Blood orange, pomegranate and mahogany mingle on the palate for a really intriguing and modern Bordeaux.

While looking both at the past and future of Bordeaux, these four wines offer depth and complexity, but also approachability and straightforwardness. An exclusive offer for *MoneyWeek* readers, directly from the producers and without the stressful funfare of EP.

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SCAN ME



# Investing in liquid gold

Whisky prices have shot up over the past decade, says Richard Woodard. Does the market still have legs?

**H**and a whisky lover a time machine, and they might well set the dials for 1993, when Oddbins began selling an Islay single malt matured for 29 years in sherry casks. The price of Black Bowmore – £110 a bottle – was considered pretty steep at the time, but not any more. Track down that first edition today and it'll set you back £25,000.

No longer is whisky collecting a niche hobby purely pursued by earnest enthusiasts. Buoyed by a series of headline-grabbing sales – culminating in the £2.2m paid at Sotheby's in November last year for a bottle of The Macallan 1926 Valerio Adami edition – we now live in a world of exclusive whisky auctions, investment funds and new releases with five-figure price tags.

So is whisky a sure thing, with lucrative returns more or less guaranteed? No.

While the long-term price trajectory for rare bottles remains highly positive, the market is going through a difficult phase. In its latest March quarterly update on the fine and rare whisky market, Noble & Co notes a "significant slump" in auction volumes, continuing a negative trend that began in the second half of 2022. While pricing has held relatively steady, volumes of bottles sold at auction above £100 fell 16% in the last three months of 2023 versus a year earlier. Volumes last December were down 18% and slumped 35% in January 2024.

## A maturing market

In part, the correction is linked to broader macroeconomic concerns, and trends in the primary market. New releases of high-end whiskies are not selling through as quickly as previously, echoing the downturn in fine wine. The other factor at play is that the rare whisky scene is maturing. The remarkable gains of the 2000s and 2010s are unlikely to be repeated, simply because this is no longer such an undervalued commodity.

With that health warning in mind, what should you buy, and where should you buy it? Rare whisky is a relatively illiquid market compared to fine wine, making detailed analysis of pricing trends perilous, so there's something to be said for buying what you like. At least you can still enjoy your whisky if the market turns south.

Limited releases from marquee names are the obvious way to go, including whiskies from "ghost" (closed) distilleries. Port Ellen, Brora and Rosebank are famous names here, although all three have recently restarted production. Others include Glenury Royal, Littlemill, Ladyburn and St Magdalene. Outside Scotch, Japan's Karuizawa and Hanyu are auction room darlings. Other big names in single malt circles include The Macallan – which has spearheaded the rare whisky boom – along with Springbank, Dalmore, Bowmore, Ardbeg and

Laphroaig. Beyond Scotch, US whisky names to conjure with include Pappy Van Winkle, George T Stagg and William Larue Weller. In Ireland, niche bottlings from Midleton Very Rare are on the up. Distillers have moved fast to cater for the new audience of collectors and investors. Diageo – the biggest name in Scotch – has its Prima & Ultima annual programme of rare aged whiskies. Meanwhile, the Grant family (of Glenfiddich fame) has released several tranches of esoteric, long-aged whiskies from its private stocks under the House of Hazelwood banner.

## Whisky is made for pleasure

Don't forget independent bottlers – companies that sell whiskies sourced from third-party distilleries under their own name. Watch out for Gordon & MacPhail's succession of long-aged releases from its astonishing inventory. Cadenhead's, Signatory, Adelphi and Italy's Samaroli are other good indie sources.

Primary market sources for these whiskies include retailers and online specialists, such as The Whisky Exchange and Master of Malt. On the secondary market, auction houses have an increasingly broad and sophisticated spirits presence, from big hitters Sotheby's, Christie's and Bonhams to specialists

Whisky Auctioneer, Whisky Hammer and Whisky.Auction. As with any collectable commodity, buying from an established business with a proven record is a must, as fakes remain relatively commonplace, and even well-established online auctioneers fall prey to them occasionally.

And then there are casks. A number of cask investment schemes have sprung up in recent years, some of them promising huge – and usually utterly unrealistic – returns. The lack of regulation in this part of the market – don't forget that a cask is essentially an open container with an easily removed bung – makes it a minefield for the unwary investor. Whisky By Time and Cask Trade are two retailers that can be trusted. Sage advice can be found on the website of industry body the Scotch Whisky Association.

As with fine wine, storing your collection in the right conditions is vital. In the long term, whisky should be kept vertical (unlike wine), and at a constant ambient temperature away from harsh light. Professional storage (including insurance) is a safe and relatively inexpensive option, which admittedly comes with the obvious drawback that you can't see your bottles, pick them up or show them off to your friends.

Does that matter? It all depends on how you view collecting whisky. If you're doing it purely for investment purposes, then probably not. But whisky is a product designed to be consumed, and to give pleasure. For all the calculations of market trends, auction prices and likely returns, it ought to be about something else too – having fun.



*As with fine wine, storing your collection in the right conditions is vital. In the long term, whisky should be kept vertical (unlike wine)*

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# Collectables in the making

Cars from the 1980s are starting to overtake models from earlier decades, says Chris Carter

The wheels started to slide off their axles in the collectable cars market last year. Prices edged lower in what had been up until then a zooming market. “The value of the HAGI Top index [which tracks collectable car prices] was up 22% in 2022, so a retreat of 6% isn’t all that bad,” Dietrich Hatlapa, founder of the London-based research organisation Historic Automobile Group International (HAGI), tells Knight Frank’s The Wealth Report 2024. “It’s a very small market so it only takes a minor change in portfolio allocations to have an effect, and there has also probably been a degree of profit taking,” he says.

That we saw a correction in classic car prices really isn’t all that surprising when looked at in the rearview mirror. By last summer, the cost of living had “started to bite, and that affected sellers who started to offload their least-precious cars, often expecting them to return at least what the vehicle had cost them”, says John Mayhead of specialist car insurance and research firm Hagerty. “Meanwhile, buyers were becoming more careful with their money, especially as they were no longer able to borrow at the ultra-low rates they had been accustomed to for so long.” Prices deflated across the board. Almost a third of car models tracked on the UK Hagerty Price Guide rose in value in 2023 (compared with 86% in 2022 and 48% in 2021), with prices for more prosaic cars from recent decades holding up. Two-litre and under engines “on average gained value” in contrast to three-litre and higher engines.

Hatlapa names BMW and Lamborghini as high-end marques that “bucked the trend in 2023” (rising 9% and 18% respectively), as they “appeal to a younger breed of collector”. It is certainly true some collectors were still willing to pay high prices. A 1962 Ferrari 330 LM/250 GTO sold for \$51.7m with RM Sotheby’s last November. Then again, the very top of the market operates “by its own rules”, as Joe D’Allegro notes on CNBC. Customers have to be invited to buy some of Ferrari’s newest special editions, and those cars tend to only increase in value.

Those buyers with the deepest pockets tend to be of the older “Boomer” generation, and that age group is gradually “leaving the market”, as Hagerty’s Mayhead puts it. The succeeding “Gen X” (born between 1965 and 1980) has been picking up the slack as they reach “peak earning capacity”, but

“the real growth [in the market] has been in younger drivers”, he says. What’s more, different generations tend to be interested in different cars. “What people like when they’re younger becomes collectable when they’re older,” Daniel Strohl, former editor of collectable-car publication Hemmings Daily, tells CNBC. “We saw that with the muscle cars Boomers collected, and we’re seeing it now with the 1980s trucks and Japanese imports that are popular with younger collectors.” Mayhead agrees: “For those guys, a whole new world of 1980s-and-newer classics are the ones they aspire to.”

## Young, Japanese and electric

Hagerty named the 1985-1991 Ford Escort RS Turbo in its latest annual “Bull Market List” of the eight collectable cars “primed for growth” in 2024. The RS Turbo captures “the zeitgeist of 1980s Britain” and one example, admittedly once owned by Princess Diana, fetched £722,500 with Silverstone Auctions in 2022. Otherwise, a model in top “Concours” condition is worth £35,800. The 1999-2010 Honda S2000 is another car to make the list, and it ticks the Japan box. A Concours condition model could be worth £22,000.

Finally, environmentalism is a topic that tends to be close to the hearts of younger buyers and for collectable cars that means going electric – even going so far as to replace petrol and diesel engines in older classic cars with electric motors. “Such conversions are starting to catch on in the high-end car collector scene,” says Alejandro de la Garza in Time magazine. But if your wallet doesn’t stretch so far, there’s a Japanese option closer to home that’s already electric and, despite its youth, fast becoming a classic – the humble Honda e.

The e (pictured) was a “very expensive city car”, costing around £37,000 when it was introduced in 2020, says Leon Poultney on TechRadar. “Its puny 137-mile range is now laughable compared to much more affordable rival machines,” but there is an affection for it. A low-mileage second-hand model can be snapped up for £16,500 online. Better yet, Honda’s recent announcement that it will stop making the model could see prices rising again, says Poultney. In other words, the little Honda e could “potentially [become] one of the first genuinely collectable electric vehicles”.

*Those buyers with the deepest pockets tend to be of the older “Boomer” generation, and that age group is gradually “leaving the market”*



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# The big names of tomorrow

Buy the work of fledgling artists before their careers take off, says Sarah Ryan of New Blood Art

**W**e collect art for all sorts of reasons – and seemingly for no reason at all. There was no reasonable justification for me spending my entire first month’s modest teaching salary on a painting by an unknown Serbian artist, but I’m glad I did. Not because it’s gone up in value, but because I love it. It reminds me who I am, who I was and what I value in life. Art collections evolve over time and can serve as deeply personal and meaningful reflections of a collector’s life. Art can also be an investment. Am I sorry I didn’t buy a canvas by an almost unknown “sort of street artist” (called Banksy) when I was persuaded instead to go on a skiing trip in 2004? Yes, I am. My love of art and the fact it’s possible and pleasing to see significant gains from it are separate.

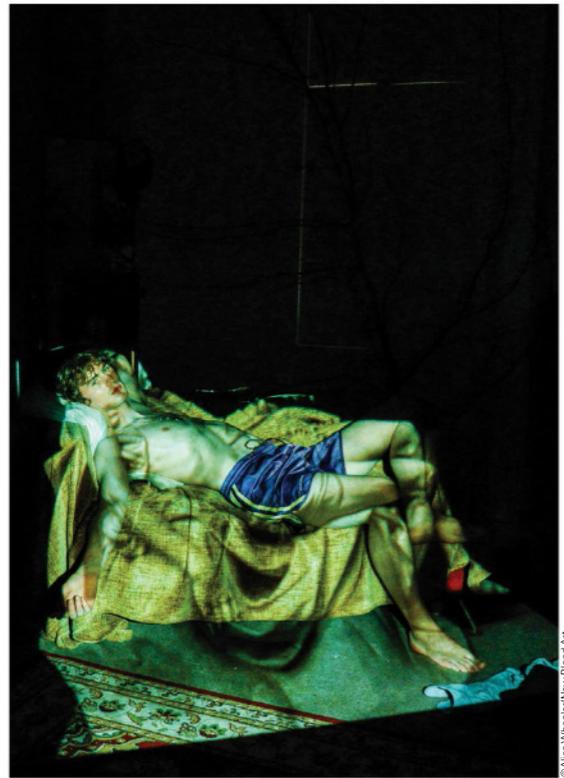
Viewing art solely as an investment is frowned upon in some circles and it is an interesting (and controversial) topic to unpack. Art as a commodity can seem to undermine its intrinsic value and overshadow the artistic, cultural, and creative aspects of the work. Additionally, focusing on the investment potential can and does lead to speculative (and unsustainable) bubbles and the inflation of prices arguably beyond the artistic merit of the work, which is unhelpful, certainly for the artist in the long term. (Though isn’t this the case in all markets?) Perhaps the key difference is that there is an individual here, in the emerging art market at least, who is being valued (or not), commodified, invested in or sold. That particularly stings as art is so intrinsically connected to the very being of the artist who made it – unlike other alternative investments, such as a luxury watch, for example, or a fine wine, which can be objectified without fear of exploitation.

## Buying for profit has its place

What if art were immune to these influences? Then there would be no art market and how then would artists survive, outside of charity and philanthropy? And what about the artists starting out? Life as an emerging artist is an insecure life choice and this is where my mission with New Blood Art began, 20 years ago. It is very difficult for emerging artists to make a viable living from their work, though the market has changed radically over the last two decades. It used to be an artist could hardly sell work outside of friends and family without the structure of a gallery set-up and artists do still face challenges in reaching potential buyers, establishing credibility, and showcasing their work to a wider audience without a gallery behind them.

That said, there are far more opportunities now and with the rise of online platforms and particularly social media, artists are increasingly finding alternative ways to market and sell their work directly to collectors. I think these opportunities will only increase over the coming years and that big disruptions could be on the horizon. The art market could look quite different in a few years. “Whilst the art market contracted over the last year... total online sales in 2023 were almost triple pre-pandemic levels, and more works sold online last year than ever before (including during lockdown),” says Artnet in its latest intelligence report from March. “This suggests that both buyer and seller behaviour around transacting virtually has changed for good.”

There are benefits to investing in fledgling artists at degree show level. You only play the upside – their



© Alice Wheeler/New Blood Art

work will never be priced lower and if their career takes off, then the value of their early works can increase significantly. There’s an appeal for early works. They can be more emotionally raw and relatable. For a collector, there is also a sense of having been “in on the ground floor” with an artist’s early works, which can make pieces feel more special – to have discovered an artist before they became more mainstream.

## Prize-winning emerging artists

At New Blood Art, we now work in collaboration with universities and art colleges, inviting art department heads and art tutors to nominate their most talented, committed and innovative artists each year for the Emerging Art Prize. This marks a new evolution in curatorial technique, inviting greater input from tutors, heads of departments and art colleges to nominate emerging artists. Tutors and lecturers from art colleges and universities are invited to nominate outstanding graduating artists from their fine art degree programmes. You will find at [Newbloodart.com](http://Newbloodart.com) a list of 2024 graduating artists who have been nominated by their university art departments for this year’s prize.

Many of the artists we first platformed following their degree shows are now 20 years older and in mid-career. These artists are making a living from their art, and you will find them situated in our Masters section. We have numerous examples of artists whose work you could have bought in the low hundreds when they first arrived with us after their degree shows and who now would sell for ten or 20 times that amount.

This year, we showcase some outstanding artists nominated by their tutors, including Christian Sloan, a Northern Irish sculptor graduating from Edinburgh College of Art; Alice Wheeler, a photographer (her work, *The Son*, is pictured above), also from Edinburgh College of Art; and a wonderful Print Master’s graduate from the Royal College of Art, Sean Pearl.

*It is very difficult for emerging artists to make a viable living from their work, though the market has changed radically over the last 20 years*

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# The lure of the hoard

You don't have to stumble across a treasure trove in a field to profit from the yellow metal, says Chris Carter

The name of Commios was already known to us from Julius Caesar's *Commentaries on the Gallic War*. The Belgic king of the Atrebatas, a Gaulish tribe, was busy making his new home in southern England in the couple of decades following Caesar's raid on Britain in 55BC. What we didn't know until March last year was the name of Commios's neighbour. His name was Esunertos. That we now know the name of this British king, who may have even ruled from the Iron Age hillfort of Danebury, in Hampshire, is thanks to a tiny gold coin found in a field that had just enough of his name still visible for historians to make out the rest. Such was the interest it sparked that the coin ended up selling for £20,400 with London auctioneers Spink last October.

The most prized coins are "celebrated for their quality of art, the desperation or emergency under which they are struck, or because they directly link to a historical event that has left a lasting legacy on a nation", Gregory Edmund, senior specialist at Spink, tells MoneyWeek. "Esunertos captures this last point perfectly... [The] artwork appears crude to our modern eye, but demonstrates a degree of sophistication for the time, and also access to resources given the good quality of the metal." That's why collectors felt emboldened to "bid so strongly on a previously unknown, untested object".

Besides kings, coins can also tell us about the ordinary folk – from the workers who made them and the techniques they used, to the merchants who carried them over deserts and seas, to the swindlers who clipped them or those who hid coins in the ground, hoping to dig them up again on a day that never came. The 144 coins that made up the Braintree hoard that were dated to the time of the Norman invasion (122 of which were sold with Noonans Mayfair in February)

may have been left by an Anglo-Saxon soldier, for instance. "We cannot say with any certainty whether or not the Braintree hoard's owner died fighting at Hastings, but it is a tantalising possibility", said Bradley Hopper of the London-based auction house.

## History in your hand

British Iron Age coins, let alone gold ones, are of course incredibly rare. Only a few hundred Celtic coins were ever made and far fewer still have survived to turn up in farmers' fields. "So holding that sort of coin in your

hand, you know you're holding something that was rare in its time and even rarer now," Kimberly Day, a coin expert with RWB Auctions, told BBC News. That 2,000-year-old coin, found in Wiltshire and known as a Savernake Wheel because of its chariot wheel or "sun-wheel" motif, fetched £4,400 in February.

## The case for bullion

Interest in the metal that went into coins didn't end with those historical coin clippers – modern-day collectors are interested too. In the past, merchants would weigh coins and collectors should likewise be cautious. The British Numismatic Trade Association has a list of reputable dealers and auction houses on its website, [bnta.net](http://bnta.net).

If you are more interested in the metal than the history, then really you want to focus on bullion coins. The Royal Mint ([royalmint.com](http://royalmint.com)) and Bullion By Post ([bullionbypost.co.uk](http://bullionbypost.co.uk)) sell both types, while

BullionVault ([bullionvault.co.uk](http://bullionvault.co.uk)) specialises in bullion. And these can be pretty too. Chinese Pandas and Australian Nuggets are particularly fetching, but that's not the point of them. They are – like gold bullion bars – a store of value and a form of insurance for your portfolio against tough times. Be sure to buy proper insurance and a safe if keeping them at home, or pay to keep them in a vault (just not in a hole in the ground).

British one-troy-ounce Britannias (pictured) and 0.235oz Sovereigns are beautiful, the latter still bearing Benedetto Pistrucci's design of Saint George slaying the dragon, from 1817. Better yet, all gold bought in Britain is free of VAT, so long as it is "investment grade". For coins, that means 90% pure and minted after 1800. You will also pay a slightly higher premium over the spot price compared with a gold bar, due to the more-involved manufacturing process that goes into making coins. British bullion coins also carry another advantage: as they are considered legal tender, they are exempt from capital gains tax should you sell them for a profit. Now, that has to be worth a pretty penny. But even gold Sovereigns have their numismatic value. "As a general rule, anything post-1850 is considered 'common' in all but perfect condition", says Edmund of Spink. "Prior to 1850, thanks to concentrated recycling in the Victorian period, those struck during the reigns of George III, George IV and William IV, as well as the early years of Queen Victoria, are all sought after, especially those struck as 'proofs' for collectors.

"Collectors truly value the ownership of the rarest, most valuable, most exclusive mementos... usually the gold coins," because they tie us to our history, he says. "[They] allow us to 'touch' our ancestors in ways that perhaps other forms [of collectables] don't."



The most prized coins are celebrated for their quality of art... or because they directly link to a historical event that left a lasting legacy



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# Sun will shine on Bluefield Solar

Renewable-energy infrastructure investment trusts look cheap, and one in particular stands out



**Rupert Hargreaves**  
Investment columnist

The listed infrastructure investment-trust sector offers some extraordinary bargains. Infrastructure investment trusts are trading at an average discount to net asset value (NAV) of 22%. Renewable-energy infrastructure investment trusts are trading at an average discount of closer to 30%. The reason for these discounts is uncertainty. NAVs are based on estimated cash flows from the assets these trusts own, discounted back at an appropriate rate.

Discount rates are tied to interest rates and the higher the discount rate, the lower the present value of future cash flows, and vice versa. However, these values are open to interpretation, and at present the market doesn't appear to believe the values the trusts are reporting – hence the wide discounts to NAV across the board.

In some cases, I think the market is right to be sceptical, but in others there is clear evidence that investors are being too pessimistic when it comes to asset values. **Bluefield Solar Income Fund (LSE: BSIF)** appears to be a classic example. The company boasts a portfolio of solar and wind assets, comprising a total of 776 megawatts (MW) of solar and 58MW of onshore wind



Go against the herd and take a punt on Bluefield Solar

capacity, with its assets located in the UK. A current dividend yield of 8.1% is on offer and the payout is covered twice by earnings per share.

## A reliable estimate

The shares are trading at a discount of 21.2% to the last reported NAV. And it seems investors can rely on the NAV. “The private markets are valuing the assets in the same way we’re valuing our NAV,” says James Armstrong, one of the managers of Bluefield Partners, which looks after the assets for the fund. Armstrong references a recent solar deal, which was completed on the same valuation metrics the company is using. Investors like

solar assets because they are predictable. As Armstrong says, solar has “stable characteristics”: people know with a relatively high level of accuracy when the sun is going to be shining. It’s also one of the “simplest technologies” there is when it comes to generating energy.

Bluefield Solar has just reported its best ever set of results, which did little to move the share price. This, Armstrong says, suggests that there is “no fundamental reason” why the shares are trading at a wide discount to NAV. The company also announced a record dividend. When it comes to debt and expenses, the trust is hardly a standout. Its expense ratio is

around 1.1% “all in”, and the cost of debt is fixed at 3.5%.

## Rattled by regulation

There are two technical reasons why investors might be put off from holding the trust. One is regulatory. Last month 360 Fund Insight, which provides assessments of value for investment platform AJ Bell, found that Bluefield Solar is not appropriate for private investors because it has “worrying” borrowing levels and an “aggressive” dividend policy.

The other reason is investors’ appetite for risk. As Armstrong notes, “there isn’t the appetite for new investments” in the infrastructure investment-trust sector. In a market where investors can earn 5.25% risk-free and have been fleeing from all UK-listed equities for more than two years, these trusts can’t even get a look-in from investors.

Still, there is an excellent opportunity here for investors willing to be patient and go against the herd. Based on the discount and the current dividend yield, investors could earn a very healthy return if the discount closes. That could take some time, but in the meantime the firm is buying back stock and with the private market still willing to pay up for solar assets, sooner or later, if Bluefield keeps booking record earnings and returning more cash to its investors, a private buyer is likely to come knocking.

## Activist watch

Elliott Advisors “once seized an Argentine warship to apply pressure for a payout to bondholders”, says *The Times*. But now the activist investor is in retreat. It may have made up to £200m recently from cutting its stake in Scottish Mortgage Investment Trust (SMT) to under 5%. It only disclosed its 5% stake in SMT in March. Analysts think the reduction was due to a purchase of 35 million SMT shares by the trust itself two days earlier, part of SMT’s £1bn share-buyback programme announced in March to rebuild its share price. Elliott’s “peaceful withdrawal” suggests it hasn’t had to “flex its muscles” in the usual way activists do. It had previously suggested that SMT sell some of its unlisted investments, which duly occurred.

## Short positions... What has Buffett been buying?

■ **Exchange-traded funds (ETFs) focused on China and environmental and social governance (ESG) factors are closing down due to a political backlash and geopolitical tension, says the Financial Times. In the first quarter of 2024, 13 US-listed China ETFs closed, surpassing the previous record of five in both 2020 and 2023. Globally, 18 China ETFs closed in the quarter, more than half of the previous year’s record of 34. Meanwhile, 30 ESG ETFs folded in the first quarter, exceeding the 72 closures in 2023. US politicians have accused BlackRock and MSCI of fuelling China’s military advancement and facilitating its human-rights abuses when they offered China and emerging-market ETFs (the latter are dominated by China). Poor performance is another factor: the CSI 300 index fell by 9.9% in the past year. Investors’ interest could be revived if Chinese and ESG stocks rebound, but they seem to be off the table for the “ideologically entrenched”.**

■ Warren Buffett’s Berkshire Hathaway has invested \$6.7bn in Chubb, representing a 6.4% stake in the US insurer, says *The Wall Street Journal*. The news solves a mystery surrounding the conglomerate’s recent activity. Berkshire’s quarterly reports in the second half of 2023 had omitted at least one holding after it requested confidential treatment from the financial regulator, fuelling speculation about the investment. Chubb, led by Evan Greenberg, is a major player in the insurance industry and is the insurer of the collapsed Francis Scott Key Bridge in Baltimore. Berkshire’s stakes in insurance companies are a core element of its business. Chubb’s shares have risen by 12% this year, outperforming the S&P 500 index. The stock still appears undervalued.

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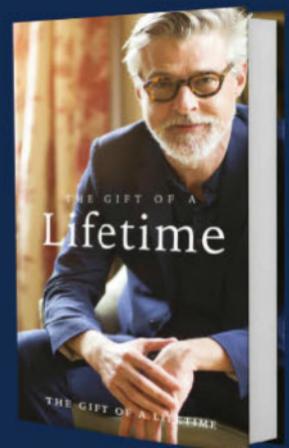
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# Taiwan: the world's tinderbox

A war over the island would make the financial crisis look like a rounding error, says Ruffer's Alexander Chartres

On 3 April, Taiwan was hit by its biggest earthquake in 25 years, a potent reminder that the island nation sits atop a major geological fault line. Mercifully, casualties were limited. But Taiwan – officially the Republic of China (ROC) – is positioned along another potentially far more dangerous tectonic fault, this one geopolitical.

On one side lies America, determined to remain the dominant Indo-Pacific power; on the other, president Xi Jinping's increasingly assertive People's Republic of China (PRC), which wants that role for itself. The PRC has never ruled Taiwan – to which the defeated nationalist Kuomintang retreated at the end of China's civil war in 1949 – but still claims it as a renegade province. For markets, that leaves a multi-trillion-dollar question mark hanging over the island. But why is Taiwan so critical?

## A ROC and a hard place

Taiwan is the epicentre of the manufacturing of advanced semiconductors. It produces around a third of all global processing power and 90% of the most advanced chips. These are the foundation stones of the modern economy, vital for artificial-intelligence (AI) systems, smartphones, laptops, guided weapons, cars and much else besides. Taiwan's leaders hoped being a critical production base for computer chips would provide a "silicon shield". China would never dare attack for fear of the economic fallout. Bloomberg recently estimated that a US-China war over Taiwan could cost up to \$10trn, 10% of global GDP – making the credit crunch and Covid look like a rounding error.

The problem is not simply the risk to the supply of chips. Trade between China and other major economies would also be imperilled, partly via sanctions and partly due to physical disruption. Nearly nine in ten of the world's largest cargo vessels transit the Strait every year.

And that's before you face the prospect of escalation between thermonuclear powers. A Taiwan crisis could be our generation's Cuban Missile Crisis. Only this time, the economic stakes are much higher, as Sino-Western trade linkages run extremely deep.

Then there's the broader strategic value of Taiwan. US general Douglas MacArthur called Taiwan the unsinkable aircraft carrier because its main island sits at the heart of the "first island chain". This runs from South Korea via the Japanese archipelago, Taiwan and the Philippines (all US allies) into the South China Sea, threatening China's critical trade routes and the mainland itself.

Taiwan is therefore China's key to unlocking the projection of power into the western Pacific. If it falls, the credibility of US security guarantees will be compromised, encouraging countries to accommodate China and make their own security arrangements. But China's been agitating for "reunification" for decades with minimal market impact. Why care now?

Firstly, the PRC has become an economic colossus determined to reshape the world order in its own image. It scents an opportunity as relative US power wanes and Washington is distracted by Ukraine and the Middle East. The reunification campaign has stepped up in recent years as part of Xi's more assertive agenda. His



©Getty Images

Taiwan's army would put up a fierce fight against China

vision of "rejuvenation of the Chinese nation" includes righting perceived historical wrongs inflicted on China. Taiwan is unfinished business from the civil war.

As a prosperous liberal democracy, Taiwan is also a direct rebuke to the Chinese Communist Party's (CCP's) claim that its autocratic model of governance is the only one fit for culturally Chinese people. Taking Taiwan would cement Xi's place above even PRC founder chairman Mao in the CCP's pantheon of greats. China would displace the US as the dominant regional player by blowing a hole in the first island chain and seizing control of most of the advanced chip industry – or at least denying it to Beijing's rivals.

Taiwan's the prize, but how to get it? Given the risks, Beijing would prefer not to fight. Instead, China has thus far pursued a carrot and stick approach. While encouraging population exchanges and business ties, Beijing continues its methodical diplomatic constriction of the island, picking off the last remaining states that officially recognise the ROC rather than the PRC.

Simultaneously, it wages a relentless campaign of harassment with air, sea and cyber forces against the island, as well as periodic economic sanctions. But Beijing's hopes of a peaceful reunification have diminished sharply in recent years as Xi's increasingly belligerent approach to Hong Kong and China's near-abroad has sharpened Taiwan's sense of self. Most Taiwanese are keen to maintain the status quo: de facto independence, without a formal declaration which would trigger a major crisis with the mainland. So, with Taiwan unwilling to come to heel, Beijing is developing the capabilities to force it to do so. The question for markets is whether it will use them.

## T-Day?

A full-scale invasion would be an enormous logistical feat, the biggest amphibious operation since World War II. It would be an even larger gamble for Xi. Failure could cost the CCP power, which it prizes above all else. The People's Liberation Army (PLA) would have to assemble an armada in full view of Western satellites before transporting hundreds of thousands of troops across 100 miles of open water. On arrival, the invaders would face a natural fortress. Most of the island is

*"Failure would cost the CCP power, which it prizes above all else"*



*“Taiwan has only two weeks’ worth of natural gas and four weeks’ worth of oil on the island”*

wooded and mountainous – natural advantages for defenders. Only a dozen or so beaches are suitable for a major landing. The western side of the island features among the most densely populated urban centres in the world, and urban combat is notoriously gruelling and costly.

Taiwan is already well armed and if it learns the lessons of Ukraine (that a mass of lower-cost drones and missiles can wreak havoc against a much more powerful invader), it can become a harder target yet. If Uncle Sam, Japan, Australia and other regional forces come to Taiwan’s aid, it would be harder still.

Yet China’s scale and proximity are huge advantages. The gods of war have voracious appetites for missiles, bullets, shells, food and fuel. Taiwan has only two weeks’ worth of natural gas on the island, and just over four weeks’ worth of oil. Resupplying an island well within range of China’s air, sea and missile forces would be extremely challenging.

An invasion would be likely to spread beyond Taiwan. American and allies’ regional bases – in Japan, Guam, Australia, etc – would make tempting targets for the rocket force of the People’s Liberation Army to impede any assistance, perhaps pre-emptively. For Taiwan and the US, China’s mainland bases and arms dumps could prove irresistible targets if conflict begins. Meanwhile, China has been investing heavily in its nuclear-weapons arsenal to prevent the US using the threat of nuclear escalation to deter or win any fight.

### **A decapitation strategy**

However an assault unfurled, Beijing would be conscious of the need for speed: to present the world with a *fait accompli*, perhaps after a rapid air assault and decapitation of the government in Taipei. A PLA mock-up of the Taiwanese presidential compound in Inner Mongolia suggests it’s an option. If Taiwan was forced to fold quickly, US intervention would be much less likely.

Given that a botched invasion would be an existential risk to the CCP, the bar to launching one is high. But Beijing has other levers it can pull, which could have serious consequences for markets. China doesn’t need to cross the Taiwan Strait for things to escalate quickly.

It could attack a number of Taiwan’s 168 islands – some barely a stone’s throw from the Chinese mainland – perhaps using its extensive maritime militia, which masquerades across the region as fishing vessels.

Or it could blockade the main island. During US speaker Nancy Pelosi’s visit in 2022, China conducted live-fire military exercises in various locations around Taiwan, disrupting access. By widening and prolonging such exercises, Beijing could begin a “soft” blockade without firing a shot at Taiwanese or US forces while testing Western responses and leaving open the option of a climbdown. Experts often try to put a date on events. Some say Xi has instructed the PLA to be ready to go by 2027, others 2035, or even 2049. Surely no one – not even Xi – knows the date yet.

Perhaps the biggest risk today is what Harold Macmillan famously described simply as “events”. Things often happen not because they are planned, but because systems are set up in a particular way: one event triggers a sequence that can be hard to stop. With so many ships and aircraft in theatre, the chances of an accident are increasing.

And Taiwan is just one fire-starter in a large and increasingly dry tinder box. From border clashes with India in the Himalayas to islands claimed by both Beijing and Japan, Cold War II is growing increasingly warm on China’s periphery.

Beijing continues to militarise reefs across the South China Sea in pursuit of regional dominance and its claim to sovereignty – in breach of international law – over almost its entire area. It is currently trying to take control of the Second Thomas Shoal, which lies well within the exclusive economic zone of the Philippines, an ally of the US. It is a very dangerous stand-off. The US election could add further instability to the mix if it increases uncertainty about America’s likely reactions.

Historically, the US has pursued a policy of “strategic ambiguity” on exactly what it would do if Taiwan were attacked. Biden has, unofficially, dispensed with this, stating publicly that the US would intervene militarily to defend Taiwan. But ambiguity of a different kind may be about to arise – increasing the risk of miscalculation, especially if America’s focus turns inward.

### **Recalibrate your portfolio**

So, a multi-trillion-dollar Taiwan question hangs over markets. Might Beijing conclude that the 2020s offer it the biggest relative military advantage, especially if the US is distracted? Could a domestic crisis in China put the Taiwan question on ice, or encourage Beijing to risk it all? Some speculate that a recent surge in Chinese gold-buying indicates preparation for a showdown over the island. Rather than guessing when or how Beijing might act, we should see the growing pressures around the island as the latest sign of tectonic shifts in world order.

Markets are being driven into an era of higher volatility and inflation by more interventionist governments, the costs of the net-zero agenda, rapid demographic change, technological revolution, the need to inflate away excessive public debts and, not least, the return of Great Power competition. All wars – hot and cold – are inflationary. Investors should focus on creating resilient portfolios that will thrive in a more unstable environment, wherever the shocks come from.

This will include owning assets governments can’t print, such as gold, silver and other commodities. The world will need more armaments, while renewed Great Power competition could provide a boost for innovation. During periods of acute stress, derivatives can reduce your portfolios’ vulnerability. And beware lobster pots: assets that offer tempting returns, but could easily become traps if the currents change. Investors may not be interested in Cold War II, but Cold War II is very interested in your portfolios.

# Building the bridges and roads to riches

Charles Jillings, portfolio manager of the Utilico Emerging Markets Trust, talks to Andrew Van Sickle about the key role of infrastructure in development, and highlights some of his top nations and stocks

**Andrew:** Let's start with investors' general perception of emerging-market (EM) assets and then drill down. At present EM equities are seen as fairly cheap; rising interest rates in the developed world, especially the US, tend to draw money away from risky assets such as EMs. If inflation (and interest rates) stay elevated because inflation is higher for longer, is it going to be a problem for EMs generally?

**Charles:** It's true that higher rates in the US usually reflect a strong US economy, implying that returns available in the US market tend to be better, so money is drawn in.

Note, however, that retail investors in EMs are part of this story too. At a time of high rates they are, correctly, allocating money to fixed-income assets. So when it comes, the shift down in interest rates in EM will see a shift up in equity valuations there.

Coming back to the US, global markets are all waiting for the moment that rates fall, which will bring a transition back into risky assets. However, we don't tend to worry much about the timing. Despite high interest rates globally, our fund delivered a 12.8% net asset value (NAV) total return last year; our assets are not correlated to the overall EM cycle. Over the past three years we're up 32% and the MSCI EM index has declined by 6%.

Our assets tend to be long duration: you build a railway and it's there for 30-50 years. Our returns stem from strong fundamental economic activity. The underlying structural growth is strong.

**Andrew:** One gets the impression that there's more muscle in EMs now in any case.

**Charles:** Yes, much more. EMs have much deeper local debt markets now, for instance, making them less vulnerable to overseas trends than they were 30 years ago. It's a reflection of ongoing investment and continued strengthening of their economies.

So the "higher for longer" scenario shouldn't be much of a headwind. I look at the key countries represented in our portfolio and see strong GDP growth.

**Andrew:** Let's take a look now at the trust, which was set up in 2005. Usually EM funds are based on an assortment of country bets; here it's thematic – infrastructure and structural growth across all emerging markets.

**Charles:** We were keen to capture big trends that are key drivers of long-term growth. Vietnam's urbanisation rate, for instance, is 35% (so 35% of the population is living in urban areas), still relatively low. Urbanisation underpins an emerging middle class, which implies more consumption as they become wealthier.

**Andrew:** There is also a broader productivity effect from agglomeration in cities, isn't there?

**Charles:** Yes, correct. And these people use our assets, such as airports, ports and toll roads; they're flying,

driving cars, and consuming more, thus boosting imports. So the basic approach of the fund is to invest in infrastructure and utilities to unlock economies and meet the demands of urbanisation and the new middle class. Furthermore, as in the developed world, the energy transition and broader digitisation have become increasingly important.

Then there are shifts in global trade. The friction between the US and China means people are looking to nearshore, diversify supply chains or relocate away from China, hence the expression "China plus one". This is another trend we can benefit from. It seems unlikely to reverse soon, especially with Donald Trump expected to make a comeback.

I've just been to Mexico and I have never seen such growth in infrastructure. The upshot is that the fund is now broadly divided into four mega-trends: the energy growth and transition, social infrastructure, digital infrastructure, and global trade.

**Andrew:** Just coming back to the macro for a moment, when interest rates are high debt is more expensive for big projects such as ports. Has that been a problem?

**Charles:** Actually no, dearer money is not a drag. Our assets are highly cash-generative; they are not relying on leverage to deliver returns, but on their growth. They have strong top-line growth and high Ebitda [earnings before interest, taxes, depreciation and amortisation] margins, so strong sales drop to the bottom line quickly.

Look at Rumo, Brazil's biggest railway operator. It transports mainly soya and corn. In the fourth quarter of 2023 it grew volumes by 12.5%, revenues by 18% and Ebitda by 33%. These firms have some debt, but it is manageable. It's all about volumes and growth.

The broader trends in Brazil are also encouraging. After decades of investing in infrastructure, this 200 million-strong country is now the number-one exporter of soya, corn, poultry and beef. It is the number two in iron ore, and 33% of the world's coffee comes from Brazil. The fact that the trade surplus jumped from \$60bn in 2022 to \$99bn in 2023 underlines the economy's momentum.

Brazil has also made huge investments in green energy. More than 90% of its energy is renewable – hydro, wind or solar power. It wants to go further, however, and there are investment opportunities there.

Its best solar and wind assets are in northern Brazil, but most of the population and the manufacturing is in the southeast, so you need more transmission systems. Brazil has been investing in offshore oil too. That's coming online and the country is set to jump from eighth-largest to fifth-largest oil exporter in the world.

**Andrew:** Are you happy with the political backdrop?

**Charles:** There's been a lot of noise and swings from left to right to left. But we feel that the underlying policies put in place concerning the independence of the central bank, the strength of the Congress and strength of its regulators are admirable. We are comfortable with the outlook. Brazil is currently our

*“Friction in global trade looks likely to endure, especially with Donald Trump expected to return”*



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Brazil is the fund's largest country holding, worth 26% of the portfolio

biggest holding at 26% of the portfolio. Chile, on the other hand, we pulled out of once we heard that it would rewrite the constitution, but returned when this discussion was off the table. The good news is that if we feel a market is becoming risky, it's easy to sell out, as 95% of our holdings are listed assets; there's enough liquidity in the market.

For now, however, overall emerging-market political risk appears manageable, with government interference less of an issue. Brazil, India and the Philippines, for example, have privatisation programmes. These are big economies looking to unlock value.

**Andrew:** What is your assessment of Vietnam? Jim Rogers always used to joke that the best capitalists are found in communist countries. It's now 9% of the portfolio.

**Charles:** Vietnam certainly benefits from a thriving entrepreneurial culture and a young population. When I first went there I had to dodge all the bicycles; now I have to be careful of the scooters; that reflects the economy's rapid development. Its biggest benefit is that it sits next to China, one of the world's top economies, in the same way that Mexico sits next to the US.

These are both economies with populations of 100 million people with the right demographics, solid education systems and a positive outlook. When it comes to energy, however, while I have a clear idea of government policy in India and the Philippines, the Vietnamese government's approach is opaque. Vietnam has hydro and wind resources, but it is noteworthy that

around 18 months ago Intel decided not to construct a second major facility in the country owing to fears over an uncertain power supply.

**Andrew:** I wanted to ask about the fund's sector breakdown. Ports and logistics are your current favourite, comprising 20% of the portfolio. Then there's the electricity sector at 19.8%.

**Charles:** Yes, my number-one investment is a company called International Container Terminal Services, with headquarters in the Philippines. It has an extraordinarily good management team and adds ports to its portfolio every year. So we have growth because the group is adding ports and because it's improving them. It has 33 now.

My second-biggest stock holding is Brazil's Alupar Investment. We've held it since 2010. It's a family-run outfit running electric-power transmission lines. With transmission lines you get paid for availability, so your economic risk is low. Alupar earns an inflation-adjusted rate of return for managing the lines. In addition, the group bids for, and wins, additional transmission lines. It delivers contracts more cheaply and rapidly than expected, boosting its returns.

The third-biggest holding is another port firm, Santos Brasil. As ports have become more important in global supply chains, pricing power has improved. In the fourth quarter of 2024 the group grew sales by 42%; volumes jumped by 13% and the rest was pricing. Profits before tax soared by 127% as the Ebitda margin doubled. I love my ports.

*“On my first visit to Vietnam I had to dodge bicycles; today, it's scooters”*

# Live long and prosper

Rising lifespans will complicate our finances, says Merry Somerset Webb

In 1990 there were a mere 95,000 centenarians in the world (that we knew of). Now there are more than 500,000. That's partly a function of a fast-growing population, of course – there were more births in 1925 than in 1890. But it is also one of rapidly rising lifespans. Over the last 100 years, life expectancy has gone up by a couple of years every decade.

The Office for National Statistics' life-expectancy calculator (well worth a visit if you need a boost) will tell you that a 60-year-old man today is most likely to live to be 85, and has a 3.5% chance of hitting 100. For a 60-year-old woman the respective figures are 87 and 6.2%.

So that's nice. But it does come with a problem. We are not just extending the healthy parts of our lives, but the unhealthy parts, too, when what we really want is to be a bit more Dorian Gray about longevity (albeit possibly without most of the debauchery), says Professor Andrew Scott, author of *The Longevity Imperative*. We want to live as if we were young and then die, without the miserable, hanging about being infirm years towards the end.

How do we do that? The first way is the obvious one, and something we can improve on at any age: diet, exercise, stress reduction, sleep, strong social networks. Think prevention. The next is all about drugs. There are new vaccines against everything you can think of (from nasty new viruses to cancers) on the way, and much work is being done with gene discovery and big data.

The future will be partly about telling us where our risks are and how we can live to reduce those risks. Then there are the latest wonder drugs, the GLP-1s (a category containing the weight-loss drugs Ozempic and Wegovy). Obesity, as Scott points out, is a biomarker for all other sorts of nasties such as cancer, heart disease and diabetes. Use one of these drugs to get rid of that problem and you cut the risk of the rest.

## Diets don't work

There is also evidence that regardless of weight loss, the drugs help with heart health and addiction. Those taking it report less interest in everything from alcohol (goodbye alcoholic liver disease) and drugs (which seems a good thing) to sex (sometimes good, sometimes bad, I suppose). In cutting the risk of diabetes they also cut the risk of dementia.

There's a view from the moral high ground that these drugs should not be prescribed: we should all eat less and exercise more and everything will be fine. The problem with this is that diets don't work. If they did, only one diet book would be required. That there are hundreds of thousands of them, and many times that number of people buying them over and over again, tells you that is not the case. The next leap in longevity will not be driven by willpower. It will be driven by drugs.

Either way, it looks as if you can expect to live well into your eighties and possibly into your nineties (Moneyweek readers tend to be well off and the well off tend to live longer). What does that mean? For



You can expect to live well into your eighties

the state, it's complicated. Being over 80 used to be a minority experience. It is now a majority experience. That means fiddling with pension provision: more contributions, perhaps, and a change in the way the state pension is managed.

It means encouraging lifelong learning and career changes as people age. And it means doing something (pretty much anything at this point) to try to turn the NHS into more of a health-promotion service than a misery-management service.

For the individual it's just as complicated. Every book on longevity tells you that you must invest in your human capital and be prepared to have a flexible career. The longer you can work and the more you can spread your working life across your lifespan, the less you have to save and, possibly, the happier you will be given the research into how a sense of purpose feeds into longevity.

But you must also save, invest (with an eye to the possibility that the state pension will eventually be means-tested), and attempt to manage your spending such that you don't run out of money too soon.

Many of us think we would like to manage things so well that we die broke. But we don't want to die *because* we are broke. In the past, this risk was often mitigated with tontines – a system whereby everyone put some money in a “trust” and the last man standing got the lot. Good insurance against living longer than everyone else, but sadly now illegal – there can be unfortunate side effects to allowing people effectively to bet on other people dying before them.

## Freedom and security

With that in mind, it's time to look again at the other options open to us: annuities, and in particular, deferred annuities. These are bought to pay out at a later date – so a 65-year-old sorting out their pension arrangements and concerned about living longer than expected might buy an annuity designed to start paying out at 85, or even 90.

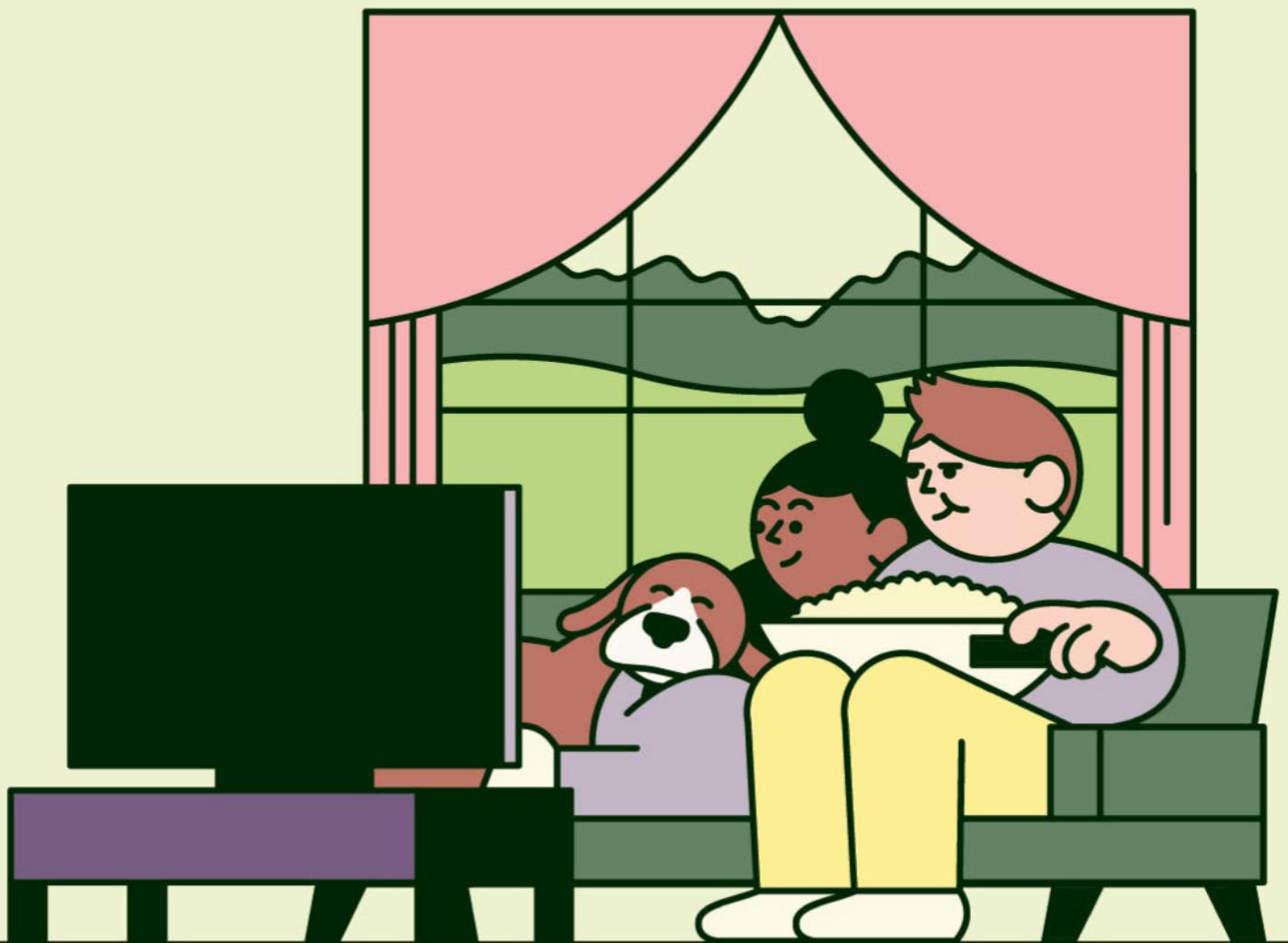
That leaves you with the ability to use your pension freedoms as you like and spend in the knowledge that at whatever age you have chosen, a regular income will kick in. You can't know how long you will live, but you can choose an annuity age.

Think of it as a rare example of two things: financial certainty and insuring against something desirable. Annuities are rarely cheap, but have become much better value over the past few years. There is also the chance that if you buy now you will find that providers have not yet factored the long lives of a new, slim, heart-healthy population into their models. Win win.

*“The next leap in longevity will not be driven by willpower, but by drugs”*

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# The finest fintechs on the market

Digital banking and investment apps are getting better and better. Here are my favourites



**David C. Stevenson**  
Money columnist

I have a confession to make: I have gone native when it comes to financial technology (fintech). I experimented with a wide array of banking and investing apps for years, but I kept my “legacy”, old-world accounts at the same time. I used to think that fintech apps sounded tremendous – but can suddenly go bust, leaving customers stranded.

Over the last six months, though, I’ve realised that most of the services I use are here to stay, either because the providers are profitable now or because much more significant players are behind the brands. So I have now dumped my legacy accounts and only work with digital platforms.

I think the following are the leaders in the competitive world of fintech. Let’s start with digital banking apps: first for individuals, and then for small businesses. In digital banking, two main rivals are duking it out: Starling and Monzo – and for me, the winner must be Starling.

I’ve been with this digital bank for more than five years and rate it highly. It’s a breeze to use, with some excellent features, including “Spaces” – in effect, internal pots where you can stash money. This feature allows you to pay all your monthly bills from one space and then keep your main account for spending on a daily basis.

Another impressive feature – if you travel to Europe a lot or own property in the EU – is the euro-denominated current account with very competitive (0.4%) foreign-exchange (forex) spreads. One final observation:

many customers are wary of the customer-service side of digital-only products. There are no branches and most communication is via phone or messaging. Unless you pay for a private bank with proper personal service, in my view, the legacy banks’ customer service is getting worse. By contrast, Starling’s record of in-app messaging is excellent.

## Chasing the competition

Starling faces tough competition from Monzo and a new challenger with deep pockets: the Chase banking app, from one of the world’s biggest banks, JPMorgan Chase. I also use Chase, and I think it’s a real challenger to Starling for two reasons. First, if you use it for day-to-day card spending, you get 1% cashback on all transactions for the first year – and beyond that first year if you keep putting in £700 a month.

The second big positive is its savings rates. The main Chase saver pays an impressive 4.1% per annum while its roundup account pays 5%. A straightforward strategy is to use the Chase app as the

day-to-day card account and as a separate cash savings reserve.

One flaw in this approach is that you only get a 1% interest rate on the current account, which compares poorly with the Starling standard rate (though you do get 1% cashback). If you want an alternative to the big outfits, consider a smaller digital bank. Kroo, for example, is easy to use and pays 4.35% on its current account balances.

Sticking with banking apps, here are the best digital banking services for small businesses. Again, in my view, Starling comes out top, with its range of tools for invoicing and VAT

payments, in addition to the always useful mobile cheque-deposit service (via a photo on the app) and the option to deposit cash at the Post Office.

The downside of the business side of Starling is that its accounts don’t pay interest, but then, most business bank accounts don’t. Enter Starling’s big rival in business banking, Tide. This digital business bank account is more expensive (if you want lots of features) at £9.99 a month, although you can use the free service, in which case you pay 20p for each transaction.

But Tide is both easy to use and boasts a business saver account paying 4.33%. That rate is eclipsed only by a business banking brand called Allica Bank, which offers term-based business savings accounts that pay from 5.15% for 12 months to 5% for six months. Tide and Allica both boast a superb account opening process – excellent news for business owners used to protracted identification and anti-money laundering background checks.

## Top investment platforms

I will now assess online investment accounts for self-invested personal pensions (Sipps), individual savings accounts (Isas) and general dealing. Over the years, I’ve used all three leading online brokers: Hargreaves Lansdown (HL), AJ Bell and Interactive Investor, and I keep returning to HL. It’s not the cheapest, but its service levels are consistently high. Offerings start at £11.95 for dealing (up to nine stocks a month), alongside charges that start at 0.45% of assets and go lower if you invest more. One area where HL has upped its game recently is interest rates paid on cash in dealing

and tax-wrapper accounts. Traditionally, online brokers all paid dire rates, but HL now pays above the market average, varying from 3% to 3.7%.

I also rate AJ Bell highly, again for its service and also the cheaper costs: platform charges are 0.25% for a shares account and £5 on share dealing. Interest rates on an Isa vary between 2.5% and 3.5%, and in a dealing account, between 1.95% and 2.45%.

There is a longer list of newer players fighting the big three investment platforms, and I have tried them all. I still deem Freetrade the best of the digital-only platforms, but if you want the best features (Isas, Sipps or more dealing choices, and better interest rates), it’s not free. The standard service costs £5.99 a month, and the Plus service £11.99. Still, interest rates on cash in the Plus and Standard services are a respective 5% and 3%. If you opt for the free basic service, you will be paid 1%.

Trading 212 has long been another competitor in this area, but it has recently upped its game by launching a free share dealing Isa, with a cash Isa imminent. Its forex fee is a very reasonable 0.15%, a major saving if you deal frequently in US shares.

The Lightyear share-dealing app, meanwhile, has impressed me hugely, although it doesn’t offer an Isa or a Sipp. I think Lightyear is the easiest app to use, and its pricing is very competitive. It’s not free (on US shares, the dealing charge is 0.1% up to a maximum of \$1 and £1 for UK shares) and the currency conversion is a tad pricier than Trading 212 at 0.35%, but it pays a whopping 4.5% on cash in its UK accounts.

# A rising retirement age

From 2028 you will not be able to access private savings until you are 57



**David Prosser**  
Business columnist

It's the retirement age increase that no-one seems to know about. No, not the increase in the state retirement age for women, which has prompted a campaign for compensation for those who say they weren't given enough information about the changes. Rather, this is the government's plan to increase the age at which you can access your private pension savings. From 6 April 2028, this will rise from 55 to 57.

For anyone in their forties and fifties, this is a change with potential to cause real problems. Ever since the pension-freedom reforms of 2015, the rules on access to pension savings have been straightforward. Once you reach your 55th birthday you can begin dipping into your private pension. Millions of people have made plans accordingly. They may not expect to retire completely at age 55, but they may be looking forward to scaling back work commitments from this age onwards; or they may be planning on using pensions cash for other purposes – to pay off a mortgage, or to fund children's university costs, for example. Now, anyone who doesn't turn 55 before 6 April 2028 will have to wait two years longer to get at their cash.

The government justifies the increase on the grounds that it wants to maintain the gap between the age at which you can access private pensions and the state pension age, which is rising from 66 to 67 between April 2026 and April 2028. But whatever the explanation, it's important that you understand how the changes will affect you and take action accordingly.

The rules don't apply to everyone, so you will need to check the small print of your private pension arrangements. Schemes where the rules say you may access your cash at the "normal minimum pension age" will be subject to the higher withdrawal age. But those where the scheme rules specify a particular age at which you can



Waiting two extra years for the right birthday could leave you short of cash

get your cash – most likely 55 – are likely to be protected.

The first thing to do is therefore to speak to your pension providers about the situation at their schemes.

***"Building a war chest in an Isa may alleviate the impact"***

Unfortunately, you can't transfer your savings into a pension scheme that does have protection (regulators banned this practice in 2021), but if you are already in such a scheme, this should give you pause for thought before moving money elsewhere.

If there is nothing you can do to avoid the rule change and this is going to cause you difficulties, you do have a bit of time to mitigate the problem. For example, it may be worth

focusing your savings strategy on more flexible vehicles for the next few years. Individual savings accounts (Isas), in particular, are still highly tax-efficient and you can typically access your money with no restrictions. Your priority now may therefore be to build a war chest inside an Isa in order to get you through the two extra years of waiting for your pension.

One final point. Savers born between 6 April 1971 and 5 April 1973 are in a peculiar position. They will turn 55 before the higher age kicks in, but won't be 57 at this point either. Those who don't start accessing their pensions before the cut-off date will have to wait until their 57th birthday to do so. If that's your position, be mindful of this trap.

## Debenhams deal could blaze trail

Could a groundbreaking deal involving the Debenhams pension scheme pave the way for improved pension benefits for thousands of other savers? Members of the Debenhams scheme had been braced for lower pensions than they had expected following the retailers' collapse. While the scheme was transferred to the Pension Protection Fund (PPF), the state's lifeboat arrangement, the PPF only funds pension payments up to certain caps. Now, however, the PPF has secured a deal with a private pension provider, Clara, which is taking on responsibility for the scheme. It will pay Debenhams scheme members' entitlements in full; it is even making back-payments to retired members who have already missed out on some benefits.

It's the first time that the pension scheme of a failed business has transferred out of the PPF in this way, but experts hope the deal will set a precedent. Clara specialises in pension "superfunds", a new type of pension scheme arrangement launched by the government last year, which are better suited to deals such as the Debenhams transaction. For its part, the PPF says it is committed to securing the best possible outcomes for savers in the schemes it manages. Where savers would be better off if the scheme were transferred to another provider, the fund will explore the possibility of deals.

## News in brief... steer well clear of CFDs

- The Financial Conduct Authority (FCA) is warning pension savers to steer clear of investment advisers marketing high-risk contracts for difference (CFDs) as retirement savings plans. The City regulator announced this month that it has charged three individuals with fraud over their involvement in such a scheme, through which savers are thought to have lost more than £8m. CFDs are high-risk products that involve bets on the price of an asset, but make no sense as a pension investment for the vast majority of savers.

- Flaws in the regulation introduced to abolish the lifetime allowance (LTA) on pension savings could mean some savers lose out, independent financial advisers are warning. The government announced last year that it would no longer

impose tax charges on very large pension funds, but regulation designed to turn this pledge into law has repeatedly had to be tweaked to amend errors and provide clarifications. Advisers worried that problems still remain are suggesting to clients that they hold off cashing in pensions – the moment at which tax charges are potentially crystallised – until the confusion is cleared up.

- A sharp increase in the number of people taking out long-term mortgages to buy property is causing concern that many will ultimately have to use pension savings to settle the debt. Thousands of homebuyers now have mortgages that will not be repaid until after they are due to retire. While pensions cash could be one way to cover such debts, experts fear this will leave many people short of money in retirement.



# Your money, your vote

Last month, we asked MoneyWeek readers to tell us which brokers, banks and other financial firms they rated most highly. The results are in...

Choosing a broker or a bank is neither fun nor easy. We can spend ages comparing fees, but that doesn't tell us how good the service is. We can search for online reviews, but unhappy customers are more likely to leave reviews than satisfied ones, so these may be skewed. It's no wonder that many of us stick with the same provider for years even if we're not satisfied, because we can't face the hassle of finding a new one.

That's why we asked MoneyWeek readers to tell us their experiences of the firms they use, so that we could see which ones you rate most highly and help other readers decide what should be on their shortlist. More than 2,000 of you answered our survey, giving us your views on their costs, the breadth of their services, their ease of use and customer support.

Based on your scores, we've put together the MoneyWeek Readers' Choice Awards, highlighting the firms that you ranked highly in 21 categories from individual savings accounts (Isas) and self-invested personal pensions (Sipp) to bank accounts and credit cards.

## Best broker: **AJ Bell**

For this award, we were looking for a very strong all-rounder: a broker that offers access to a full range of investments (including government bonds and smaller UK stocks) as well as the option to deal by telephone (some MoneyWeek readers prefer this). We asked you to assess providers based on their Isa products and gave a separate award for Sipp, since Sipp often have different fees and terms. AJ Bell came top, slightly ahead of rivals such as Halifax, Charles Stanley Direct and Interactive Investor. It scored well on all criteria (fees, services, ease of use and support), while a recent reduction in dealing charges shows that it is conscious of the need to stay competitive. "Low cost, smart staff, good service," says a reader.

## Best low-cost broker: **Trading 212**

Low-cost brokers often offer a more restricted range of investments, but Trading 212 can deal in more than 13,000 global stocks and exchange-traded funds (ETFs) through its app or website. The main limitation is that since Trading 212 doesn't access the market makers that provide most of the liquidity for smaller UK companies, trading in these stocks can be more difficult, note some users. There are no dealing or account fees and the currency conversion fee for international stocks is exceptionally low. Instead, Trading 212 aims to make money from services such as contracts for difference (CFDs) trading and securities lending (customers can opt out of having their shares lent if they prefer). The firm offers an Isa but not yet a Sipp. "No fees.

Interest on uninvested cash. Great support. Highly recommended," says a reader.

Trading 212 uses US giant Interactive Brokers to provide execution and custody for its trades. Interactive Brokers was another popular choice for low-cost trading, offering a wider range of markets to its own customers and representing exceptionally good value for holding international shares in an Isa. However, readers noted that the platform remains less easy to use than many of its rivals, making it better suited to more experienced investors.

## Best funds platform: **AJ Bell**

Many brokers set different charges for open-ended funds (unit trusts and open-ended investment companies) compared with shares, investment trusts (ITs) and ETFs. What's more, because open-ended funds trade and settle in a different way to shares, ITs and ETFs, the range of funds available can vary much more between providers. AJ Bell beat the competition by a solid margin, scoring well across all criteria. "Full range of investments and services. Costs are reasonable."

## Best trading service: **IG**

Trading in leveraged instruments such as CFDs, spread bets and forex has very different requirements to investing. IG has long been a popular choice among trading-focused MoneyWeek readers, and it topped our poll by a considerable margin, with praise both for its range of markets and for its ease of use. Unlike several other trading services, IG also offers a share-dealing service and an Isa that is competitively priced for active users. Some readers noted the convenience of being able to keep both their trading accounts and longer-term investments with the same provider.

## Best robo-advisor: **InvestEngine**

InvestEngine is built entirely around low-cost ETF investing. It topped the poll for best robo-advisor – services that allocate you to a managed portfolio based on your goals and appetite for risk – but it also lets you build your own portfolio from hundreds of ETFs on its platform. The Isa has no dealing or account fees and the Sipp is very competitively priced. Fractional investing – the ability to buy fractions of an ETF share – can be a real advantage for building well-diversified smaller portfolios. "Simple, straightforward and easy to use. Helpful customer support."

## Best simple pension: **Vanguard**

We divided pensions into two awards: one for investors who wanted a simple, low-cost pension and were satisfied with a more restricted choice of investments, and the other for investors who expected at least a

full range of UK-listed securities and some international stocks. Vanguard's pension allows you to invest in about 70 of the firm's own ETFs and open-ended funds, with no dealing fees and a low account fee. The firm's LifeStrategy funds (which allocate a fixed percentage to stocks and bonds) and Target Retirement strategies (where the balance of stocks and bonds shifts according to your age) are likely to appeal to savers who want to set up a simple core retirement portfolio with minimal choices.

## Best full pension: **Interactive Investor**

The top two firms here were Interactive Investor and AJ Bell, with Interactive Investor scoring just marginally higher. Some readers praised its flat-fee Pension Essentials and Pension Builder plans, which can be good value for larger fund-based portfolios. From our perspective, one notable strength of Interactive Investor's Sipp is that it allows you to hold foreign currency, while many peers automatically convert back to sterling. With more and more investors holding foreign shares – especially US ones – this is a feature that other brokers should be introducing.

## Best junior investment Isa: **Interactive Investor**

This was another competitive award, with strong scores for Interactive Investor, AJ Bell and Vanguard, among others. Interactive Investor allows users on its Investor or Super Investor monthly plans to add Junior Isas for all their children with no extra account fees, which is clearly a strong selling point for existing customers. "Shares charges with my main investments, excellent platform," says a reader.

## Best ETF/index fund provider: **BlackRock/iShares**

We didn't ask you to rank the best active funds and investment trusts because that would inevitably be driven by recent past performance, which is no guide to what will work well in future. Passive ETFs and index funds are different: one can assess how well these funds track their benchmarks, how competitive their costs are and the range of products on offer. The award ended up as a close contest between BlackRock, owner of the iShares ETF range, and Vanguard. There was very little in it on overall scores, but BlackRock offers a more extensive range of products.

## Best data provider: **Stockopedia**

Stockopedia beat its main rival SharePad/ShareScope to this award, although both clearly have many enthusiastic users, including some who subscribe to both. There was plenty of praise for Stockopedia's



©Getty Images

The star performers, as voted for by MoneyWeek readers

range of investment data, well-designed interface, tutorials and articles, and the community that has grown up around the service. “It has revolutionised how I manage my Isa and pension,” says a reader.

### **Best investing and saving app:** **Moneybox**

In this category, we were looking for services that make it simple to save and invest through an easy-to-use app. There was lots of praise for apps from platforms such as Trading 212, InvestEngine and Freetrade, another low-cost broker, but also for services such as Moneybox and Chip that provide a one-stop solution for those who are just getting started, with competitive savings rates and a range of core funds. Direct comparisons between many of these apps is hard, but Moneybox was a worthy winner for an all-round service. “Serves its customers well... up to date, well informed and technically competent.”

### **Best bank for current accounts:** **First Direct** **Best bank for current accounts** **(digital): Chase**

We weren't surprised to find that readers who use newer app-based banks (Chase, Monzo, Starling) scored them higher than customers of high-street banks. These new banks have been able to build their technology from scratch, giving them a huge advantage over older banks with legacy systems, while perks such as cashbacks and high interest rates on current accounts make them very competitive. Chase edged out its rivals to first place with the top overall score. “Simply brilliant app-based banking,” says one reader. Still, we know that many MoneyWeek readers prefer to use traditional banks. First Direct, the

telephone- and internet-based arm of HSBC, had the highest score for customer service, beating its high-street rivals and all the digital banks. “App works really well. The telephone support is second to none.”

### **Best bank for savings accounts:** **Coventry Building Society** **Best bank for savings accounts** **(digital): Monzo**

The same split between digital banks and high-street banks turned up in the savings category. Monzo beat its digital rivals and other online providers such as the Goldman Sachs-owned Marcus. Its Savings Marketplace allows customers to place deposits directly with Monzo and with a number of other banks. On the high street the major building societies frequently offer the most competitive rates, and Coventry Building Society came out slightly ahead of peers such as Yorkshire and Skipton.

### **Best bank for small businesses:** **Santander** **Best bank for small businesses** **(digital): Starling**

A digital provider again led this category, with Starling scoring ahead of high-street banks. For small businesses that need straightforward current and savings accounts and don't need to handle cash, it's an excellent option, say readers. For those who needed branch services, the highest-rated high-street bank was Santander.

### **Best cashback/rewards card:** **American Express Preferred** **Rewards Gold**

Three products battled it out at the top of the rankings: the Chase Current Account, which pays 1% cashback (capped at £15 per month) on debit card spending; the

American Express Cashback credit card, which pays up to 1.25%; and the American Express Preferred Rewards Gold credit card, which pays up to 1.5 points (including spending bonuses) per pound spent. The Amex Gold scored slightly higher, though it comes with a hefty annual fee (£195) and comparing cashback versus points isn't easy (the value of points depends what you use them for). But for those who can extract the maximum value – typically using points for air miles and taking advantage of spending offers on the card – it comes out ahead.

### **Best travel card: Starling**

Many readers use travel-friendly credit cards such as Halifax Clarity that add no mark-up to the exchange rate on foreign currency transactions, but debit cards from Starling and Chase earned higher scores. These also have no mark-up on purchases or cash withdrawals. Chase's card pays cashback on overseas purchases (up to the monthly limit); Starling doesn't pay cashback but pays a higher interest rate on its current account.

### **Best currency transfers: Wise**

Most British banks charge enormous mark-ups on wholesale exchange rates when converting currencies and making international transfers. Fintech firms such as Wise and Revolut offer far better rates, and competition is forcing some banks to experiment with their own lower-cost options, such as HSBC's Global Money and Zing. For now, the fintechs remain ahead. Wise beat Revolut to this award, though both received very strong ratings. “The major banks have themselves to blame, because now people have an alternative to their rip-off currency racket,” says a reader.

# The man who solved the market

Jim Simons, the maths whizz who pioneered quantitative investing, created a money-making machine that changed Wall Street forever. Jane Lewis reports

“There are a vanishingly small number of people who have changed Wall Street,” says *New York Magazine*. One of them was Jim Simons. The former academic mathematician and Cold War codebreaker, who has died aged 86, “exploded the possibilities of how people could make, and lose, money”.

Known as the “quant king”, Simons was a pioneer of quantitative investment – using computer algorithms to drive trading decisions. His approach became “a pillar of finance”, says *The Economist*: quant funds today “hold nearly a third of capital on Wall Street”. Yet few have come near Simons’ record. Between 1988 and 2018, his hedge fund, Renaissance Technologies, generated \$100bn in profits, delivering an “astounding” 66% average annual return.

## The best of the lot

Buffett, Soros... On the list of great contemporary investors, Simons may have been “the best of the lot”, as one of his peers told *The Wall Street Journal*. “There is one GOAT [greatest of all time]. His name is Jim Simons.” And yet for much of his career, the enigmatic man behind this money-making machine operated in relative obscurity – even after he had upgraded Renaissance’s premises from the pokey office on a Long Island strip mall where it began life in 1978.

A prolific philanthropist – whose foundation came second only to Warren Buffett in giveaways last year – Simons kept such a low profile that most people in finance “would struggle to identify him



*“Between 1988 and 2018, his hedge fund generated a 66% annual return”*

“out of a line-up of similarly dishevelled octogenarians”, says the *Financial Times*. “His chain-smoking, silver beard, wryness and reluctance to wear socks” made him “seem more like a Coen Brothers character than a colossus of investing”.

Every great investor has a signature style, says *The Economist*; Simons’ was spotting patterns. It began young. Born in Massachusetts in 1938, the son of the general manager of a shoe factory, he was a mathematics prodigy obsessed with logic, says *The New York Times*.

A glowing academic career at Harvard and MIT followed, before Simons’ skills in cryptography saw him hired as an “advanced” codebreaker for the National Security Agency. He didn’t last long. Kicked out for opposing the Vietnam War in 1967, he returned to academia – winning

the nation’s highest prize in geometry in 1975. Three years later, a sense of “restlessness” drove him into finance.

## Making money from bed

Simons, who quickly surrounded himself with like-minded people, started by trading currencies with simple “reversion to mean” strategies, says *The Economist*. Things really took off, though, with the advent of algorithms, pioneered by Renaissance’s celebrated fund, Medallion. “I want models that will make money while I sleep,” Simons once told a friend. “A pure system without humans interfering.”

He viewed the markets as a code to be cracked, wrote Gregory Zuckerman in his 2019 book, *The Man Who Solved*

*the Market*. He succeeded so well that Renaissance’s “golden run” extended for decades. When it notched up its first \$1m one-day profit in 1990, Simons handed out the Champagne – but \$1m one-day gains quickly “became so frequent that the drinking got a bit out of hand”.

There were plenty of bumps along the way, says the FT. Simons, who was married twice, lost two sons in accidents – leaving the habitually jovial financier devastated. “My life is either aces or deuces,” he told his biographer. He’ll go down in history as the mastermind of one Wall Street’s greatest ever money-making machines. But Simons’ great genius was his humanity. “His talent was to spot, nurture and harness beautiful but often combustible minds.” As *The Economist* concludes: he “attracted brilliance all his life”.

## The punk brewer who built a beer behemoth

After 17 years – or, as he put it in a letter to staff, 119 dog years – James Watt is standing down as CEO of Scottish brewer and pubs operator Brewdog, says James Beeson in *The Grocer*, handing over the reins to chief operating officer James Arrow.

His achievements at the helm “hardly need restating”. Watt (pictured), now 41, a former trawler captain, founded the brewery with Martin Dickie, who worked in the brewing industry, from a garage in Aberdeenshire in 2007. The pair have turned the start-up into a “beer behemoth”, with annual revenues exceeding £300m, 3,000 employees, breweries on three continents, and 130 bars around the world.

That “extraordinary success” owes much to a “shrewd realisation” that punk, once a subculture, could be turned into a “lucrative marketing brand”, says Rob Davies in *The Guardian*. Brewdog styled itself as an “abrasive upstart on a mission to upset Big Beer” and, in Watt’s own words, to “set fire to the scene”.

“Rowdy” annual meetings were more like rock concerts than an investors’ gathering, and Watt revelled in his role as the “snarling public face of the company” and indulged in many notorious publicity stunts – chucking stuffed “fat cats” out of a helicopter above the City of London, for example, and

blowing up cans of Heineken. It all “worked like a charm”, and the tiny start-up grew into what is now the seventh-biggest UK beer brand.

Crisis and criticism have beset Watt for years, however, says Josh Glancy in *The Sunday Times*. He has been accused of terrifying his staff and creating a rotten office culture, of behaving in inappropriate ways and making female staff uncomfortable, of summary firings and misleading marketing. He denied and continues to deny many of the charges against him, but he is



not leaving because another scandal is brewing, he insists. He is simply “burnt out and a bit fed up with the day-to-day demands of running a large company” and is eager to recapture the thrills of building something new.

He has big ambitions and was frustrated, after reading a biography of Elon Musk, that he has not done more. Brewdog has been a success, but “it’s not Tesla or Apple”, he laments. “It’s good. It’s definitely good. I’m definitely very proud of what we’ve built. I always think there’s more that can be achieved.”

# Three Highlands retreats

From golfing to walking in nature, Scotland has something for everyone

## A room with a view

"It's easy to forget just what stunning views can be found in our own backyard," says Graham Falk in *The Scotsman*. Luxury boutique hotel The Torridon in Wester Ross "provides a timely reminder of the secluded beauty that only Scotland can offer".

There are a number of rooms from which to choose, from the "simplicity of the Stables" to the "peace and quiet of a luxury Boathouse". Each "[oozes] with class and undeniable beauty". The Beinn Eithe suite comes with a crafted wooden bath, providing the opportunity for a soak while admiring the "simply spectacular view" of the Torridon mountains. Restaurant 1887 also "[feels] very much at home in its glorious surroundings" and the



The Torridon offers sublime views of the surrounding mountains

Scottish cheese selection. As for activities, this is an "ideal spot for bagging Munros". From £420, [thetorridon.com](http://thetorridon.com)

## Highlands fantasia

The Fife Arms (pictured left) in Braemar is "a grand Victorian coaching inn with distinctive red-trimmed eaves" overlooking a babbling river known as the Water of Clunie, which runs through the village, says Liam Hess for *Vogue*. The "vibe" in the rooms is "a kind of riotous, maximalist Highlands fantasia, with tartan rugs, deep green velvet curtains and a gorgeous wallpaper with silhouettes of trees in the forest covering every wall. (Think *Liberace of the Glen*.)" In the Clunie Dining Room, the menu of "haute Scottish fare" is "meticulously executed". The Aberdeenshire

beef Wellington is "a particular showstopper", as are the "hearty Sunday roasts on the weekends, perfect after a long morning trek through the Highland drizzle".

The Fife Arms has something for everyone, from "top-notch dining" to pampering massages using hot stones from the nearby Cairngorms. It really is "the full-blown, old-school Highlands fantasy". From around £500 a night, [thefifearms.com](http://thefifearms.com)

## A world of indulgence

The "quaint" seaside town of Nairn is the "jewel in the crown of the magnificent Moray coast", says Ryan Rowe in *The Scottish Sun*. And The Golf View Hotel & Spa is "the perfect place [to stay] to experience what this Highland beauty has to offer". Golfers

will want to try the town's two courses, including Nairn Dunbar, with its "splendidly varied layout with elevated greens, mischievous burns and fairways flanked by wispy rough". Other impressive courses are located 30 minutes away in Inverness.

The rooms are "superbly presented, with lavish furniture, a super-comfy bed, and stocked with Tunnock's snacks for when you feel peckish". They also come with "gorgeous" copper baths. "Scots staples" can be found on the menu in the "fabulous" Hickory restaurant, such as cured salmon, and haggis with neeps and tatties. The Coast Spa is also a "world of indulgence", with a pool, sauna and steam room.

From £160, [crerarhotels.com](http://crerarhotels.com)



©The Torridon; The Fife Arms

tasting menu is "outstanding". It is "packed to the brim with Scottish produce", including whisky-cured sea trout and Orkney scallops, and a superb

## Wine of the week: an electrifying Manzanilla for your fridge

**Bodegas Hidalgo La Gitana, En Rama Manzanilla "Spring 2024 release", Sanlúcar de Barrameda, Spain**

19.95, [tanners-wines.co.uk](http://tanners-wines.co.uk); £20.95, reduced to £19.50 each by the case, [leaandsandeman.co.uk](http://leaandsandeman.co.uk)



**Matthew Jukes**  
Wine columnist

The sun is finally out, and who's brave enough to bet that it won't be another glorious summer, given that climate change is hotting things up at an uncomfortable pace these days? If you want to bathe your palate in the ultimate cleansing, refreshing, and palate-titillating wine, you have come to the right place. As you know, I love absolutes, so here is a doozie.

This year's En Rama release of the legendary Manzanilla, La Gitana, is the finest I have ever tasted! En Rama sherries are made from "free run" juice and only use natural yeasts for fermentation. This means they are the most honest, elemental, and sharply tangy of all styles of bone-dry sherry. They are bottled without filtration or fining – which means you



are drinking this invigorating elixir "directly from the barrel" via the medium of its bottle, which, if you play your cards right, is only a mere messenger for this wine, given it holds it for only a month or two between the winery and your glass. So be sure to seek out the 2024 bottling! Regular La Gitana Manzanilla (£14.99, [waitrose.com](http://waitrose.com)) is one of the most incredible wines found on my high street, and it is permanently in my fridge door. However, the rare, seasonal En Rama version tastes like you are standing in the *bodega* and have plunged your arm into the barrel and pulled out an ice-cold glass of electrifying Manzanilla.

Matthew Jukes is a winner of the *International Wine & Spirit Competition's Communicator of the Year* ([MatthewJukes.com](http://MatthewJukes.com)).

This week: houses with fishing rights – from a property in Glaisdale in the North York Moors National Park



▲ **East Catholes, Millthrop, Sedbergh, Cumbria.** A traditional Dales farmhouse in the Yorkshire Dales National Park with fishing rights on the River Dee, which flows past the foot of the gardens. It has beamed ceilings and fireplaces with wood-burning stoves. 4 beds, 2 baths, recep, breakfast kitchen, 14 acres. £850,000 Fine & Country 01539-733500.

▶ **The Old Rectory, Falstone, Northumberland.** A Grade II-listed former rectory in Northumberland National Park with fishing rights on the North Tyne River. It has neoclassical fireplaces and a bespoke breakfast kitchen. 5 beds, 4 baths, 2 receps, outbuilding, gardens, river frontage, 11.4 acres. £1.5m Finest Properties 01434-622234.



▶ **Bowers Mill, Guildford, Surrey.** A country house in need of some updating in a quiet location with gardens adjoining the River Wey, on which it has fishing rights as well as a private island. The house has large reception rooms and grand open fireplaces with ornate surrounds. 6 beds, 3 baths, 2 receps, breakfast kitchen, outbuildings, stabling, 40ft boat house, tennis court, 3.55 acres. £1.95m Knight Frank 01483-617910.



Park, to a 16th-century house in Berkshire with fishing rights on the River Pang



▶ **Church House, Ashford Bowdler, Ludlow, Shropshire.** A Grade II-listed Georgian house with 19th-century additions, a large garden and fishing rights on the River Teme. The house has sash windows, wood floors, open fireplaces, a drawing room with French doors leading onto the garden, and comes with a range of period outbuildings. 8 beds, 3 baths 5 receps, 2 kitchens, cellar, one-bedroom flat, garage, workshop, stables/stores, grazing land, 10 acres. £1.15m Strutt & Parker 01584-873711.

▶ **Longbridge House, Tidmarsh, Berkshire.** A 16th-century house with a contemporary extension and fishing rights on the River Pang. It overlooks the water meadows and has gardens that lead down to the banks of the river. 5 beds, 2 baths, 4 receps, open-plan kitchen, office, 3 acres. £3.5m The Country House Department 07456-609040.



▶ **Nant-Y-Coy Mill, Treffgarne, Wales.** A former mill house with a rear garden cut into the rock face and a meadow on the banks of the Western Cleddau, on which it has 0.25 miles of fishing rights and an island accessed via a footbridge. The house has beamed ceilings, exposed stonework, wood-burning stoves and retains its original mill workings. 4 beds, 2 baths, 2 receps, kitchen, 1-bed annexe, 30 acres. £1.35m+ Country Living Group 01437-616101.

▶ **Rake Farm, Glaisdale, North Yorkshire.** A renovated Grade II-listed house and one-bedroom holiday cottage set within the North York Moors National Park above the River Esk, on which it has 300 metres of fishing rights. It has beamed ceilings, large open fireplaces, a country kitchen with a vaulted ceiling and an Aga, and comes with a range of traditional outbuildings. 3 beds, bath, 2 receps, workshops, stables, gardens, 6.4 acres. £1.17m Peter Illingworth 01751-475557.



▶ **The Dairy, Dunmere, Bodmin, Cornwall.** A renovated period property with three holiday cottages in the Camel valley and fishing rights on the River Camel. It has flagstone floors, wood-burning stoves and two kitchens. 5 beds, 2 baths, 3 receps, study, orangery, double garage, workshops, cabin/home office, 3-bed cottage, 2-bed cottage, 1-bed cottage, 1-bed studio, gardens, 7 acres. £1.95m. Jackson-Stops 01872-261160.

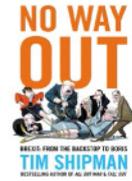
## Book of the week

### No Way Out

Brexit: From the Backstop to Boris

Tim Shipman

William Collins, £26



The two years from the aftermath of the 2017 general election to Theresa May relinquishing

the office of prime minister may seem like a strange choice of subject matter. The Covid pandemic and the cost-of-living crisis, not to mention the turmoil of the Johnson, Truss and now Sunak governments, has pushed the debate over Brexit out of our minds. Indeed, the fact that Tim Shipman's book on the May era has been released just weeks before his next book suggests that the publishers view it as little more than an appetiser.

### A real page-turner

This is a pity, as the book is actually an engrossing account of the Brexit wars. Beginning in late 2017, May started to row back from her previous promise that Brexit meant the UK taking control of trade policy rather than just immigration. She not only signed up to the "backstop", guaranteeing that Northern Ireland would remain fully aligned with the EU, but also later signed up to a deal that seemingly left the UK out of the single market for both goods and services, but nevertheless still forced to follow EU regulations, and with limited ability to agree new trade



*"The book is a masterclass in narrative writing that breathes new life into a period now nearly forgotten"*

deals. This proved to be deeply unpopular and resulted in her eventual resignation after her withdrawal agreement was defeated three times by Parliament.

Shipman's emphasis is on the behind-the-scenes manoeuvring that took place in Downing Street and within the ranks of Conservative rebels, whose opposition ultimately doomed the deal. Shipman gives us plenty of juicy details about every twist and turn in the drama and pulls back at key moments to give us a broader analysis, thus saving the reader from drowning in details.

We also get a look at the debates that were going on within the European Commission and the Labour Party at the time. Even though you know the outcome, the book is a page turner and you

are drawn on, eager to find out what will happen next.

Shipman is undecided as to whether the deal was a reasonable compromise, badly sold – or simply a bad deal that would have left us in a "worst of both worlds" situation, such as Turkey finds itself in. Either way, he is clear that May bears the blame for setting unrealistic expectations, failing to engage with her party and most crucially not making the threat of a no-deal scenario credible. The book is a valuable case study for business leaders and negotiators, whether they are interested in politics or not, and is a masterclass in narrative writing that breathes new life into a period that has begun to fade from our minds.

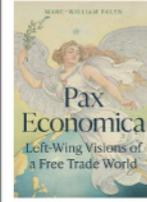
Reviewed by  
Matthew Partridge

## Pax Economica

Left-Wing Visions of a Free Trade World

Marc-William Palen

Princeton University Press, £30



The past two decades have seen a backlash against globalisation in the developed world. The right complains about the destabilising

effect of mass immigration; the left worries that deindustrialisation has led to falling real wages for native workers, increasing inequality. US president Joe Biden recently raised tariffs on Chinese goods, showing how mainstream these concerns have become. But it was not always this way. Marc-William Palen's book shows that in the 19th and early 20th centuries, many on the left were champions of global free trade.

Some on the political left supported it in the belief that it would boost the living standards of the urban working class by ensuring a supply of cheap food. Later the focus shifted to the hope that free trade would help end wars by making countries economically dependent on each other. This latter view drove the creation after World War II of institutions such as the UN, as well as the General Agreement on Tariffs and Trade.

The 19th-century view of free trade was based on the benefits of reducing explicit tariffs and quotas on trade between countries with similar living standards. The concerns about it today are more focused on the removal of regulatory barriers or the import of goods made by workers who are paid much less than those in the importing country. This is a fascinating study that throws a light on a side of the trade debate that has received little attention.

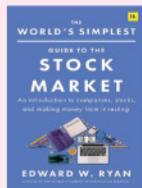
## An accessible and relatable guide to the world of finance

### The World's Simplest Guide to the Stock Market

An Introduction to Companies, Stocks and Making Money from Investing

Edward W. Ryan

Harriman House, £15.99



Many of us will have come across financial terms that we don't understand, or aren't quite sure about. Others, including a surprising number of those who actually work in the industry, may grasp the gist, but struggle with the details, or find them difficult to explain. These difficulties with jargon are compounded by the fact that many books on investment tend to

have a very narrow focus, or assume prior knowledge. *The World's Simplest Guide to the Stock Market* is an attempt to bridge this divide. It provides a broad overview of the world of financial markets and investment.

The book is divided into three sections. The opening chapters look at how companies operate, explaining some basic ideas, such as what the main executives in a company do, or what you should look for when reading a firm's financial statement. From chapter four to chapter nine, Ryan looks at everything to do with shares, including how to value them, the difference between dividends and capital gains, and what happens when companies are floated on the stockmarket. The focus in the five remaining chapters shifts towards financial markets, starting with major exchanges

and ending with a look at more advanced topics, such as options and takeovers.

Ryan is a clear, readable writer who uses analogies drawn from everyday life to explain more complicated concepts – he walks us through the finances of a food stall, for example, to help us understand corporate accounting. The book is primarily aimed at American readers, but this isn't really a major problem, as most of the general information will apply to the UK – just skip the bits that deal with US-specific financial products, such as the 401(k) pension plan. This is not a book to teach you how to beat the market, but it is an excellent, accessible overview of the world of finance that will be of interest to anyone who wants to understand the wider context, from investors to those looking for that coveted City job or internship.

## Bridge by Andrew Robson

### Careful timing required

This week's deal is a 22-count slam. Three Club ruffs in dummy will yield 12 tricks relatively easily unless Trumps are four-nil...

Dealer North

North-South vulnerable

♠ K1087632		♠ A54
♥ K96		♥ 7532
♦ AKQ		♦ 76
♣ -		♣ Q1052
♠ QJ9		♠ -
♥ -	♥ AQJ1084	
♦ J8542	♦ 1093	
♣ AKJ63	♣ 9874	

### The bidding

South	West	North	East
2♥	2NT*	1♠	pass
4♥	pass	3♣**	4♣
		6♥***	end

- \* Unusual – showing five-five in the minors.
- \*\* Questionable – partner has shown five+ Hearts, so Heart support seems the indicated bid.
- \*\*\* The void Club is gold dust.

Declarer ruffed West's Ace of Clubs lead and, at trick two, ruffed a Spade (East correctly playing low). He ruffed a second Club, and ruffed a second Spade. West following twice meant he had room for just one more major-suit card (having advertised ten minor-suit cards with his Unusual Two Notrump bid). Declarer crossed to a Diamond and ruffed a third Spade. When West followed a third time, he knew that East held all four missing Trumps.

Careful timing was required. Declarer crossed to dummy with a second Diamond, then led a master Spade. When East ruffed (best), declarer made the key play of discarding a Club from hand.

What could East now do? If he led a Trump, declarer could win the Ace (swallowing dummy's King), cash the Queen-Knave drawing East's Trumps, then cross to dummy in Diamonds to run Spades. East realised this, so in practice he led a Club. No good either: declarer ruffed in dummy and led a good spade. East had to ruff, but declarer could now overruff, draw Trumps, and lead over to a winning diamond. Twelve tricks and slam made.

For Andrew's four daily BridgeCasts, go to [andrewrobsonbridgecast.com](http://andrewrobsonbridgecast.com)

## Sudoku 1209/1210

		3			5			1
	6							
			2	9				
				1		2		
4	1					8	7	
		9	7	5				
			2	4				
	3	8						6
	1	4	9			7		

To complete MoneyWeek's Sudoku, fill in the squares in the grid so that every row and column and each of the nine 3x3 squares contain all the digits from one to nine. The answer to last week's puzzle is below.

9	8	1	6	4	7	3	5	2
6	5	7	2	9	3	4	1	8
4	2	3	1	8	5	6	7	9
1	9	8	4	3	2	7	6	5
3	6	2	5	7	8	9	4	1
7	4	5	9	6	1	2	8	3
8	3	9	7	1	4	5	2	6
5	1	4	3	2	6	8	9	7
2	7	6	8	5	9	1	3	4

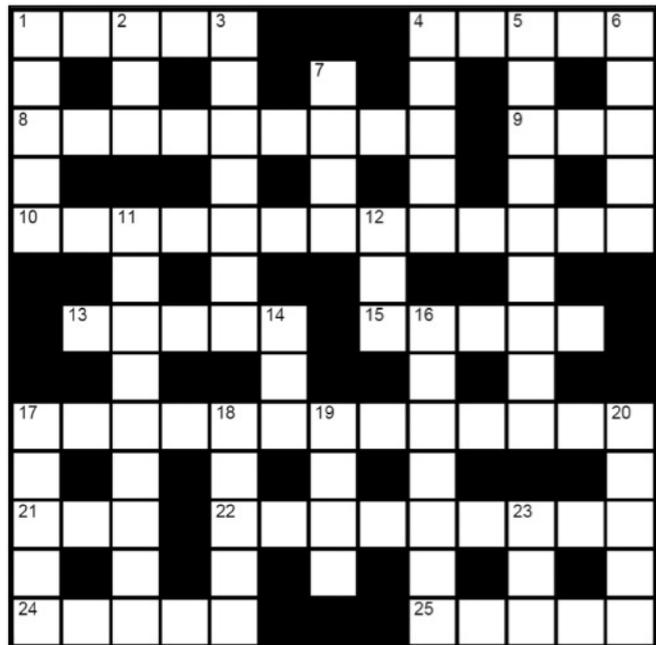
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## Tim Moorey's Quick Crossword No.1209/1210



A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 3 June 2024. By post: send to MoneyWeek's Quick Crossword No.1209/1210, 121-141 Westbourne Terrace, Paddington, London W2 6JR. By email: scan or photograph completed solution and coupon and email to: [crossword@moneyweek.com](mailto:crossword@moneyweek.com) with MoneyWeek Crossword No.1209/1210 in the subject field.



Across clues are cryptic while down clues are straight

### ACROSS

- 1 Wise perhaps to get reading for kids (5)
- 4 Some mention at a lunch part of Africa once (5)
- 8 On campaign to get pardon (9)
- 9 Preserve money (3)
- 10 Awesome caddis flies a problem for farmers (3,3,7)
- 13 First lady to store agreed produce (5)
- 15 One puts you in your place? Well, not good (5)
- 17 Does CNN report involve me? (13)
- 21 Reading, say one part of whodunit (3)
- 22 Longing to introduce doctor, one that's an excellent person (9)
- 24 Poetry's an imposition at school (5)
- 25 Golf course connections (5)

### DOWN

- 1 Disc for a computer (2-3)
- 2 Mother (3)
- 3 Long robe for church choir (7)
- 4 Taboos (2-3)
- 5 Private conversation (4-1-4)
- 6 Cavalry weapon (5)
- 7 A female deer (4)
- 11 Amusement (9)
- 12 Promise to pay (3)
- 14 River in northern Germany (3)
- 16 Outdoor time device (7)
- 17 Wicked (5)
- 18 Distinctive character of a people (5)
- 19 Ceremonial splendour (4)
- 20 Conditions (5)
- 23 A weapon (3)

Name .....

Address .....

email .....

### Solutions to 1207

**Across** 1 Rushdie *anag* 5 Salvo *S + anag of Oval* 8 Prognosticate *anag* 9 La Paz *anag* 10 Toppers *stopper with S moved* 12 Sprite *PR inside site* 13 Stable *double definition* 16 Two-time *Two Times less S* 18 North *double definition* 20 Heath Robinson *he + anag of brash notion* 22 Lisle *hidden* 23 Calgary *Cal Gary*. **Down** 1 Repel 2 Shopper 3 Donizetti 4 Ersatz 5 Ski 6 Lease 7 Oversee 11 Potential 12 Satchel 14 Barista 15 Heroic 17 Okays 19 Handy 21 Hue.

The winner of MoneyWeek Quick Crossword No.1207 is: Mr Roger Dentith of London

Tim Moorey is author of *How To Crack Cryptic Crosswords*, published by HarperCollins, and runs crossword workshops ([timmoorey.com](http://timmoorey.com))

Taylor's is one of the oldest of the founding Port houses, family run and entirely dedicated to the production of the highest quality ports. Late Bottled Vintage is matured in wood for four to six years. The ageing process produces a high-quality, immediately drinkable wine with a long, elegant finish; ruby red in colour, with a hint of morello cherries on the nose, and cassis, plums and blackberry to taste. Try it with full-flavoured cheeses or desserts made with chocolate.



# How to preserve wealth

Our simple trading model would have served you well



Can he really lower prices by decree?



**Bill Bonner**  
Columnist

“Dozens of Democratic lawmakers signed a letter to US president Joe Biden, pleading with him to act on high grocery prices that have been slow to fall as inflation has come down,” says Fox News. The premise of the letter is, of course, preposterous. Biden plants no wheat. He is not about to set up a food factory. There is no way for him to lower food prices honestly.

But that didn't stop the children's crusade in Congress. Senator Elizabeth Warren has called on Biden to “exercise your executive authority to take additional action to address rising food prices”. Democrats asked him to “prosecute actors in the agricultural and food sectors for price fixing and other anticompetitive behaviour” and create a joint task force to investigate the manipulation of food prices, reports Fox.

That's right. Warren wants Biden to use threats and penalties – the brute force of government – to punish businesses that raise prices. Of course, if they could be lowered by “executive authority”, prices would never go up. The feds have plenty of lawyers; they could put all the major food company CEOs in jail. Would that get prices down?

In the fraudulent language of modern politics this is called a “progressive” proposal, even though it would drag us back into the darkest days of price controls, shortages, and poverty. And if corporate CEOs really were prosecuted for price increases – much like the show trials in Moscow in the 1930s, or the “struggle sessions” in Mao's China – the country would slip backward, like the Soviet Union, until the whole system crashed and was discarded.

Instead of worrying about the real cause of inflation – themselves! – lawmakers want

*“We're being dragged back to the dark days of price controls”*

to set lawyers on businesses that raise prices. Why? As elites get more and more power, they become less benign, more out of touch with reality and more parasitical. Then, their societies shift from being ones based on voluntary, “gentle commerce”, to ones based on coercive rules, regulation, laws and policies.

In win-win deals between willing participants, people pay one another to improve each other's lives and thereby produce wealth. Win-lose deals, on the other hand, backed by government coercion, redistribute wealth – and

destroy it. People get less of what they want (wealth) and more of what their rulers want them to have.

We've developed a leisurely trading strategy, our Dow/gold timing model, to capture these market swings from win-win to win-lose, from greed to fear, but bull to bear. If you'd begun following the model 100 years ago – simply buying stocks at a Dow/gold ratio of five and returning to gold when the ratio reached 15 – you would have bought stocks in 1924 and enjoyed the wild ride until 1929. Ten little ounces of gold would have turned into 30 when you sold out.

Then, you would have bought stocks again in 1932 and held on until 1959, for another three times gain. Now you would have had 90 ounces of gold. The next move was in 1975, buying stocks and selling them in 1998, for another three times gain. In and out of stocks, only three times in a century, and you would have transformed \$200 worth of gold into \$644,000. No fuss. No fuss. Probably the simplest, laziest, least-ambitious “trading” model ever. And it's not even designed to make money, but merely to preserve wealth.

*For more from Bill, sign up to his Substack newsletter at [bonnerprivateresearch.com](https://bonnerprivateresearch.com)*

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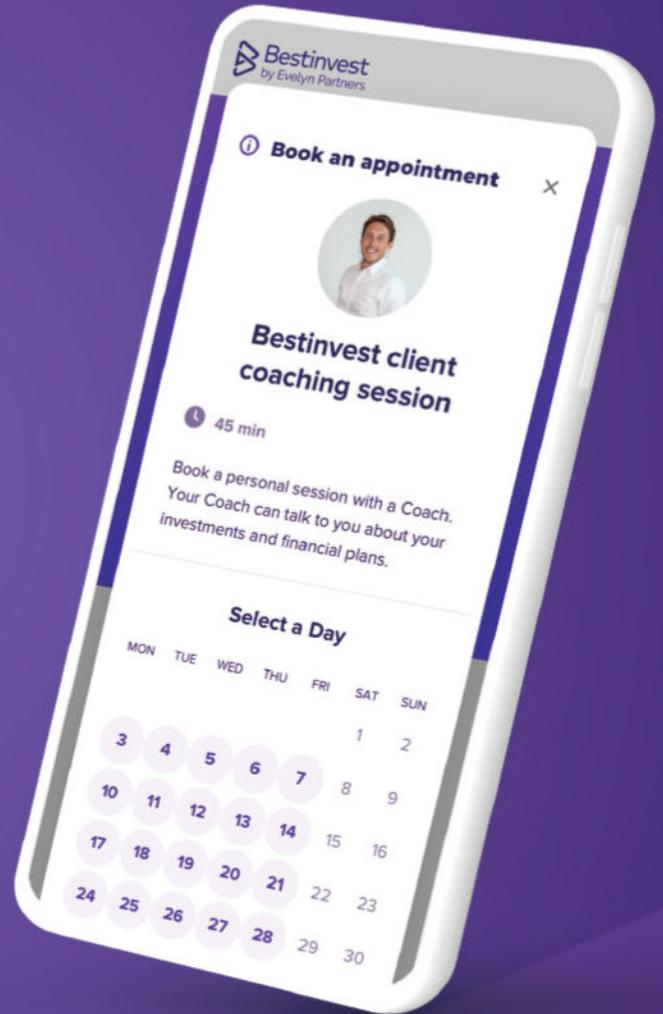
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