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# MONEYWEEK

MAKE IT, KEEP IT, SPEND IT

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## Macron's mad gamble

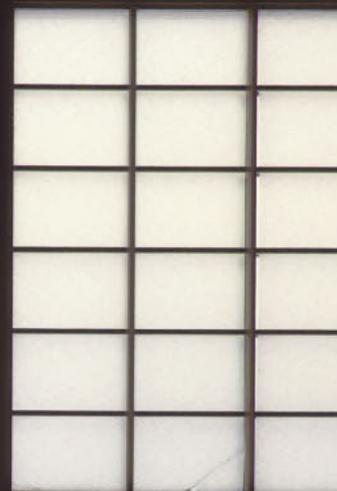
What it means for  
France and Europe  
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## From the editor...



What was he thinking when he called an early election? Macron, that is, not Sunak.

The latter had probably lined up a job in the US. The Conservative manifesto this week (see page 10) reinforced the impression of a government longing to be put out of its misery. The most eye-catching measure was yet another iteration of Help To Buy, the eternal state stimulus for the eternally overvalued housing market from the supposed party of the free market.

More interesting for investors for now is the snap election across the Channel (see page 4). The president may well feel he can fend off the first far-right government since Vichy, but in case he can't, is he hoping that a spell in office will force the National Rally (NR) to moderate? Or become so unpopular once people notice the gulf between action and rhetoric that it withers on the vine? After all, government "brings the burden of making decisions that cost voters money", says Janan Ganesh in the Financial Times.

### Goodnight, Vienna

Can this ploy work? Austria is an instructive example in this regard. In 2000, the centre-right party ditched the Social Democrats and formed a coalition with a far-right group called the FPO, descendants of the wartime fascist regime. As with all populists of the right (and



Austria's conservatives failed to tame the far right, which is on track to become the largest party in the next parliament

**"Populist parties will keep surging until the root causes of their support are addressed"**

left), the FPO's economic programme was heavy-handed, statist, protectionist, and expensive. But the wily centre-right chancellor made sure he set the economic agenda, leaving the FPO to discover that agitating is easier than admin. Bagehot used to warn that the monarchy should avoid letting daylight in upon the magic; this was a case of letting daylight in on the dysfunction. Scandals multiplied, FPO ministers fell like flies, and in two years the FPO's share of the vote had collapsed.

They returned to office in 2017, however. In 2019, a huge scandal brought down the entire government (the FPO leader had been caught on tape drunkenly offering someone he thought was a Russian oligarch's daughter help with potentially lucrative public contracts). Today, the FPO is the largest party in the polls. These parties will keep coming back

unless the root cause of their support – economic stagnation and fears over immigration – are addressed. There is no sign of progress on either front, so it may well be that the likes of the NR will soon find themselves in government in countries beyond France, too, tackling these crises themselves. Quite what will happen on the immigration front in that scenario, or before it for that matter, is far from obvious (we will take a closer look in next week's Briefing).

Given these parties' economic programmes, however, the odds of sensible structural reforms to raise productivity and GDP have always seemed low. So last year I was intrigued to find a write-up of a German study tracking 51 populist presidents or prime ministers in 60 countries between 1900-2020. (These movements were defined by a central argument contrasting ordinary people with dishonest elites.)

After 15 years, GDP per capita is 10% lower compared with a plausible non-populist counterfactual as "the economy turns inward, institutions are undermined and risks are taken with macroeconomic policy", says Torsten Bell of the Resolution Foundation. These parties are "annoyingly good at politics, but very bad at economics".

**Andrew Van Sickle**  
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### Pubs are cheering

There will be more than one winner of Euro 2024, the football tournament that kicks off today in Munich, when Scotland takes on the hosts, Germany. Fans in Britain are expected to spend £2.75bn on food, drink, barbecues, TVs, sportswear and merchandise, say Rob Davies and Sarah Butler in The Guardian. England face Serbia on Sunday. Pubs are expected to pour an extra 20 million pints during the four weeks of the tournament, according to the British Beer & Pubs Association – 300 million pints in total, bringing in an extra £94m for pubs. The hospitality sector overall could see a £613.7m boost, while retailers could make an extra £2.1bn. An estimated 35.4 million supporters are likely to tune in, with almost half heading to pubs and bars. High hopes for England and hopefully warmer weather mean fans could spend £172m more on hospitality than they did during the last World Cup, which was held in November and December 2022 in Qatar.



### Good week for:

**Cher** is owed \$418,000 in withheld royalties after a judge in the US ruled the singer's right to royalties from hits such as *I Got You Babe*, which she performed with her late former husband Sonny Bono, was separate to the publishing rights claimed by Bono's widow, Mary, under a copyright law provision, says The Guardian. Sonny and Cher shared publishing revenue as part of their 1978 divorce settlement.

The career of actor **Will Smith** (pictured) is on the road to recovery after his latest film, *Bad Boys: Ride or Die*, raked in \$104.6m at the global box office during its opening weekend, says The Hollywood Reporter. The fourth outing in the *Bad Boys* franchise has received generally positive reviews from critics and marks a comeback for Smith after he slapped comedian Chris Rock at the 2022 Oscars.

### Bad week for:

Italian fashion designer **Elisabetta Franchi** has been fined €5,000 for choosing to employ female managers over the age of 40 that had put child-rearing, weddings, and divorces behind them, says The Times. The 54-year-old, along with her staff at the €160m fashion business, must attend annual equality training or pay an extra €100 a day. The case had been brought by a national anti-discrimination association.

Fiona Harvey, who claims to be the real-life inspiration for the stalker Martha Scott in the hit British drama *Baby Reindeer*, is suing the streaming platform **Netflix** in California for at least \$170m for defamation and emotional distress, says Variety. The miniseries is based on the experiences of its creator, comedian Richard Gadd, involving a fan. Netflix says it stands by his right "to tell his story".



# Macron's big gamble rattles investors



**Alex Rankine**  
Markets editor

French president Emmanuel Macron “is going for broke”, says Clea Caulcutt for Politico. Macron’s centrist party received a drubbing at the weekend’s European elections (see also page 11), securing just 14.6% of votes, less than half the figure for Marine Le Pen’s National Rally party. Rather than retreating to lick his wounds, Macron has shocked his own allies by calling a snap parliamentary election three years ahead of schedule. This “maverick gamble” appears designed to knock Le Pen “off her stride”, but could well backfire. There are “echoes” of David Cameron’s attempt to silence Conservative eurosceptics by calling the Brexit referendum.

In a few weeks’ time, France could be run by its first far-right government since the Second World War. Jordan Bardella (pictured), Le Pen’s 28-year-old protégé, would become prime minister. Periods of “cohabitation”, with a president and prime minister from opposing parties, are not unprecedented, although one hasn’t happened since 2002. This scenario would see Macron, as president, retain control over foreign and military affairs, says The Economist, while a National Rally government would run domestic and economic policy. Historically, “French prime ministers tend to get the blame for everything that goes wrong, while presidents can float above the fray”.

## Bond yields climb

Markets reacted sharply to news of the snap poll. The euro fell against the dollar on Monday, while the CAC 40 stock index dropped 2.5% over the first two trading days of this week. France’s ten-year bond



©Getty Images

Le Pen and Bardella: could they soon be running France?

spread against Germany climbed to its highest point this year, a sign investors think lending to the French government is getting riskier. French bank shares fell particularly hard on Monday, says the Financial Times. The sector could be targeted by windfall taxes. The National Rally’s “protectionist, big-spending agenda could put Paris into conflict with Brussels and alarm investors”.

Two scenarios appear possible, Stéphane Déo of Eleva Capital tells Sophie Rolland in Les Echos. Either the National Rally wins enough seats to form a government and implement its free-spending policies, or the elections produce a hung parliament, with limited coalition options, in which case France risks “becoming ungovernable”. While financial markets have already reacted strongly, they do not seem to have fully priced in the risk of political chaos ahead.

French public-sector debt sits at 110% of GDP, says Melissa Lawford in The Telegraph. Ratings agency S&P Global recently downgraded the country’s sovereign debt rating. Le Pen’s costly plans to reduce the retirement age and cut taxes would hardly help matters. If bond markets revolt, then France could find itself heading for its own “Liz Truss moment”.

There is one glimmer of hope for European equities. Last week the European Central Bank (ECB) cut interest rates by 0.25 percentage points, the first reduction since 2019 – and cheaper money usually boosts stock prices. The ECB’s move breaks a 25-year precedent, says John Authers on Bloomberg. Since its inception, the Frankfurt-based bank has never cut rates unless the US Federal Reserve had already done so first. But with America still contending with sticky inflation, the ECB is “setting out on its own”.

## Diamonds are foregone

Diamond giant De Beers says it will no longer sell synthetic diamonds. In 2018 it broke one of the industry’s biggest “taboos” by selling lab-grown stones for jewellery, says Thomas Biesheuvel on Bloomberg. Artificial diamonds are chemically identical to natural ones. Only specialist machinery can tell the difference.

De Beers’ strategy was to position synthetic gems as cheap and cheerful, creating a clear divide in consumers’ minds between synthetics and more prestigious natural stones.

That approach has “failed”, says Étienne Goetz in Les Echos. Synthetic diamonds



have indeed become very cheap – up to 90% cheaper than natural ones. But the flood of cheap diamonds – coupled with consumer belt-tightening – is also putting

downward pressure on natural gems, which have lost between 25% and 30% of their value since the start of 2022, according to industry expert Paul Zimmisky.

The pandemic drove a boom in demand for gemstones as wealthy consumers shopped for shiny goods rather than holidays, says Sasha Rogelberg for Fortune. But the cycle has decisively turned. Young people also appear less inclined to marry than older generations, giving the diamond industry another headache.

Much like other luxury products, demand for diamonds is driven by

consumer desire, Anish Aggarwal of Gemdax tells Lee Ying Shan for CNBC. The problem is that the diamond “industry has not done large-scale category marketing for almost 20 years. And we’re seeing the aftermath of that.”

De Beers has associated diamonds with romance ever since its 1947 “a diamond is forever” marketing campaign, says Carol Ryan in The Wall Street Journal. But today’s young American couples don’t appear to think that lab-grown diamonds are any less romantic than ones “formed in the bowels of the Earth”. De Beers itself is now looking for a new partner after parent Anglo American announced plans to spin it off as part of a restructuring.

©Getty Images

## Chip index feels more chipper

“We have never seen concentration in the market like... we’re seeing today,” says Cathie Wood of Ark Investment Management. The Artificial Intelligence (AI) rally is benefiting a tiny number of companies, many of them computer chip makers, including Nvidia (see page 6) and Taiwan’s TSMC.

TSMC’s shares hit a record high last week, with the group’s market value reaching NT\$23.2trn (£562bn), says Jiaxing Li in the South China Morning Post. Shares in the company, which makes chips designed by Apple, Nvidia and others, have gained 50% so this year. The PHLX Semiconductor index, which tracks the industry’s top firms, has jumped by 28.5%.

The sector is highly cyclical. Shortages of chips for computers and cars made headlines during Covid. But then a downturn began in 2022 – inflation hit consumption just as extra chip supply came onto the market, say Tim Bradshaw and Christian Davies in the Financial Times, and 2023 was a tough year.

Now analysts see a “turning point” for the \$600bn market. “Cloud and consumer internet companies have been buying up high-performance chips” frenetically to tap into generative AI. But demand for smartphones and tech products is still sluggish. The question is whether selling small numbers of high margin AI super-chips can make up for revenue lost by “languishing” consumer sales.

# Will Korea stay cheap?

From Samsung and LG to Hyundai and K-pop, South Korean products are globally famous, says Steven Frazer in Shares. Yet the nation’s world-beating companies haven’t made for a successful stockmarket. The local Kospi index has lagged the global average for much of the last 15 years, and the resulting “Korea discount” has proved stubbornly resistant to attempts to close it.

“South Korea has for years been the cheapest equity market in Asia, and even the world,” says Will Lam of Invesco.

Korean shares have gained less than 2% since the start of the year, a poor showing given the AI chip boom plays to the country’s strengths. Politicians in Seoul have been looking enviously at Japan, where the Topix has surged almost 16% since the start of the year.

### Falling behind Japan

Both Korea and Japan host “conglomerate businesses”, often family-run, with “inefficient balance sheets”, poor returns on equity and stingy dividends, says Alison Savas of Antipodes Partners in Wealth Briefing Asia. Elaborate networks of cross-shareholdings (when companies own shares in each other) “can resemble a Jackson Pollock”.

The difference? Japan has spent the last decade slowly reforming its corporations, prodding them to act more



in the interests of ordinary shareholders. That ultimately helped foster the “phenomenal run” in Tokyo over the past year. Korea wants to play catch-up, but it has a long way to go – 70% of Kospi constituents are priced at less than one-times book value, a sign that management is doing a poor job at putting assets to work.

In February, Korea launched the “Corporate Value-up programme”, says Malene Jensen for Al Jazeera. Modelled on reforms in Japan, it aims to use tax incentives to encourage companies to “share more of their profits with shareholders”. But the measures failed to impress foreign investors, many of whom have soured on Korea in recent months.

The proposals are “vague” and lack any teeth for enforcement. They also fail to deal with “root” causes like

high inheritance taxes, which encourage the families that own conglomerates to “keep share prices low” in order to pass the business on to the next generation with a smaller bill.

Korean inheritance taxes “peak around 60%”, notes Craig Mellow in Barron’s. President Yoon Suk Yeol’s plans to change that could be thwarted by the centre-left opposition, which controls the legislature after April’s elections.

There is one bright spot – 14 million Koreans now invest in the stockmarket, more than double the pre-Covid figure. That growing voting bloc could eventually put pressure on the country’s politicians to pass pro-shareholder reforms, but it will be a long slog. South Korea’s “capitalist paradox: great companies... with awful stock prices” isn’t going away any time soon.

## Viewpoint

“The City [of London] is having a busier year than pessimistic observers... might have expected... The £39bn bid by Australian giant BHP Billiton for its London-listed... rival Anglo American has fallen away. But plenty of bankers’ and advisers’ fees have already been clocked up... and BHP may now pursue global domination of the copper market by stalking other London-listed miners such as Antofagasta... [The City’s bankers have been] selling blocks of shares for companies and institutions to raise some £9bn in more than 100 significant transactions this year so far... If activity stays lively, despite the expected Labour election victory, we’ll find out whether Rachel Reeves really meant it when she said she has no intention of bringing back the... cap on bankers’ bonuses... The richer the City, the sooner we’ll discover the depth of the fissures in Labour’s façade.”

Martin Vander Weyer, The Spectator

## ■ British equities remain in bargain bin

### Stockmarket valuations

Forward price/earnings ratios



London is famously expensive, but the stock exchange is an exception. British shares continue to trade at more than a 40% discount to their US peers, and are also persistently cheaper than equities in the eurozone. The UK discount has been driven by a dearth of exciting technology stocks (which tend to command high valuations), sluggish domestic growth and prolonged political uncertainty following the 2016 Brexit vote. Pressure is mounting on CEOs to shift their listings to New York in pursuit of better valuations, says Lex in the Financial Times, but firms that have already done that have had “mixed fortunes”. The London deal market is “finally showing some signs of life” this year, so “hope” for UK stocks “is far from lost”.

# AI boom on borrowed time

Shares in semiconductor maker Nvidia are soaring, but have they gone too far too fast? Apple, for one, is treading carefully. Matthew Partridge reports

A surge in the share price of Nvidia lifted its market value above \$3trn last week, says Martin Strydom in *The Times*. It briefly overtook Apple to become the world's second most valuable corporation behind Microsoft. The stock also split ten for one on Friday, which could boost its appeal. Nvidia's stock has gained 147% in 2024. Mounting demand for artificial intelligence (AI) applications has increased the world's appetite for its processors as Microsoft, Meta Platforms and Alphabet, Google's parent company, "race to dominate the emerging technology".

Don't assume that Nvidia "will remain a surefire winner on the stockmarket", says AJ Bell's Dan Coatsworth. Its "stellar run" demonstrates that investors have already factored in a great deal of positive news. While it is clear that AI "is being embraced" by many sectors, Nvidia "is not the only player in town" with plenty of other companies "upping their game in the fight for a slice of the pie". Investors will also "need to consider the prospect of tighter regulation and its potential impact when they pay lofty valuations for many industry-leading firms".

## Shares vulnerable to vertigo

Nvidia's climb "is going to get harder and hit limits, whatever fun speculators have along the way", says Scott Rosenberg in *Axios*. If big AI providers "don't solve the technology's many problems – from inaccuracies... to uncertain consumer demand and long-term fears of runaway AIs" – then demand for its specialised chips "could soften or vanish, and the AI frenzy would stop dead in its tracks". Even if this doesn't happen, the company's rivals, including Intel, Qualcomm and Apple, have ramped up their efforts at AI chipmaking in ways that will inevitably "fence in Nvidia's growth".

Nvidia may have done well last week, but Apple regained second place in the technology pecking order after its shares soared to a new all-time peak on Tuesday, says Derek Saul in *Forbes*.



Apple's AI in iPhones will raise concerns over privacy

The jump came as Wall Street "embraced" the iPhone maker's announcement of its generative AI plans "with open arms". The plans include a variety of AI features for the iPhone and other devices, the most notable of which is "the integration of OpenAI's hit generative AI chatbot ChatGPT directly into iPhone applications". Apple's strategy seems to be that it can leave development of AI technology to other companies, "saving billions".

Tie-ups with third parties, rather than trying to develop everything in-house, could make Apple appear an also-ran if the technology advances rapidly, says Robert Cyran on *Breakingviews*. Still, there are also advantages to a strategy that places Apple in the role of being the "industry's AI sniper, picking and choosing its targets carefully for maximum effect". It could help it focus on the features "that just [work] intuitively for customers", while also "limiting Apple's investment in the mad AI rush currently taking place among other tech giants".

## Will Ashtead head to America?

The London Stock Exchange is facing the threat of yet another of its top stocks heading off to list in New York instead, says Alex Ralph in *The Times*. While industrial equipment-rental group Ashtead had previously dismissed talk of upping sticks, it is now reportedly in the "early stages" of "exploring whether to quit the City for Wall Street". Large corporations that have recently made the move across the Atlantic include CRH, the building-materials supplier, Flutter Entertainment, the gambling company, and Ferguson, a plumbing outfit.

While Ashtead's board is "expected to take its time" reaching a verdict, there are various factors favouring a transatlantic shift, says Ben Marlow in *The Telegraph*. For one thing, more than 90% of Ashtead's near-£11bn annual turnover came from sales in North America last year, up from 80% the year before. It is the second-largest equipment-rental outfit in the US, where it trades under the Sunbelt Rentals brand.

Ashtead "has also recently been a significant beneficiary of Joe Biden's Inflation Reduction Act". In addition, there is the hope that "a move to Wall Street will provide a sharp boost in value", while its managers may be looking to benefit from the fact that executives at S&P 500 US companies are paid three times as much as their British counterparts.

The fact that Ashtead is already on a higher valuation than its closest US-listed peer, United Rentals, means that both the operational and valuation arguments are "thrown out of the window", according to AJ Bell's Russ Mould. Instead, the motivation "appears to lie in staff remuneration, not equity valuation".

While Ashtead could seek to propose a big increase in the pay package for its directors without having to change market, the company "might want to avoid being seen as the house of fat cats on a relative basis to UK-quoted peers". By contrast, "sitting on the US stockmarket side by side [with] other companies doling out the riches to senior staff might not attract as much negative attention."

# The shine has come off Shein

The British Fashion Council (BFC) has warned that Chinese clothing retailer Shein's planned £50bn flotation on the London Stock Exchange is a "significant concern" to the industry, says Emily Hawkins in the *Daily Mail*. The BFC argues that "questions remain" about the group's controversial business practices, such as using "low-paid garment workers in China in order to sell its clothes at knockdown prices". A backlash from the BFC's US equivalent, the National Retail Federation, "was one of the reasons that Shein had to ditch its original plans to float in New York".

More and more people, ranging from business groups

to trade unions, think that Shein "should be barred from the London market for its questionable practices – including allegations of forced labour" (which Shein denies), says Jon Yeomans in the *Sunday Times*. By allowing the flotation, London "would become a listing place of last resort for companies with poor human-rights records". Yet while "the way we make, use and throw away our clothes is unsustainable", it may be better to let Shein list. After all, it is likely to find that "the endless scrutiny from fund managers and journalists will make life very uncomfortable", and the resulting scrutiny "may even

push the company to improve its standards". Shein may have to pull its socks up sooner rather than later if it wants to get a decent valuation, says the *Financial Times*. UK fund managers have warned that due to the various ethical concerns, investors will "struggle to support" the initial public offering.

But not everyone agrees that concerns over environmental and social governance (ESG) mean a Shein flotation would necessarily become a flop. Other fund managers point out that the success of the British firm Boohoo shows that many investors are willing to put up with the fact that "fast fashion is a rough-and-ready industry".

# Gateway to Vietnam

Vietnam Enterprise Investments Limited (VEIL) is hosting the Gateway to Vietnam Forum on 25th June 2024 in London

The VEIL AGM will be held as part of the Forum. Existing shareholders and those interested in finding out more about VEIL are very welcome to register for the event in London. Remote access is available upon request.



To register, please scan the QR Code and complete your details by Thursday 20th June 2024.



**VEIL**

# MoneyWeek's comprehensive guide to this week's share tips

## Five to buy

### QinetiQ

*The Telegraph*

QinetiQ's shares have doubled since 2017. The defence contractor's upgraded guidance, rising revenue, stable profit margin and potential for future acquisitions reflect its solid financial position. With Nato members expected to increase defence spending and a modest price/earnings (p/e) ratio, the company's capital-growth potential and share-buyback programme make it an attractive investment. Some investors may be tempted to sell after large gains, but it's "more logical" to keep buying. *451p*



general election could help the stock. *106p*

### Oakley Capital Investments

*The Mail on Sunday*

Private equity has a bad reputation, but Oakley Capital Investments is different. It focuses on helping companies grow by working with management and taking a conservative approach to debt. It has a portfolio of 28 companies, and recently invested in a French healthcare consultancy and a German broadband business. Oakley's shares are a "bargain", with the group's investments valued at 693p a share. The stock has risen by 18% in two years and there is further to go. *490p*

### On the Beach

*Shares*

Investors are taking notice of On the Beach (OTB) after

positive first-half results and an analyst upgrade. The online package-holiday provider trades at just 8.6 times its September 2025 forecast earnings and is returning to meaningful dividend payments. There is potential for further market-share growth in the long-haul and premium holiday markets. OTB has also secured a partnership with budget carrier Ryanair, and consumers' appetite for travel is expected to remain healthy. OTB is a "big value opportunity" for investors. *142p*

### Paragon Bank

*Investors' Chronicle*

Paragon's strong interim results bode well. With robust deposit growth, a higher net-interest margin, and improving mortgage and commercial lending, underlying pre-tax profit at the specialist lender rose by 13.5% to £146m. Signs of recovery have prompted Paragon to upgrade lending and net-interest margin guidance for the year. It's "difficult to argue with the quality of the earnings and the expected shareholder returns". *749p*

### Sanderson Design Group

*The Sunday Times*

Sanderson Design Group, a luxury interior-furnishings business hit by the housing-market slowdown, has made significant improvements despite challenging conditions. It has increased inventory, boosted margins, and pocketed record licensing revenues from its designs. It has a solid balance sheet and has seen strong growth in the US. Falling inflation and increased consumer confidence after the

## One to sell

### Petrofac

*Investors' Chronicle*

Petrofac has missed a coupon payment and is in default. The energy engineering and services company is seeking a cash injection of \$300m to avoid insolvency, but not all lenders support the rescue package. Liabilities amount to \$1.7bn, and Petrofac experienced a \$222m cash outflow in 2023. Despite an \$8bn order backlog, new contracts, and the wider industry's rude health, Petrofac's future looks uncertain. "Most



investors probably left the sinking rig some time ago," but those that didn't will hope there's something to salvage now its shares are no longer suspended. *22p*

## ...and the rest

### The Telegraph

Housebuilder Taylor Wimpey's outlook is "increasingly upbeat", with falling inflation, expected interest-rate cuts and a faster-growing economy, leading to higher profitability and dividend growth. Given the 6.3% dividend yield, solid balance sheet and strong competitive position, Taylor Wimpey looks appealing. Buy (*152p*)

### This is Money

National Grid is raising £7bn through a rights issue to support

a £60bn plan to upgrade its energy-transmission networks. The ambitious proposals reflect a shift towards wind, solar and nuclear power. The underwritten issue ensures National Grid will receive the funds to fuel its growth. Shareholders could end up with 30% more stock in a business with a "decent record, a strong growth agenda, and attractive dividends". *871p*

### Shares

Shares in Currys recently surged by 32%, with investors



buoyed by the turnaround potential of the electrical retailer and upgraded pre-tax profit guidance. CEO Alex Baldock attributes the success to strengthening performance in the UK, Ireland and the Nordics, with sales and

margins improving. Despite the recent rally, Currys' shares are still trading at a low 8.5 times earnings. Keep buying (*80p*).

### Investors' Chronicle

Dr. Martens' sales for the year ended in March fell 12%, leading to a 43% drop in pre-tax profit to £97.2m. The boot maker slashed the dividend, while North America remains challenging. The firm expects a difficult year. Despite a new CEO and cost cuts, "the road to recovery looks long and exhausting". Sell (*86p*).

## An American view

Defence contractor Lockheed Martin's "stock is poised for takeoff", says Barron's. The share price has lagged in recent years and the company has been grappling with supply-chain difficulties, but the outlook is improving as military spending is expected to increase. With a \$159bn backlog, amounting to two years' sales, and the planned delivery of 40 F-35 jets per quarter, Lockheed's earnings are projected to grow solidly. Free cash flow is estimated to reach nearly \$19bn between 2024 and 2026. "Hefty buybacks and a generous dividend" should boost Lockheed's stock even further, with analysts suggesting a price target of \$551, compared to \$468 today.

## IPO watch

South Korea's Yanolja, one of the world's largest online travel agencies, aims to raise \$400m in an initial public offering (IPO) in New York, says Bloomberg. Backed by Japanese technology conglomerate SoftBank, Yanolja could list as soon as July at a valuation of between \$7bn and \$9bn. Details of the IPO have yet to be announced. Yanolja is the latest portfolio company of SoftBank seeking to float as the Tokyo-based firm focuses on artificial intelligence. SoftBank first invested about \$1.7bn in Yanolja in 2021, and it has been expanding its cloud-software services arm to help hospitality and leisure businesses grow beyond holiday bookings and compete better with rivals Airbnb and Expedia.

©Getty Images; National Grid; Petrofac



# Protecting your collection against uncertainty

**Whether you're collecting as an investment or just for joy, protecting your collection against uncertainty is key, and understanding its value is important.**

Most of us like to collect in one way or another. Whether you enjoy fine art, or whisky is more to your taste, collecting is something everyone can do. Some of us may even build up substantial collections of our chosen items over time. Some collections can be small, inexpensive hobbies, but others can be costly and time-consuming endeavours, such as collecting watches, cars, stamps or coins. Placing a value on these items isn't easy. It requires a great deal of skill and understanding of the items and the market potential.

As part of NFU Mutual's Bespoke Home Insurance, they work with carefully selected valuation partners who have a deep understanding of their respective markets, so they're able to work out the value of an item and its market potential. Helping their customers to feel reassured that their high-value items are properly protected.

## Understanding the value

For many people, the value of the item won't be the reason they bought it in the first place. Most collectors don't collect to make money. They collect because they like certain items and buy according to their budgets. But there are collectors out there who are investors as



well - buying with the aim of making money over the long term. Unlike ordinary collectors, who usually buy items to display, investor-collectors buy items and then squirrel them away for safety. They may not even buy the whole item at all. There are a growing number of platforms out there which offer fraction interests in collectable items, allowing investor-collectors to buy a share in an item just as someone might buy a share of a company on the stock market.

Deciding if you're collecting to invest or just collecting for fun could be helpful when

setting long-term goals and the protection you need for your items. Typically, collectors have a longer-term perspective, while an investor may nip in and out, seeking to buy low and sell high as they seek to diversify their investment portfolio beyond traditional assets like stocks and shares. Those collecting for fun may pay more attention to the rarity of the item or intricacies rather than just its value or what it might be worth in five years' time.

"Collectors are always looking for the next rarest thing to add to their collection," says Mark Smith, director at one of NFU Mutual's carefully selected valuation partners, Quastel Associates.

Mark says: "A watch collector might be more interested in premium watches from the 1960s or 1970s. But an investor might favour a more modern watch, which could sell more easily as there is more demand for them."

## Collectable value

But whichever camp you fall into, the one thing that links investors and collectors is the fact that they are both interested in their respective chosen items. They tend to take a great interest in the history of their collection and will usually care about what happens to the collection both during their life and after.

That's why it's important to have the collection valued on a regular basis by a team of valuers who understand how much the collection is worth to both you and the rest of the market.

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# The Tories' damp squib manifesto

Rishi Sunak's plea for one more chance is falling on deaf ears. Emily Hohler reports

Unveiling the Conservatives' election manifesto at Silverstone on Tuesday, Rishi Sunak wanted to send a "clear message to British voters", says Stefan Boscia on Politico: "Give us one more chance, and we'll slash your taxes." He promised to take another 2p off employee national insurance by April 2027 (his third reduction to NI in a year), to abolish the main rate of self-employed NI completely by the end of the parliament, a cut worth £2.6bn, and to introduce a "triple lock plus" for pensioners.

There were dozens of other pledges in the 76-page manifesto, many of which had already been announced, says Alex Forsyth on the BBC. These include mandatory national service for 18-year-olds, 100,000 funded apprenticeships for young people paid for by scrapping "Mickey Mouse" degrees, and increasing defence spending to 2.5% of GDP by 2030. All in all, there were nearly £20bn worth of tax and spending announcements.

But while they may be individually popular with voters, Labour's poll lead has "remained stubbornly north of 20 points", says The Times. Doubts have been raised whether the pledges are affordable. Sunak insists that his manifesto is fully costed, underwritten by savings of £12bn from welfare reform, £6bn from "clamping down" on tax avoidance and evasion, and a further £5.1bn from "quango efficiencies" and shrinking the



Sunak: at least you know what you're getting

civil service. However, both the Resolution Foundation and the Institute for Fiscal Studies questioned the figures and said that shaving £12bn a year off the welfare bill in the timescale simply wasn't achievable.

## Higher taxes, lower growth

The tax burden will continue to rise, albeit at a slower rate, to hit its "highest level since 1950 by the end of the next parliament", says Kate Andrews in The Spectator. Freezes to tax thresholds are so effective at dragging more people into paying more tax that the tax burden is set to rise from 36.5% of GDP to 36.7% by 2028-29. Ask the Tories (or Labour) how they might be "more generous in the future", and their answer is growth.

On this front, both parties "got a rude awakening" on Wednesday, when the Office for National Statistics revealed that the economy flatlined in April despite better-than-expected growth of 0.6% in the first quarter. It seems unlikely growth forecasts for the year will be beaten – and these weren't very ambitious to begin with.

Overall, Sunak's manifesto launch was "necessarily defensive", says Isabel Hardman, also in The Spectator. He is trying to "stem the losses" and raise

doubts about what Labour would do rather than "present an exciting vision of a new Britain". No wonder, says Stephen Bush in the Financial Times. The Tory party's biggest problem is the loss of its "reputation for competence and effectiveness". Sunak is constrained by his party's "warring factions". It's why he fudged the issue of leaving the European Convention on Human Rights (had he been any more liberal or more authoritarian, part of his party would "kick off"). He "looks like someone who can't get things done". Add that to his "patchy delivery record" – he couldn't even get his flagship policy, the phased smoking ban, into law despite a large, cross-party majority – and he "can't plausibly paint himself as the candidate of 'bold ideas'".

He can't, agrees Stefan Boscia. Indeed, he only has one "core argument" beyond the tax cuts, which is that at least with the Tories, people know what they're getting. He has accused Keir Starmer and Labour of not having a plan. The best Sunak can hope for is that voters are so unsure of what Labour would do that they can't quite bring themselves to vote for the party when they walk into their polling stations on 4 July.

## Reform UK surges ahead in the polls

Reform UK is not, of course, going to be Labour's main opposition in the next government, says Hugo Rifkind in The Times. On the assumption that Nigel Farage wins his seat in Clacton, "he will be one of a tiny number of Reform MPs, and that number may even be one".

Nonetheless, enthusiasm for his party is growing. The latest polls put Reform just one point behind the Tories. According to the latest findings from strategic consultancy Redfield & Wilton, Reform is the second most popular party (after Labour) with voters aged 45-54 and 55-64 (the Tory "base") and those aged 18-24. Farage was also the clear winner of Friday's

BBC seven-way election debate in a snap YouGov poll.

A low turnout on 4 July and a "down-the-middle split of the right-leaning vote" between Reform and the Tories could "gift Labour a landslide majority based on fewer votes than Jeremy Corbyn got in 2017", says Patrick O'Flynn in The Telegraph. Keir Starmer could end up with 400-plus MPs facing an 80-strong Lib Dem opposition, led by Ed Davey, a "man who disagrees with Starmer about almost nothing". Farage might see the "sweeping away" of so many Tories as a "price worth paying" to create a "new right in his own image", but the main result will be to "move the

country to the left", agrees William Hague in The Times.

Tory wets warn Farage is a "dangerous demagogue" yet offer no explanation for failing to use an 80-seat majority to reform the NHS, look after our armed forces or control immigration – the root of so many problems from our housing crisis to welfare bill, says Allison Pearson in The Telegraph. "So, yes, vote Reform" – or any party or individual who puts Britons first and wants our young "to have hope". Don't blame Reform for a landslide Labour victory – if Tory voters have found themselves politically homeless, it's because the party "has trashed our home".



A new home for Tory voters?

# The rise of the hard right

Nationalists did well in recent EU elections. Matthew Partridge reports

Nationalist and right-wing parties won major gains in last week's European elections, says Bruno Waterfield in *The Times*. They punished France's Emmanuel Macron and Germany's Olaf Scholz, "badly weakening" and even "humiliating" the two leaders "who were at the heart of running the EU". Indeed, Macron's results were so bad that it prompted him to make the "unprecedented" move of calling snap parliamentary elections (see page 4). Similarly, Scholz's SPD party came third, behind the centre-right CDU and the hard-right AfD – its "poorest result in a nationwide election since reunification". Elsewhere, there was "a continuing consolidation, and overall gains for eurosceptics and hard-right parties".

## Stinging rebuke

European voters in Germany and France clearly delivered a "stinging rebuke" to the incumbents, says *The Economist*. However, the broader hard-right takeover of the EU predicted by some does not appear to have happened. The new parliament will "lean further to the right", but the wider shift to nationalist parties failed to materialise in many countries. In Holland, Geert Wilders, for example, the "hard-right firebrand" who won the most votes in national elections in November, "lost to centrist adversaries", while the far-right nationalist Vlaams Belang party failed to top the polls in Belgium.

Further evidence that this was a "vote against incompetent mainstream parties that promise much but deliver little", rather than a "pro-right surge across Europe", comes from the fact that socialists won the largest share of the vote in



Von der Leyen is likely to secure a second term

Malta, Romania and Sweden, says *The Telegraph*. This has helped the centre-left retain its position as the parliament's second-largest group, albeit as a far weaker player than in the 1990s. Overall, the far-right bloc seems to have increased its number of seats only slightly, with pro-EU centrists, greens and socialists still holding on to a majority of seats. This "boosts the chances of Ursula von der Leyen securing a second term as European Commission president".

## An emboldened right

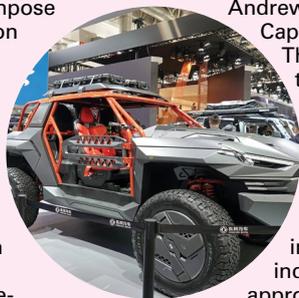
The populist, far-right parties could still have a bigger hand in European policymaking over the next five years, however, says Karen Gilchrist of CNBC on MSN. Centrist parties will now be more dependent on the right for key votes in the 720-seat European Parliament, and we can expect an "emboldened" ID party, the far-right grouping in the EU, to apply pressure on contentious issues. This obviously includes immigration, expected to be "front and centre of the policy agenda in the next parliament", but might also affect green policies, industrial strategy, defence and EU enlargement.

The rise of the hard right not only "greatly complicates getting united, decisive action from the EU on issues such as the green transition", but also poses a threat to Ukraine, says Timothy Garton Ash in *The Guardian*. The right is divided on this issue – Italy's Giorgia Meloni is a supporter of Ukraine – but the "net impact of these results will be negative". Scholz's party is already showing signs of wanting to "appease" the quarter of Germans who voted for parties that want to end the war.

## EU slaps tariffs on Chinese electric cars

The EU intends to impose tariffs of up to 38% on imports of Chinese electric vehicles (EVs), says Lisa O'Carroll in *The Guardian*. The duties, applied provisionally from July, follow a nine-month investigation into unfair state subsidies of Chinese-owned EV brands, including MG, Lotus and Volvo. China's car exports are now becoming a domestic issue in many economies around the world – Turkey has raised tariffs to 40% and the US to 100%.

The decision marks a "big change" in EU trade policy, says



Andrew Kenningham of Capital Economics.

The EU has used trade defence measures "regularly" in recent years, but "it has not previously done so for such an important industry". Its approach does,

however, differ from that of the US, as it is working within international rules and "is not aiming to completely block EV imports from China as the US is with its 100% tariff". Instead, the duties "are being set at a level at which imports of some Chinese EVs would still be commercially

feasible", with some "wiggle room" for individual manufacturers. Even the China Passenger Car Association has reportedly called the EU tariffs "understandable".

The move will not be popular with many European countries, say Andy Bounds and Alice Hancock in *The Financial Times*. Germany's carmakers, in particular, fear that China might respond in kind, and their government has "intensively lobbied" European Commission president Ursula von der Leyen. Opponents are, however, likely to be disappointed. They would need at least 11 other governments to overturn the decision. Member states vote on the issue before 2 November.

## Betting on politics

The betting markets for the coming UK general election provide little comfort for Rishi Sunak and the Conservative Party. With £6.15m matched on Betfair, the odds on Labour getting the most votes have shortened very slightly to 1.02 (98%), with the Conservatives on 60 (1.7%). Similarly, with £4.4m matched, Labour is at 1.06 to get an overall majority (94.3%), with a hung parliament out at 22 (4.5%).

Several sports spread-betting firms, including Spreadex and Sporting Index, are also offering markets on the seat totals. These function in a similar way to financial spread betting in that the amount of money you make is the difference between the price at which you buy (or sell) a party and the final outcome (excluding the Speaker's seat), multiplied by the stake. The current spreads are 427-437 for Labour, 115-123 for the Conservatives, 44-48 for the Liberal Democrats, 19-22 for the SNP and 4-6 for Reform.

Overall, these spreads are very likely to be understating the number of seats that the Conservative will get and overstating Labour's total. However, I'd suggest that you stay away from political spread betting, simply because an unexpected outcome can potentially lead to large losses (and the spreads are much higher than with financial spread betting). At least with normal betting, you can't lose any more than the amount that you stake.

Instead, I'd stick to individual seats. Sunak is unlikely to stick around for long after he loses the election, but I think he will cling on as MP, so I'd bet on the Conservatives to win Richmond and Northallerton at 1/3 (75%) with Bet 365. I think Labour will win Chingford and Wood Green at 4/11 (73.3%), as well as Edinburgh North and Leith at 1/2 (66.7%) and Kirkcaldy and Cowdenbeath at 1/8 (88.8%).

## London

**Raining on Sunak's parade:** One of the wettest Aprils in more than a decade kept shoppers away from the high street, says Mehreen Khan in *The Times*. That dampened economic growth, which was flat month on month, down from 0.4% in March, with retail sales volumes falling 2.3%. This, the last GDP reading before the general election next month, will come as a disappointment to prime minister

Rishi Sunak, who is campaigning on the economy having “turned a corner”.

Still, the economy has performed better than expected so far this year. That, combined with the “stickiness of wage growth”, which grew 6% in the three months to April year on year, excluding bonuses, creates “a lingering concern for the Bank of England (BoE)”, says Ruth Gregory of Capital Economics.

Thanks to slack in the labour market, that “stickiness... may not stop the BoE from cutting... rates for the first time in August”. That’s just as well as the global rate-cutting cycle has begun – the European Central Bank trimmed rates last week, says economist Julian Jessop in *The Telegraph*. If the BoE doesn’t do likewise soon, “a longer period of unnecessarily high interest rates could still sink the recovery”.

## Vancouver

**Lululemon pressed:** Lululemon, the Canadian manufacturer of “pricey yoga wear”, is at a “crossroads”, says Ramishah Maruf on CNN. The firm, known for its sculpted look, has “fought off competitors”, such as Athleta and Nike, to “dominate the luxury athleisure market”. But it is having to navigate a “new, baggy pant-loving Gen-Z demographic and the radical reshuffling of its own executive team”. Not only does it have to compete with new celebrity-backed “competitors, including Alo Yoga and Vuori, its chief product officer Sun Choe (pictured) – considered by Wall Street a key engine of its success” – is leaving. Nevertheless, it “pulled off a tricky feat”, says Jinjoo Lee in

*The Wall Street Journal*. It announced Choe’s departure shortly before releasing better-than-expected results and an “upgraded profit outlook”. Its shares jumped by more than 10% on the news, after a year that saw its share price drop by nearly 40%. “Moving into the mainstream” through heavy discounting does bring “other challenges”, not least that it will be competing with a “much broader range of rivals”, from Zara to Ralph Lauren. At least its recent performance gives it “more room to move”.

## San Francisco

**Musk irked by Apple AI:** Tesla’s boss Elon Musk (pictured) has threatened to expel Apple’s devices at his companies after the iPhone maker struck a deal with artificial intelligence (AI) company OpenAI (see page 6). “If Apple integrates OpenAI at the OS [operating system] level, then Apple devices will be banned at my companies. That is an unacceptable security violation,” Musk posted on his social-media platform, X. Hours earlier, Apple had revealed that the next Apple operating system will have OpenAI’s chatbot and virtual assistant ChatGPT integrated into its devices. This is part of Apple’s push into generative AI, having fallen behind rivals Microsoft and Alphabet in the “AI arms race”. “It’s patently absurd that Apple isn’t smart enough to make their own AI yet is somehow capable of ensuring that OpenAI will protect your security and privacy!,” Musk complained.

Musk has had a troubled relationship with both Apple and OpenAI. Last year, he accused Apple of threatening to remove X from its App

Store (the app wasn’t removed) and this week he withdrew his lawsuit in California against OpenAI and its boss, Sam Altman, without explanation. Musk had alleged that OpenAI, which he co-founded with Altman, had strayed from its original mission by prioritising profit over developing the technology to benefit humanity, say Meghan Bobrowsky and Ben Glickman in *The Wall Street Journal*. Musk previously told the BBC that a regulatory body should be established to oversee AI.



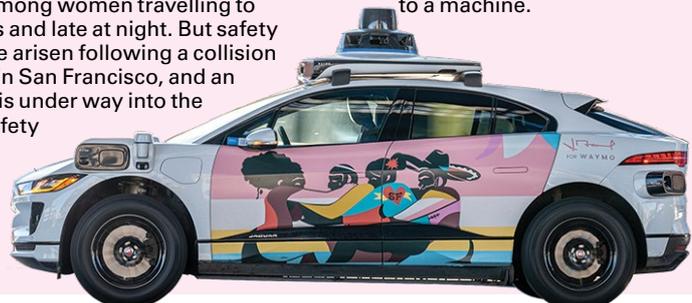
## The way we live now... Waymo leads the way in Phoenix

Phoenix, in the US state of Arizona, is home to the world’s largest autonomous vehicle operation, Waymo One, a subsidiary of Google’s parent Alphabet that offers app-based rides without human drivers, says Eliza Collins in *The Wall Street Journal*. Waymo logs tens of thousands of rides every week in the Phoenix metropolitan region and also operates in San Francisco and Los Angeles. The city’s mayor, Kate Gallego, is a proud proponent of the cars and enjoys the anonymity of driverless travel, while Dutch prime minister Mark Rutte is another high-profile individual to have put the driverless cars to the test. The city’s officials are even using Waymo

to attract businesses to Phoenix by offering pick-ups from the airport.

Waymo’s driverless service has gained in popularity for its convenience, particularly among women travelling to private events and late at night. But safety concerns have arisen following a collision with a cyclist in San Francisco, and an investigation is under way into the company’s safety record. Other passengers have complained of a fussy adherence to

the rules, such as speed limits and seating capacity. And while some people are fascinated by the technology, others feel uneasy about relinquishing control to a machine.



## London

**Gorging on Raspberry Pi:** Shares in the Cambridge-based computer maker soared 38% on their London Stock Exchange debut, providing a much-needed shot in the arm for Britain's bourse, says Stephanie Stacey in the Financial Times. The offer price for 30.7% of the ordinary shares valued the company at £542m. The start-up was founded in 2012 as the commercial arm of the Raspberry Pi Foundation, a charity founded four years earlier to promote computer science education for young people. It held almost 73% of the shares before the initial public offering (IPO) on Tuesday. Raspberry Pi has sold more than 60 million computer modules, some the size of a credit card and costing as little as \$35. Last year, the company made \$266m in sales revenue. It plans to use the funds from the IPO to invest in engineering projects and its supply chain, says CEO and co-founder Ebon Upton. He estimates the value of the market for his products to exceed \$21bn.

The successful float represents a rare change of fortune for the London stockmarket, which has struggled to attract new listings. Companies have been drawn to the US by the higher valuations on offer there, with British chip maker Arm the most recent, high-profile example. London has raised around 2% of about \$13bn from IPOs in Europe this year. Upton denied listing in London was "not a patriotic decision". "[The] London market is probably a better home [than New York]," he told the Financial Times. It wasn't the "world's biggest" initial public offering, notes AJ Bell's Russ Mould, but it shows that there is an appetite for UK IPOs and UK tech IPOs, "both of which haven't been that common or frequent recently, so there might be some pent-up demand".



©Getty Images

## Tokyo

**Immigration law toughened:** Japan's new revised immigration legislation makes it easier to deport individuals who have applied for refugee status three or more times, says Alice French in Nikkei Asia. They now face deportation even if their applications are still pending unless they provide a valid reason. The amendments have sparked debate over Japan's treatment of undocumented immigrants and its efforts to attract more foreign workers. Japan's population is ageing rapidly due to a low birth rate and changing lifestyles. Critics argue these amendments put individuals fleeing danger at risk, while the government insists the amended law will in fact streamline the refugee screening process and protect those most in need. In 2023, Japan granted refugee status to just 303 people or 2.2% of the 13,823 who applied. The new rules could affect the country's reputation and may discourage people from applying to come and work in Japan.

Meanwhile, plans to buy back shares at Japanese companies reached a combined all-time high for the January to May period, at around ¥9trn (£45bn) – an increase of around 60% from a year earlier and close to the full-year record set in 2023, says Momoko Imamura in the same paper. Listed companies are responding "to pressure to use capital more efficiently". Revised data also showed the economy contracted by slightly less than previously reported – 1.8% annualised in the first quarter year on year, as opposed to the 2% dip originally reported.

## Boston

**Shock and awe:** The "stunning about-face" decision of media heirress Shari Redstone, president of National Amusements (NA), which owns struggling media conglomerate Paramount, to walk away from a proposed merger with production company Skydance Media ends "one of the messiest deal dramas to play out in recent years", says Jessica Toonkel in The Wall Street Journal. Redstone will probably pursue a sale of National Amusements instead. "The deal saga was tumultuous." It began with a bid by Skydance for Paramount that shareholders perceived as overly generous to Redstone. NA, her family company, owns a 5% stake in Paramount, but 77% of the voting rights. Skydance "sweetened its offer" last month, permitting Paramount's non-voting shareholders to cash out at a premium. The deal would have also injected \$1.5bn into Paramount to help pay down the latter's debt. Ultimately, Redstone objected, leading to a sell-off in Paramount's shares this week. "The fiasco is a reminder that dual-class shares that cleave economic interests from voting interests eventually lead to ugly and perverse outcomes – generally for those at the whim of parties who have the power to call the shots," says Lex in the Financial Times. Ordinary shareholders will feel "shell-shocked and violated".

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## Buenos Aires

**Six months of Milei:** When Javier Milei (pictured), Argentina's libertarian, chainsaw-wielding president, took office six months ago, he proclaimed that "drastic" changes were needed to turn around the troubled country. He has since devalued the peso, cut state subsidies, and reduced government ministries, resulting in a swing from a fiscal deficit of two trillion pesos (£93bn) to a 264.9bn-peso surplus, says Robert Plummer on BBC News. But while the monthly inflation rate decreased to 8.8% in April, the annual inflation rate remains high at 289.4%, and the economy has experienced a sharp contraction. Milei's proposals to privatise state-owned companies have also faced opposition, resulting in delays and compromises to his reform agenda. For example, he has rolled back on pledges to replace the peso with the US dollar and axe the central bank. Additionally, his confrontational statements and focus on his international image have attracted criticism, with some questioning his priorities. Despite receiving high marks from the International Monetary Fund, concerns persist about the effects of Milei's policies on social unrest and poverty. Milei has to overcome "years and years of economic mismanagement" in Argentina, says Kimberley Sperrfechter of Capital Economics.



# What we can learn from Singapore

The island nation has, since its founding in 1965, become a beacon of stability and economic progress, if not exactly of liberty or democracy. Should we emulate its example? Simon Wilson reports

## What's happened?

While Britain may be about to get its sixth prime minister since 2016, Lawrence Wong, a 51-year-old US-trained economist, was last month sworn in as Singapore's fourth prime minister since 1965, when the city-state separated from Malaysia and became independent. Wong had been finance minister since 2021, and succeeded Lee Hsien Loong, who had led the island nation since 2004. Wong's succession was carefully choreographed by the ruling People's Action party, which has governed Singapore since 1959. He's the first PM to be born after independence, and (unlike his predecessor) is not part of the political dynasty founded by Lee Kuan Yew – the founding father of modern Singapore, who served as PM from 1959 to 1990.

## What did Lee Kuan Yew achieve?

He turned a colonial outpost with seething racial politics into a gleaming metropolis with a rapidly growing economy. Since Lee's time, and over the past two decades led by his son, Lee Hsien Loong, Singapore has continued on its dramatic trajectory. It now boasts GDP per capita of an "astonishing" \$88,000 – more than the US (about \$82,000), and far in excess of the island's former colonial master the UK (about \$49,000). Lee's formula for transforming Singapore was based on openness to trade, geopolitical neutrality, the forging of a national identity based on multiracial civic nationalism, anti-corruption and meritocracy; and a strong role for long-term social and economic planning. At the same time, Lee's vision left scant room for political dissent or free speech. Today, Singapore remains a managed quasi-democracy, with multi-party elections but only ever one winner.

## So it's about strong leadership?

Yes, and also about culture: productivity and growth are seen as matters of existential importance in Singapore, says James Vitali of Policy Exchange. Singapore is a small island

whose population even today is less than six million – making it an attractive place for investment was "not merely a matter of national pride but of survival, given the much larger Malaysian and Indonesian nations" right next door. As Vitali recounts in an essay on Engelsberg Ideas, these ideas have deep cultural roots: on a recent visit to a Singaporean church, the writer was startled to hear the deacon leading the prayers imploring God to ensure that "Singapore remain an attractive place for foreign direct investment" and the labour force flexible. The congregation's response: "Father – hear our prayer".

*"Singapore's great lesson for the world is 'rational incoherence' and mental agility"*



Britain could do with more of Lee Kuan Yew's ambition and strategic intent

## But the country faces challenges?

Indeed. In a downbeat initial speech, the new PM warned that Singapore was grappling with a "dangerous and troubled world", and that a 30-year era of peace in the Asia-Pacific since the end of the Cold War was now over. He cautioned that, as a small country with an open economy, Singapore would find itself buffeted by international conflicts, "geopolitical tensions, protectionism and rampant nationalism". Singapore has always traded on its neutrality, says The Economist. It welcomes US warships, but insists it's open to all navies. It hosts the regional HQs of Silicon Valley firms, and also those of Alibaba and ByteDance (owner of TikTok). Hence a rupture between the US and China is a big danger for the city.

## Are there other dangers?

Yes. An ageing population and shrinking workforce will hurt growth and send healthcare costs soaring. Singapore has always relied on immigration – both of cheap labourers and skilled foreigners – and 40% of residents are non-citizens. But unhappiness among the local population is rising, as housing and other living costs surge. The other big issue is climate. Singapore is a low-lying island, which is at grave risk from rising sea-levels, and is investing \$75bn in sea walls and other protection. Continued economic openness and resilience in the face of these challenges should help Singapore to continue thriving, says The Economist.

## Can we learn from Singapore?

The most fundamental lesson, says Janan Ganesh in the Financial Times, is that economic enrichment ultimately depends

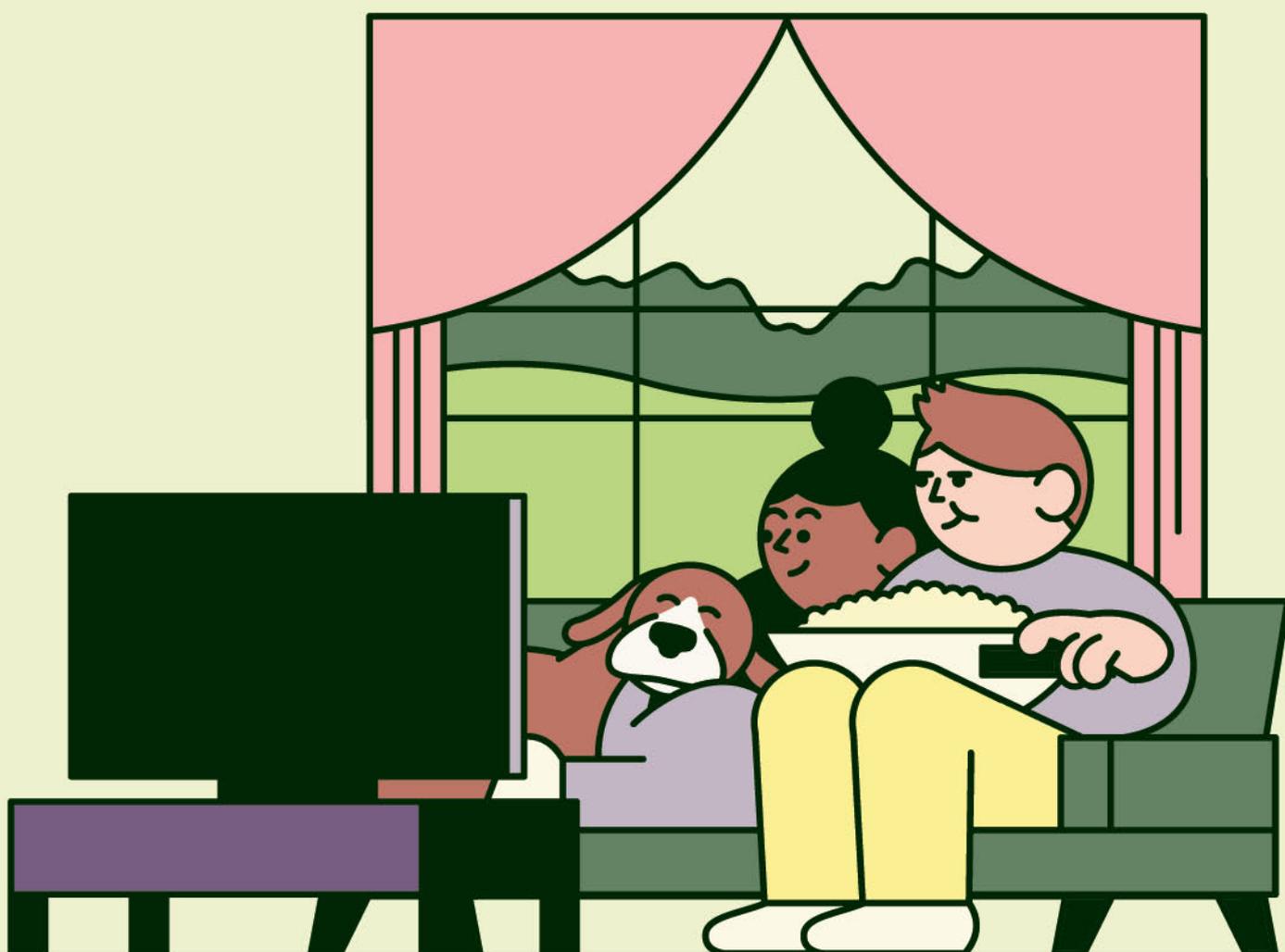
on order and cohesion. Merely to note that Singapore's per-capita income now tops that of the US is to understate the radical transformation of a "once-fractious Chinese-Malay-Indian society". More broadly, though, Singapore is simply too singular and particular – too "sui generis in both its assets and liabilities" – to constitute a template for other nations to follow. Its most meaningful lesson is probably the importance of keeping an open mind, and avoiding ideology in policy-making. This is a "libertarian nanny state": a high-income nation where most people live in public housing; a "private-sector paradise where civil servants can earn a fortune". Singapore's greatest example to the world was "always inside the head" – a sort of "rational incoherence" that prizes mental agility over dogma and predictable patterns.

## What about specific policy lessons?

The idea of "Singapore" that is often promoted in British political debate – focusing on low tax and light-touch regulation – is too simplistic and underplays the role of a strong state underpinning a strong economy, says Richard Hyde of the Social Market Foundation. But there are specific elements of the "Singapore model" that would certainly help foster long-term economic success in the UK – an efficient legal system that robustly protects property rights, a state that minimises bureaucratic barriers to entrepreneurship and business growth, and invests in education and infrastructure, promotes innovation and invests in industry, and a public administration that can devise and deliver policy effectively. Look at the current election campaign in the UK and the parties' dispiriting lack of ambition and strategic intent, and all of this might seem like a pipe dream. It needn't be.

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# The flight from woke

Texas is to get a new, liberated stock exchange. Why not Manchester or Leeds too?



**Matthew Lynn**  
City columnist

It is certainly a bold move. TXSE Group last week announced it had \$120m in backing from a group of giant financial institutions to launch a Texas Stock Exchange to rival New York. It will be based in Dallas, and the firm hopes to have it up and running by the end of this year, with trading open by 2026. It plans to have lower costs, especially for exchange-traded funds (ETFs), and fewer rules on issues such as the diversity of the board. If it gets all the necessary approvals it will be the first time Wall Street has had a real rival for a couple of generations.

Texas is the natural home for an alternative. The southern state is home to the most Fortune 500 companies in the US and more than 5,000 private-equity-sponsored companies. There are also more than 1,500 publicly traded companies in the region. By itself, Texas is the eighth-largest economy in the world, with a GDP of \$2.4trn, larger than Russia, Canada, and Italy. Even if it just carved out a niche as the place to list locally based businesses, it could still be a substantial force. If Canada can support a stockmarket, why not Texas too?

It will be interesting to see whether the new exchange can carve out a space as a lighter-touch regulator as well. Just like London, and most European exchanges, Wall Street has been requiring companies to meet an increasing number of diversity and governance targets. And just like London, the response has been for fewer and fewer companies to list. From around 8,000 in the 1990s, only 4,000 are listed now, even though the US economy is much larger than it was 20 years ago. The Texas market may be an alternative for firms seeking freedom from all the rules that New York imposes.



Flee the progressives and float in Texas

©Getty Images

The London market has even more absurd governance codes and regulations than New York does. Any company with a listing has to follow rules on who can be chairman, on the composition of its board, on the diversity of its directors, on its climate-change policies, and a dozen other standards and targets that have been mandated over the last two decades. The result? Companies have been giving up in even larger numbers. In 1996, there were 2,700 businesses in London, but by last year that number had fallen to 1,100, a fall of 60%. Major corporations such as CRH have shifted their listing to New York, many of the major initial public offerings, such as the chip designer ARM, are seeking to list there,

and even a few of the giants such as Shell have hinted they may decide to move. As the number of firms dwindles, so does investors' interest, with less and less money invested in the City. A vicious cycle has started, with fewer companies, leading to less investment, and it is going to be very hard to break out of that now it has begun. It could get even harder under a Labour government that now looks certain to be elected early next month, which may well impose a range of extra regulations on everything from workers' rights to diversity and climate.

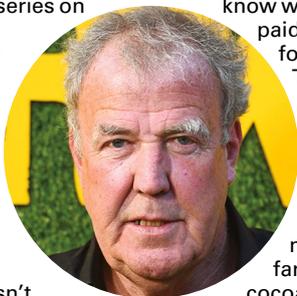
## A little bit of history repeating

There is a simple solution. If Texas can launch its own stock exchange, then surely the UK could start one in Leeds or Manchester, or any of the other major regional cities. It would have nothing to do with the London Stock Exchange, and starting with a completely blank slate it could be built for the 21st century. Just like Texas, it could offer significantly lower and easier trading for ETFs, a large slice of the equity market by themselves. And more significantly, it could ditch many of the environmental, social and governance rules that have built up over the last 20 years.

True, there may be some legal obstacles, in that some of the rules are imposed on any "listed" equity. But it might not be too hard for clever lawyers to get around that by matching buyers and sellers electronically so that the shares were not technically "quoted". This would not even be a very radical departure. Manchester, Liverpool, Birmingham, and several other major cities of the industrial revolution, all used to have their own stock exchanges. Over time, trading consolidated in the City, and they were finally phased out in the 1980s. With the London exchange dwindling away, the moment has surely arrived to revive them.

## City talk

● In his television series on farming, Jeremy Clarkson (pictured) says that since it's impossible to know what price grain, corn, rapeseed or beef will fetch from one season to the next, financial planning is nearly impossible. But it isn't, says Simon English in *The Standard*. The derivatives market prices corn and other commodities ahead of time. Farmers and cereal makers agree on a price for future delivery based on the market price. Food makers therefore have certainty of delivery at an agreed price, while farmers



know what they will get paid and can plan for next year. This still happens, but the size of the commodity derivatives markets exceeds the needs of farmers. The cocoa one is worth

\$50bn: "no one is drinking that much hot chocolate". Clarkson isn't the man to make a series explaining the derivatives market and why it makes us richer with "canny maths", leading to cheap food and mortgages. "Someone should, though."

● Susan Davy is CEO of Pennon, owner of South West Water (SWW), a firm "knee-deep in a diarrhoea and vomiting outbreak... caused by polluted water", says Nils Pratley in *The Guardian*. So she had no choice but to turn down an annual bonus for a second year in a row. But she still collected £298,000 under a separate long-term share-based scheme, increasing overall pay from £543,000 to £860,000. The so-called "balanced scorecard" of objectives for Davy's pay calculated a ratio of 46.5% of the maximum, which the remuneration committee cut to 38.5%. SWW is failing the Environment Agency's assessments, and Pennon's share price has halved in Davy's

four-year tenure. "What is the point of these 'balanced scorecards' if they produce unbalanced outcomes?"

● Well done to Dubai-based engineering firm Sidara for some "bally mergers and acquisitions tactics that have focused minds," says Alistair Osborne in *The Times*. Sidara made its £1.6bn bid for Scottish rival John Wood Group "final", and got the reaction it wanted. Wood has allowed it in for "due diligence", with the deadline for a formal offer extended to 3 July. Wood's investors wonder if CEO Ken Gilmartin's revamp is really getting anywhere. Net debt rose by 49% last year. Sidara is closer to celebrating "a nice bit of Wood work".

©Getty Images

# Cheap, but no catalyst

A huge slump in a long-term star market should draw bargain hunters – but Hong Kong has changed



**Cris Sholto Heaton**  
Investment columnist

Hong Kong has delivered spectacular returns for investors over the long term. In the 50 years or so since the rapid industrialisation began feeding through to rising wealth, the stockmarket has far outstripped both Singapore – which has been a huge success in its own right (see page 14) – and global markets as a whole. Its unique status as a trade and investment gateway to China, while operating under very different economic and social conditions to the mainland, gave it a second wind from the 2000s even after its own high-growth phase began to tail off.

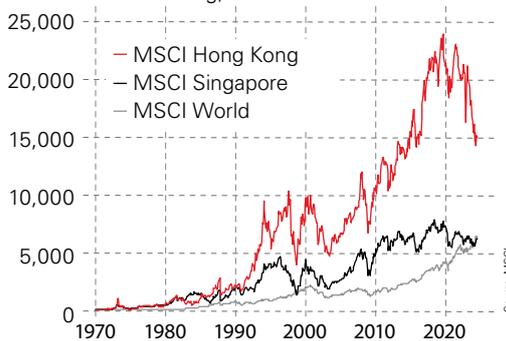
The market has been hugely volatile, but up until 2019, history showed that it was worth staying the course. Yet ever since widespread anti-government protests that year and the subsequent imposition of laws that curbed civil liberties and eroded Hong Kong's autonomy, that has looked far less certain. Over the last three years, the index is down by more than 30% (including dividends).

## Pessimistic outlook

To say there is a great deal of pessimism around Hong Kong is an understatement. The market has recovered from slumps before – look at the Asian crisis in 1997 in the chart – but this feels like something new. Optimists such as Mark Mobius are firmly in the minority; the consensus is more that “Hong Kong is over”, as economist Stephen Roach – once a long-term bull on China – put it earlier this year.

The recent resignation of two British judges who served on Hong Kong's Court of Final Appeal reflects fears that trust in the legal system has been badly damaged by the prosecution of opposition politicians and activists under new national security laws. “Hong Kong, once a

Hong Kong, Singapore and the world  
Price return in sterling, Dec 1969 = 100



vibrant and politically diverse community is slowly becoming a totalitarian state,” wrote one of them, Jonathan Sumption, in the Financial Times this week. “The rule of law is profoundly compromised in any area about which the government feels strongly.” (In a holdover from Hong Kong's past as a British colony, several foreign judges sit on the top court, which was seen as helping to ensure the legal system stayed in line with other English common-law jurisdictions.)

With many investors turning their backs on Hong Kong, the market seemingly looks cheap. The MSCI Hong Kong trades on 12 times forecast earnings; the Hang Seng benchmark – which also includes large mainland stocks as well as local ones – is even lower. Skim through mid caps and small caps and some look startlingly undervalued.

The index has rallied since the January lows – it's up about 20% since the bottom – but that seems to be driven by inflows from mainland Chinese investors, who tend to favour specific companies. Unless greater optimism about China causes foreign investors to return, it seems likely that Hong Kong's market – like the territory itself – will become more closely integrated into the mainland, which might suggest intermittent (volatile) demand for major stocks with strong mainland links and much less support for others, regardless of how cheap they get. Right now, it is difficult to see what catalyst could change that.

## Guru watch

**Mark Mobius,**  
chair,  
**Mobius**  
**Emerging**  
**Opportunities**



“Hong Kong must reinvent itself and make better use of the strengths it has cultivated over the years,” says Mark Mobius, the veteran emerging-markets investor, who has unveiled plans to launch a new fund just months after retiring from his last firm. “If you don't move with the times, you risk getting left behind,” he writes in a blog post.

Many investors fear the changing political situation in the territory could mean the end of its position as an international financial hub. “[But] from an investment standpoint, it's never a good idea to write off the potential of any city or country... No market is ever really out of the game.”

The “fundamental spirit of Hong Kong's business environment is still very much alive”. Hong Kong can benefit from rivalry between China and the US over artificial intelligence (AI) and semiconductors, and it should embrace technology to “align with China's ambitious plans and to solidify its role as China's bridge to the world”.

Mobius is not yet a “super-bull” on China, but stocks look more attractive after a long slump. “The Chinese market has reached the bottom and is beginning to deliver the recovery after all the government measures to support the real-estate market. We have seen light at the end of the tunnel,” he tells the South China Morning Post.

He also remains bullish on India, despite prime minister Narendra Modi's Bharatiya Janata Party (BJP) failing to retain its outright majority in recent elections. “If a country is growing at 7% like India is now growing, the market and earnings of good companies will go up double that, 14%-15%. So, you can expect the market index to be rising at that pace over the next 10 years,” he tells the Economic Times.

“From a longer-term point of view, India is still an incredible place... It might be a good time to be looking at the market with this downturn to find some investment bargains.”

## I wish I knew what a stock split was, but I'm too embarrassed to ask

A stock split happens when a company decides to increase the number of its shares in issue by giving existing investors additional shares for each share they currently hold.

The firm's share price falls to reflect the enlarged share base and its market capitalisation stays the same. The total value of each investor's shareholding remains unchanged as well, because they hold the same percentage of the firm after the split that they did before.

For example, assume that a company has 100 million shares in issue and a share price of £50 per share. It carries out a 2:1 (or two-for-one) split, meaning that the investor ends up with two

shares for every one they originally had. Then the total number of shares increases to 200 million and the share price falls to £25. The market cap stays at £500m and an investor who previously owned 100 shares worth £1,000 will now have 200 shares worth the same. All financial ratios such as earnings per share and dividends per share will obviously be halved.

It's widely believed that stock splits improve liquidity, because smaller investors are now more able or willing to trade lower-priced shares. The argument is not very compelling – in practice, investors tend to buy or sell a certain value of shares

(eg, £5,000) rather than a certain number (eg, 500), so it's only if the price is very high (eg, £10,000 per share) that you'd expect a lower price to make a difference to how often it's traded.

The empirical evidence is mixed at best; some studies suggest that any change is short-lived and that the bid/ask spread – a more meaningful measure of liquidity than the number of shares that are traded – may get worse after a split.

The opposite of a stock split is a consolidation or reverse split, which happens when a firm reduces the number of shares in issue. These are less common and are usually the sign of a firm trying to make a very weak share price look healthier.

## Net zero will cripple the West

Brenda Shaffer  
Nikkei Asia

The transition to renewables is presented as an undisputed fact even though it is not only untrue but contributing to de-industrialisation, “squandering” economic resources and generating “national security hazards”, says Brenda Shaffer. China, which is selling us solar panels, electric vehicles and critical minerals, is “set to retain a huge competitive advantage” while the West moves to “more expensive, unreliable power sources”. As it does so, China (and Russia and Iran) continue to produce “cheaper, more reliable electricity from fossil fuels” along with more greenhouse-gas emissions. Today, “consumption of fossil fuels stands at 84% of global energy consumption, down two percentage points from 1973”. Renewables can’t replace fossil fuels. The new energy system is both more expensive and dependent on unsustainable subsidies. Traditional power plants are still needed to ensure stable electricity supplies. Renewables are too heavy for air transport. There is no non-fossil-fuel option to produce fertiliser, needed to feed eight billion people. The West should be investing in innovation that will lead to new energy sources that meet the world’s needs, not continuing to “support asymmetric policies” that benefit China.

## Don’t fear the US debt mountain

Paul Krugman  
The New York Times

The US may be more than \$34trn in debt, but that figure is a “lot less scary” when put in historical and international context – the debt is essentially a political, not an economic problem, says Paul Krugman. Because the US economy is so huge, debt as a percentage of GDP is roughly the same as it was in 1945 and lower than it currently is in Japan. Almost every historical debt crisis has involved a country that borrowed in someone else’s currency, which left it “vulnerable to a liquidity crunch”. True, it’s not encouraging that debt as a percentage of GDP is set to rise steadily over the next 30 years, but remember that governments “never have to pay off their debt”. Second, it is estimated that we would have to raise taxes or cut spending by just 2.1% of GDP to keep the ratio stable. Since the US collects a much smaller percentage of GDP in taxes than other rich countries, “collecting an extra 2% would still leave us a low-tax nation and would be unlikely to hurt the economy”. The reason we don’t raise taxes is that “our deeply divided politics” won’t permit it: Republicans are doing all they can to cut taxes and block efforts to get wealthy tax cheats to pay their dues. The most concerning issue is not debt, but the “radicalisation” of the GOP.

## Global free trade has not shrunk

Brad Setser  
Foreign Affairs

The emerging consensus that the world is “cleaving into” geopolitical and economic blocs isn’t fully supported by the data, says Brad Setser. A closer look shows that even as governments take steps to increase their resilience, the world economy is becoming “more, not less” globalised in key ways, and “more dependent” on China in particular. China’s manufacturing surplus now dwarves those of Germany and Japan, while the 2018 Trump tariffs only succeeded in lengthening supply chains, with Chinese parts heading to other countries for final assembly. Corporate tax avoidance is another reason for globalisation’s “surprising resilience”. Major US pharmaceutical firms, for instance, often now sell the rights to profit from new drugs to subsidiaries in low-tax jurisdictions such as Ireland to avoid paying tax in the US. Other multinationals behave in a similar way. By failing to grasp this, policymakers risk “overlooking the many unhealthy forms of globalisation that still exist” and are likely to “grossly underestimate the shocks that would stem from a fuller decoupling of Chinese and US trade”. What we need is a “frank acknowledgement” that addressing these ongoing globalising forces will carry “real costs”.

## The super-rich are a blessing

James Quarmby  
The Telegraph

In most of the world, “wealth is celebrated”, but Britons and Europeans blame the super-rich for a host of social ills, says James Quarmby. As a tax adviser to the super-rich for more than 25 years, I can debunk a few myths. For an individual with £1m of annual “income” consisting of 50% earnings, 30% dividends and 20% capital gains, the total tax payable is £381,892 (an effective rate of 38.1%); someone with the “same profile” with an “income” of £50,000 will pay £5,192 (10.3%). This is because the first pays the top income-tax rate of 45%, has their dividends taxed twice (which can push the effective rate of tax to 54.85%) and their capital gains taxed at 10%-24%. As for “loopholes” – defined as an “unintended gap in tax legislation” – in reality these barely exist and any that do are covered by the “General Anti-Abuse Rule”. Finally, non-doms. The average non-dom pays £123,000 in tax a year; in total, this tiny group paid almost £8.5bn in personal taxes in 2021-2022. It is “highly ironic that the UK is killing off this venerable system” when other countries, such as Italy and Greece, are trying to lure wealthy foreigners. Overall, the top 1% pay nearly 29% of all income taxes and, “without them, the rest of us would pay even more”.

## Money talks

**“We made good money, but it was just a headline because it wasn’t anything like what the fashion industry was making out of us... I didn’t feel we had become too spoilt and rich. The industry was still run by men.”**



Model Naomi Campbell (pictured) on Linda Evangelista’s famous claim in the heyday of the supermodels that she would not get out of bed for less than \$10,000, quoted in The Times

**“There’s a lot of advertising money in podcasts if you get it right, so it can have significant financial rewards – though I still drive a Volvo, a very middle-class choice of car.”**

Dominic Sandbrook, co-presenter of the podcast *The Rest is History*, quoted in The Telegraph

**“Don’t think I don’t like money... I love it. I want as much of it as I can get. I am greedy for it.”**

Actress Miriam Margolyes on being fond of money despite being a socialist, quoted in The Times

**“I’ve been saying this since the ‘80s, when movie ticket prices were \$5 for everyone in America. And then all of a sudden they started moving up... This is a working man’s art form... It’s not opera, it’s not theatre, it’s not going to a big concert. The idea was that anybody could go and see a movie. That was one of the reasons why movies flourished in the ‘30s. And it’s not anymore. We have priced them out.”**

Quentin Tarantino, quoted on FandomWire

**“I turned down £22,000 on *Deal or No Deal* in the hopes of winning £250,000. What an idiot – 22 grand would have been life-changing. I walked away with a £10 note in my pocket. I was devastated. Later I went on the show as a celebrity and won 50p. Between two shows half a million was up for grabs, and I won £10.50.”**

TV personality Ollie Murs, quoted in The Times

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# The return of “broad money”

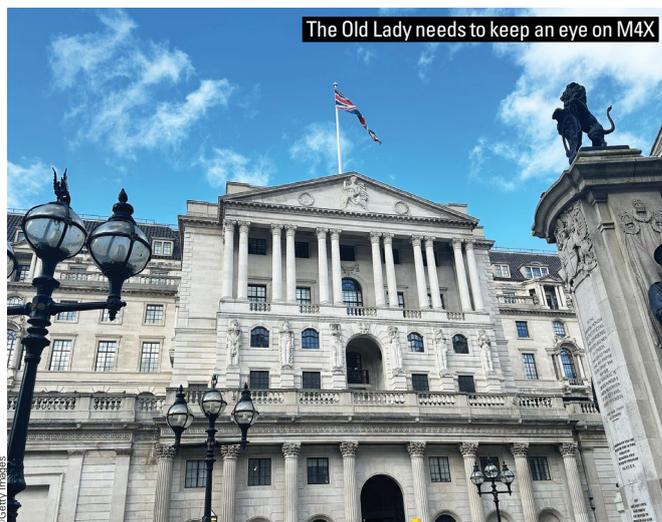
capx.co

The Bank of England’s latest Monetary Policy Report included a measure of “broad money”, or M4X in the jargon, says Damian Pudner. Monetarist economists have “long demanded” that this measure – a comprehensive snapshot of the money available in the economy for spending and investment, including all private-sector bank deposits – be included, and the fact that it now is marks a “significant shift” in thinking at the Bank.

For nearly three decades, manipulating interest rates has been the Bank’s principal tool for seeking to influence economic activity. The conventional wisdom is that lowering rates stimulates borrowing and investment, ostensibly leading to economic growth, while raising rates is intended to curb inflation and cool an overheated economy.

But this “oversimplifies the dynamics at play” and “overlooks the significant impact that fluctuations in broad money can have on asset prices, national income and inflation”. Broad money is a “fundamental driver of economic activity” and variations in its level can lead to significant changes in asset prices, which in turn influence economic output and the overall price level. Excess money typically flows into stocks, property and bonds, driving up their prices and “generating wealth effects that further stimulate economic activity and inflationary pressures”.

Conversely, when the supply of broad money contracts, it reduces demand for assets, depresses prices and can trigger downturns. “Recognising and managing these cycles is essential for maintaining economic and price stability.”



The UK’s economic history offers instructive lessons in this regard. The Heath-Barber boom of the early 1970s and the Lawson boom of the late 1980s, for example, were both characterised by rapid rises in broad money, and were followed by severe busts. During the Covid pandemic, the UK government and the Bank of England introduced interventions that led to a significant rise in the annual rate of broad-money growth, which boosted

stock and house prices, and fuelled inflation.

Examples from other countries, including the US and Japan, are similarly instructive, and “underscore the critical role of broad money in economic stability and highlight the limitations of traditional monetary policy approaches that focus primarily on interest rates”. An approach that instead monitored broad money could help stabilise asset prices and ensure a “more resilient economic environment”.

# The pandemic agenda rolls on

dailyseptic.org

The World Health Organisation (WHO) was supposed to be adopting a new pandemic treaty and other amendments that would tie a country’s future responses to the decisions of the WHO’s director-general, says Dr Thi Thuy Van Dinh. In the end, it agreed a limited package of amendments and postponed the treaty. Both decisions were “reached in unusual haste by those who advised, supported and mandated the catastrophic public-health responses to Covid”. Despite the delay, the global pandemic agenda will move forward. The official narrative remains that the world is “unprepared for the next pandemic”, and so \$30bn a year will be spent on surveillance and other measures, despite the “deplorable absence of serious questions” about the costs, the impact on human rights, or the scientific foundations of the approach being pushed. Only Argentina, Iran, the Netherlands, Slovakia, Russia and the UK affirmed their right to examine the amendments at home, then accept or reject or make reservations as appropriate. This risks undermining trust in democracy and global institutions. And in focusing on pandemics above other priorities, the WHO is forgetting its foundational principle: that health is a matter of complete physical, mental and social wellbeing, not merely the absence of disease.

# We can’t do without a car

spectator.co.uk

The anti-car movement is “idiotic”, says Rory Sutherland. From a purely practical point of view, the car or van is the optimal form of transport, or close to optimal, for “almost any journey of 0.5 to 450 miles from anywhere to anywhere, regardless of weather, time of day, accompanying children, baggage, or anything else”. Walking, the bicycle, trains and

aeroplanes are only useful for far more specific types of journey. So “unless you can reverse history by 100 years”, there’s no way we can do without the car – the idea that we can is a “luxury belief shared only by deluded metropolitans”. A wholesale



shift to mass transit would only be possible by relocating half of Britain’s housing stock and most of its businesses.

There are, however, three technologies that could usefully replace the car for many journeys. First, for journeys of five to ten miles, are small electric vehicles, similar to electric cargo bikes. The second is a nationwide locker network for deliveries, obviating the need for van deliveries to the home, a primary cause of increased road traffic. The third is video-calling to avoid travelling at all.

# Britons need a better dream

tombloomfield.com

Talking to students from the UK’s top universities recently I was struck by the world-class quality of their talent, especially in artificial intelligence and the biosciences, says Tom Blomfield, a partner at the Y Combinator start-up accelerator. I was also struck by the fact that most of them wanted to work at companies such as McKinsey, Goldman Sachs or Google. Talk to these students’ peers in the US and they’re far more likely to have their sights set on starting their own companies. Undergraduates at the top US universities start companies at more than five times the rate of their British-educated peers.

Why the difference? It’s not a lack of talent or education, or access to capital. Nor is it help from government. It’s more “deep-rooted”. In the UK, “taking risk and brazen, commercial ambition are seen as negatives”. The American dream, on the other hand, lives on, and Silicon Valley thrives on it. This matters. In a time of technological change and upheaval, Britain needs our “smartest and hardest-working people to build successful companies”.

# Buy the trusts with an edge

Investment companies are active funds – on occasion, a passive option will make more sense



**Rupert Hargreaves**  
Investment columnist

**T**he City of London Investment Trust (LSE: CTY) is one of the most popular among British investors. It frequently tops the “most bought” lists published by the country’s low-cost online brokers, and its £2.3bn market capitalisation makes it the largest in the UK equity income sector. The trust’s size, liquidity, low cost ratio (0.57%) and 4.9% dividend yield are all commonly cited reasons to buy this investment company.

But is it worth it? Over the past five years, the trust has produced a total return of 33%. Vanguard’s FTSE 100 tracker, which charges 0.06%, has returned 32.3% on a total-return basis. Over ten years, the FTSE 100 tracker would have returned 75.7% compared with 72.7% for the City of London trust. Vanguard’s FTSE All Share Trust (with a 0.06% charge) would have returned 74.1%. A lot of investors buy City of London for its income credentials, but income isn’t everything, and that’s why I’ve presented these figures on a total return basis.

The FTSE All Share yields around 3.5% today, but its higher growth rate has compensated for the lower income. City of London also has an active team, and its fees, while low, do eat into returns. Investors are essentially paying



The City of London Investment Trust is popular among British investors

0.5% a year more for the trust. Strip this cost out, and it would have been the clear winner over the past decade.

## Trackers charge ahead

City of London is just one example of a wider issue. Investment trusts do have advantages over their open-ended active fund peers, but many pure equity trusts cannot hold their own against cheaper trackers. Of the 19 trusts in the Association of Investment Companies’ (AIC) UK equity income sector, only seven have outperformed the FTSE All Share over the past decade. Finsbury Growth & Income Trust, once the high flyer in the sector, has returned less than 5% in five

years, underperforming all passive benchmarks and losing money in real terms. (See story below.) The global investment-trust sector is particularly bad. The MSCI World index has returned 240% on a total return basis over the past decade. Of the 19 trusts with more than £200m in assets in the AIC global sector, only one, Scottish Mortgage, has outperformed this target, returning 355% over the past decade. Expand the net to include AIC’s global equity income sector, and just two of 24 trusts with more than £200m in assets have outperformed (JPMorgan Global Growth & Income is the other, with a total return of 290% over the period.)

The figures illustrate why investors have to be picky with investment trusts. Yes, they have advantages over open-ended funds, but they’re still actively managed investment vehicles. That means they’re just as susceptible to a manager’s underperformance as other active funds, and most active funds underperform over the long term.

However, trusts have the edge in illiquid markets. Take UK small caps. The MSCI UK Small Cap index has returned 58% on a total-return basis over the past decade. Every single trust in the AIC UK smaller companies sector with more than £200m in assets (there are eight) has beaten this benchmark. The same is true in the private equity and infrastructure markets.

The nature of trusts gives them an advantage in certain markets, and certain trusts, such as Law Debenture, which has combined an operating business with an investment portfolio, have maximised the flexibility the structure offers. However, as vanilla active funds in liquid and deep markets, their relatively high-cost structure and active management style puts them at a disadvantage to passive peers. Consider these factors before adding trusts to a portfolio. Ask yourself if the trust has an edge. Trusts can only bring their advantages to bear (such as using leverage to enhance returns) if their managers are using all the tools at their disposal.

## Activist watch

Elliott Management has rebuilt a stake in SoftBank worth more than \$2bn and is pressing the Japanese technology conglomerate to launch a \$15bn share buyback, says the Financial Times. SoftBank’s shares rose by 5.5% on the news. The activist investor thinks a buyback will boost SoftBank’s share price and show that founder Masayoshi Son is confident in his strategy of focusing on artificial intelligence (AI) deals. Son’s growth-plan centres on Softbank’s 90% stake in UK chip designer Arm, whose surging stock has lifted SoftBank’s net asset value (NAV) to a record \$180bn. Elliott last targeted SoftBank in 2020 when it built a \$2.5bn stake, but it sold its holding in 2022 after losing confidence in Son’s ability to close the stock’s discount to NAV.

## Short positions... a three-year exodus from UK stocks

■ Retail investors poured £2.8bn into funds in April, the highest since August 2021, says the Investment Association. This was driven by demand for global equity and fixed-income funds and investors wanting to use up their £20,000 individual savings account (ISA) allowance before the end of the tax year. Global equity funds are an easy way for investors to access international markets, which have performed well. Fixed-income flows, meanwhile, suggest that investors are “anticipating interest rate cuts and are locking into current high rates”, says Laith Khalaf from AJ Bell. But investors pulled £1.3bn out of UK equity funds in April. In May, they suffered their 36th consecutive month of outflows, which marked three years of cash leaving the British stockmarket. “The government is going to need a much bigger bazooka” than its mooted British ISA to reverse the dwindling appetite for Britain’s equities, says Khalaf. A cut to stamp duty on UK shares would be a “bold step”.

■ Star stockpicker Nick Train apologised for the “poor” performance of his Finsbury Growth & Income Trust, says The Telegraph. The trust, which manages £1.5bn in assets, returned 2.7% in the six months to April, below the benchmark FTSE All Share index’s 6.9%. “We really should be able to do better than this, and if we can’t, then I absolutely share shareholders’ growing impatience,” Train said. He’s “frustrated by the malaise gripping the UK equity market”, which is “only partly justified”. Train conceded that not investing in oil and mining companies and technology firms in the wake of the pandemic hampered performance, and the trust missed out as they rose. Since his investment firm Lindsell Train took over the trust in 2001, Finsbury has returned 631% versus the FTSE All-Share with 216%.

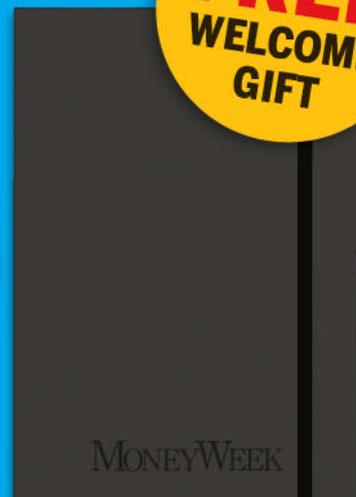
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# The best ways to play the energy transition

Utilities used to offer predictable returns. Now you need to tread carefully, says Rupert Hargreaves

“It’s not a way to get real rich, but it’s a way to stay real rich,” Warren Buffett said in 2020 at the annual general meeting of his conglomerate Berkshire Hathaway. Buffett was talking about the utility and energy sector. In particular, he was referring to Berkshire’s division, Berkshire Hathaway Energy (BHE).

Berkshire entered the energy supply and distribution business in 1999, when it bought a controlling stake in MidAmerican Energy Company for \$2bn. The group expanded rapidly, buying stakes in other operators in the US, Canada, the UK and Australia. Today, BHE operates across 28 US states, transports 15% of America’s natural gas and serves more than 13 million customers. The \$2bn initial investment has grown into a giant with \$138bn of assets.

However, ferocious headwinds have started building against the utility giant in recent years. These trends, which seem to have forced Buffett to reconsider his stance as an advocate of the industry, aren’t limited to North America, and BHE isn’t the only company struggling. Worldwide, the entire utility sector is grappling with what can only be described as a once-in-a-generation period of change that threatens to upend the once reliable industry.

## Headwinds gather strength

In Warren Buffett’s 2023 letter to the investors of Berkshire Hathaway, the billionaire cast doubt over the future of the group’s energy business, which he had praised only a few years previously. “Berkshire can sustain financial surprises, but we will not knowingly throw good money after bad,” he noted in his annual letter to shareholders in February, warning of the “spectre of zero-profitability or even bankruptcy” across the industry.

The root cause of this change of heart is climate change. PacifiCorp, the largest electric utility owned by Berkshire, has been found liable for a series of deadly wildfires in 2020. The company has been blamed for failing to shut off some of its power lines, which ignited vegetation that had been dried to a crisp by the hot weather. The scale of the potential liability isn’t yet clear, but analysts have suggested the bill could be as high as \$45bn.

At the same time, BHE is spending tens of billions of dollars rebuilding its electricity network to cope with the surge in demand for green power and associated transition systems. Meanwhile, in 2019, Pacific Gas & Electric, California’s largest utility, filed for Chapter 11 bankruptcy protection after accumulating an estimated \$30bn in liability for fires started by its poorly maintained equipment.

These twin issues perfectly illustrate the difficulties facing the global utility sector today. On the one hand, climate change is upending how companies have been doing business for years. And on the other, these companies are having to rebuild their networks to cope with the green transition. That means more electricity (copper wire, in other words), less coal, more solar and fewer big, horizon-dominating power plants.

The biggest problem facing the sector is that the new world order is going to look very different to the old one. Large power plants are becoming a thing of the

past, to be replaced with tens of thousands of smaller solar or wind farms. These units are cheaper and easier to build, but they require the grid to be rewired.

The current electricity grid in most nations is based on the model of a few big power plants and their associated equipment. So there tend to be a few well-connected spots around each country. That’s no longer relevant. Where there was one plant, there are now ten dotted around each region, and each one needs new connections. The cost of this change will be astronomical. The UK’s National Grid has released a “£58bn plan” to rewire Great Britain’s electricity grid, and that’s just the start.

The water sector, too, is facing an uphill struggle within a changing world. In the UK, the situation is particularly dire as water companies, after years of under investment, have attracted criticism from all sides for dumping raw sewage in rivers and the sea as ageing systems just can’t cope. Water companies have proposed a £100bn capital spending plan between 2025 and 2030 to tackle the problem. These numbers are huge, and the money’s going to have to come from somewhere. It is likely that investors will have to foot the bill.

This suggests that the once-dependable returns investors once received from utility companies are no longer on the cards. Investment returns are likely to fall, and in some cases, investors may even be asked to put up extra cash.

The trend is already taking shape. In 2020, SSE, one of the UK’s largest electricity suppliers and distributors, announced that it would cut its dividend to fund future growth after it sold its energy-supply business. Another cut followed earlier this year as part of the company’s reinvestment plans. The money that SSE is pouring into its network business should see its regulated asset base double from £8bn in 2022 to more than £16bn by 2027.

National Grid hasn’t cut its dividend (yet), but it recently announced a mammoth £7bn fundraising to help fund a £60bn investment plan in both its UK and US markets set to take place over the next five years, double the sum spent over the previous five. The company said the investment would help underpin a 10% compound annual growth rate in its asset base (compared to 14% for SSE) over the next five years.

## A long-term trade-off

Both SSE and National Grid are investing today to drive growth in the future, which is the trade-off these businesses and investors are going to have to make in the coming years. Returns are no longer assured, but long-term growth is on the cards for those willing to stick around.

That said, there will be some challenges along the way. These industries are heavily regulated, and the building and planning system in most countries is also heavily regulated. The UK’s planning system has drawn headlines for its complexity, but other countries have similar problems.

The world’s re-wiring has captured the attention of the media over the past few years, but there has been another global issue brewing below the surface: water security. The problems with Britain’s water providers

*“The costs of rewiring electricity grids will be huge; in the UK it will be at least £58bn”*



Large power plants are becoming a thing of the past

have been well-publicised. Ageing infrastructure can't cope with storm surges and a modern population.

But in Spain, it's a matter of not having enough water rather than too much of it. Parts of the country are suffering one of the worst droughts on record, and that's before the summer's even really started. Like electricity providers, water companies face a large bill to future-proof their networks.

This will prove a headache for most businesses. Water is a highly regulated industry, and even where it's not, the threat of government intervention is never far away. So, while the industry may look attractive, it shouldn't be deemed risk-free.

There are now question marks hanging over the sustainability of the returns water companies have provided their investors for so long. After over a decade of sucking as much money as possible out of Thames Water, the company's owners have marked down the value of the company's equity, in some cases to zero: there is no money left for investors.

Thames's problems are not an isolated case. According to the Financial Times, the 16 water monopolies in England and Wales paid out a total of £78bn in dividends in the 32 years between privatisation in 1991 to March 2023, while chalking up £64bn in net debt. Infrastructure spending over the period totalled £190bn.

When the companies were privatised, they had no debt. Ofwat, the sector's regulator, wants companies to get a grip on their finances. It is pushing them to reduce gearing – a measure of the ratio of debt to assets – from a sector average of around 68% to 55% by April 2025.

That will require an equity injection of £5bn by 2030 and £8bn by 2035. Water UK, the industry's trade body, said investors have pledged to inject £6.5bn in new equity as well as raising debt as part of a plan to invest

£96bn by 2023. On top of this, costs will be passed onto bill payers. Companies have asked for bills to be hiked by as much as 70% by 2030 in some cases.

Wherever you look in the global utilities sector, costs are mounting, and regulators are clamping down. As Warren Buffett has discovered, these challenges are turning a once lucrative sector into a minefield. Utilities are no longer a way to “stay real rich”.

### Growing opportunities

That's not to say investors should avoid the sector altogether. It's changing, not failing. Whereas investors might once have expected to buy utilities for their dividends and hold them indefinitely, relying on their steady, dependable income, now investors have to look past the income to long-term asset growth.

For example, National Grid has raised money from investors but henceforth aims to grow its asset base at a double-digit annual rate. SSE has laid out similar targets. Assuming each company's share price continues to trade in line with book value, investors should be able to pocket a double-digit annual capital return with some income thrown into the mix.

So far, countries representing 90% of the world's GDP have committed to decarbonising the planet by 2050. That's a huge commitment to long-duration investment programmes. The total bill for this is going to be several trillion dollars, and politicians and regulators can't afford to penalise investments: the public sector alone can't afford the bill.

As the team at Ecofin, which manages \$1.9bn across private and public assets, including UK investment trust Ecofin Global Utilities and Infrastructure, told me, the “structural growth opportunities inherent in the energy

*“Nations representing 90% of the world's GDP have committed to net zero”*

Continued on page 24

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transition” have only enhanced the attractiveness of infrastructure as an investment. Ecofin argues that the policy environment is becoming “increasingly supportive” of utilities’ rising to the challenge.

And the qualities that have historically driven returns haven’t disappeared. The sector has always had high barriers to entry; I’d argue that these barriers have never been higher. The UK hasn’t built a new reservoir in three decades. There are now a handful in the pipeline, but it is expected to be decades before they’re in use due to planning and construction hurdles. Major UK renewable-energy projects are being delayed by more than ten years as the grid reaches capacity and new networks are bogged down in planning and construction bottlenecks.

The same is true in the US and other developed nations. In Germany, it can take ten years for a project to get from the design to the commissioning stage, while in the US, it has taken one of BHE’s flagship projects 30 years of planning and construction to get anywhere near completion. It’s not easy to build energy infrastructure anywhere in the world, and that has only solidified the sector’s competitive advantage and monopolistic traits. That’s without touching on the vast sums of money that would be required to build a competitor to a company such as Thames Water.

The best investments in the sector are likely to be the firms adapting to the changes and meeting regulatory issues head-on. This won’t come cheap, but as EcoFin notes, these businesses “are expected to be major beneficiaries of structural growth and attractive returns on significant capital investments”. However, “there will be winners and losers along the way”. Base investment decisions on “detailed fundamental analysis” and incorporate diversification – at the stock, sector and global levels.

As EcoFin points out, companies and countries are moving at different paces and adopting varying strategies. In Europe, 80% of the largest European utilities’ earnings before interest, tax, depreciation and amortisation (Ebitda) is fully contracted and inflation-linked, thereby “de-risking these businesses”. That’s less common in the US, which is also less advanced when it comes to the energy transition.

### What to buy now

I’ve tried to make it clear throughout this article that utilities no longer offer a free lunch, and investors have to be careful where they invest. Despite the potential opportunities, the risks are growing, which investors need to keep in mind when looking for ways to play the energy transition. A plethora of London-listed investment trusts offer exposure to companies with a part to play in the energy transition.

As William Heathcoat Amory, managing partner at investment service Kepler Partners, notes, trusts can be a better way to invest in the sector as they’re “cash flow-based, meaning that a high proportion of returns are seen as income paid every year, rather than a growth investment which is a lump sum that may or may not be returned at the end”.

Trusts also have a “simpler, purer exposure” as they do not have to grapple with the “complexity of employing people” and tend to have limited development and construction risks. Amory cites the example of **The Renewables Infrastructure Group (LSE: TRIG)**, which recently bought a battery developer to access this market.

Renewables Infrastructure is the second-largest renewable-energy infrastructure trust listed in London, second only to **Greencoat UK Wind (LSE: UKW)**. Its portfolio ranges from offshore wind in



The UK’s ageing water infrastructure can’t cope with storms

Germany and onshore wind in Sweden to solar power in France and battery-storage assets in England.

According to the Association of Investment Companies, the trust is trading at a 21.7% discount to the value of its assets and offers a dividend yield of 7.5%. Compared with Greencoat, which focuses purely on wind, Renewables Infrastructure’s diversification across sectors is highly attractive. Its peers, **Greencoat Renewables (LSE: GRP)** and the **Octopus Renewables Infrastructure Trust (LSE: ORIT)**, offer a similar investment portfolio, and both are trading at discounts to net asset value (NAV) of between 20% and 30%.

The **Ecofin Global Utilities and Infrastructure Trust (LSE: EGL)** doesn’t own assets in the same way. Instead it owns a global portfolio of infrastructure stocks – a more diverse way to play the global energy transition. It has a big weighting in the UK-listed National Grid and SEE, both of which it believes are “very attractive” at recent levels, considering their capital investment and growth plans for the next decade and current valuation.

Only 10% of the portfolio is invested in the UK. Just over 22% is invested in US firms such as **NextEra Energy (NYSE: NEE)**, the world’s largest generator of renewable energy from the wind and sun as well as a leader in battery storage.

The **Imapx Listed Infrastructure Fund** offers more sector diversification. Three of its top-ten holdings are water utilities, including **United Utilities (LSE: UU)** and **Severn Trent (LSE: SVT)**. Roughly 44% of its assets are in North America, 42% in Europe, and the rest in Asia.

United Utilities and Severn Trent, along with their peer **Pennon (LSE: PNN)**, are interesting plays. The water sector in the UK has faced a lot of flak, and this does not look set to go away anytime soon. But these companies are likely to maintain their monopolistic traits, and all now look appealing with dividend yields of between 5% and 7%. But I’d only recommend buying them as part of a basket of utilities rather than individual picks to reduce risk.

The **iShares Global Clean Energy UCITS ETF (LSE: INRG)** is an excellent passive option for investors looking for exposure to a portfolio of clean-energy companies at the forefront of the energy transition.

For a US focus, investors could pick another exchange-traded fund (ETF), the **iShares S&P 500 Utilities Sector UCITS ETF (LSE: IUSU)**, which offers exposure to the top utility players in the S&P 500, an excellent way to invest in the energy transition across the pond. For a global infrastructure play, there’s the **iShares Global Infrastructure ETF (LSE: INFR)**, which holds the likes of NextEra Energy, but also key infrastructure providers such as Union Pacific.

*“British water-utility stocks look attractive on yields of between 5% and 7%”*

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# Keep your car-hire costs down

Renting cars is complicated and pricey. There are several pitfalls for travellers to watch out for



**Ruth Jackson-Kirby**  
Money columnist

If you are planning to hire a car for your summer holiday this year, there is good news. Prices are falling. Research by consumers' group Which has found that prices have fallen by 47% in a year. But there are still plenty of expensive traps you need to avoid when renting a car. The process begins with deciding when to book your car rental. Booking early is key, says Nick Trend in *The Telegraph*. "Typically, people book their hire cars only a couple of weeks or so ahead. But if you are planning a peak-time holiday, the normal rule is that the earlier you book, the more likely you are to get a reasonable deal."

Make sure you shop around and check prices with several brokers – Trend recommends Zest and Auto Europe. And don't just consider the price. "Look beyond the headline price and check reviews on sites such as Google, Tripadvisor and Trustpilot," says George Nixon in *The Sunday Times*. You want a combination of a fair price and good service. Now, watch out – there's a trap waiting for you. Prices for car hire can fluctuate wildly, so you want a deal you can

cancel if you see a better offer, but also one that requires a deposit. The *Sunday Times* gives the example of a week's car rental in July from Dalaman airport in Turkey. It cost £467 if you booked in January, £360 in April and £508 in May.

## Avoid a penalty

"Because prices change so much, booking early is still a good strategy – but only if you can find a deal that lets you cancel without a penalty so you can grab a better price if you see one," says Nixon. Why the deposit? "Sometimes – if demand is high – unscrupulous suppliers who knew that they could sell cars at higher prices have been known to cancel bookings made without a deposit so that they can re-sell them for a higher profit," says Trend.

When you are booking also check the insurance your car will come with. "Standard insurance sold with cars doesn't cover Collision Damage Waiver (CDW) and theft protection excesses," says Trend. "These are the amounts you have to pay if you have an accident, or the car is stolen, and they are now very high, typically €1,000." Avoid the risk of paying these charges by taking out additional insurance to



Do your homework carefully before you part with your money

cover that excess. The car-hire firm will try to sell you this, but you can expect to pay around £154 per week, according to research by iCarhireinsurance. Instead, buy it separately before you head on holiday, from companies such as Chew or ReduceMyExcess. The latter has policies from £2.57 a day, or £45 for annual cover.

Things can be hectic when you pick up your car, but make sure you take the time to photograph or video the vehicle before you drive it away and when you return it. That way you'll have clear time-stamped evidence of the condition of the car before, and after, you used it. Keep hold of your paperwork, agreements and fuel receipts too, just in case you need evidence for a dispute. Finally, "be sure to read the car-hire agreement and query anything extra that looks as though it has been included in the price", says Nixon. Also

check the fuel policy. Hiring and returning with a full tank is the easiest option. That airport petrol station may seem pricey, but it will be cheaper than the fine if you don't return the car with a full tank.

If you do fall into a car-hire trap, be prepared to complain. Your first step is to complain directly to the car-hire company. Keep a record of your contact with them and give them 14 days to respond and rectify the problem. Then escalate your complaint. There are several different organisations that can help. These include the European Car Rental Conciliation Service (ecrcs.com) and the European Consumer Centres Network if you rented in Europe. There is also the British Vehicle Rental and Leasing Association (bvrla.co.uk) for rentals within the UK.

## Pocket money... the super-ATM roll-out begins

● Labour's plan to add VAT to private school fees if it wins the election is causing worry among parents. A 20% hike in school fees comes at a time when many parents are already struggling to afford to pay for private education. Some parents are considering an extreme response and quitting Britain to get their children a cheaper private education abroad. While the average independent school in Britain charges around £18,000 before any tax change, says Liz Rowlinson in *The Telegraph*, you could pay £7,000 in the United Arab Emirates. The Mougins British International

School in southern France has reported a sharp rise in interest from British parents. Fees start from £12,900 a year.

Another option is to move within the UK. "There is a huge amount of interest now in grammar schools and moving to grammar-school catchment areas," Ben Horne from buying agency Middleton Advisors told the *Financial Times*. One ploy to try to avoid the tax hike that may backfire is paying fees in advance. Many schools offer a small discount to parents who pay fees in lump sums to cover terms or years at a time. The threat of a fee rise has seen interest in these schemes soar,

but "tax-avoidance rules mean there is a 'high risk' advance payments will be subject to tax", says Pieter Snepvangers in *The Telegraph*. In fact, many schools have changed their terms and conditions to say that they can backdate VAT payments.

● Britain's first "super-ATMs" have opened in Atherstone, Heathfield and Swanage. The machines allow customers of multiple banks to make cash deposits and free withdrawals. The big high-street banks "have worked together to install 'multi-bank deposit ATMs' that could offer a

lifeline for residents and small businesses in areas that have in some cases lost all their bank branches", says Rupert Jones in *The Guardian*.

More than 100 machines are to be rolled out across the country by the end of the year. They can be used by customers of Bank of Scotland, Barclays, Halifax, Lloyds, NatWest, Royal Bank of Scotland and Ulster Bank. More banks will be signing up in the near future. Customers of all major banks can use the machines for cash withdrawals, balance inquiries and PIN management.

# Is it time to switch fund?

Many pension options are poor performers, thanks partly to high charges



**David Prosser**  
Business columnist

Britain's pension funds are seriously underperforming, with savers receiving far less income in retirement as a result. Stockbroker AJ Bell reveals that nine in ten UK pension funds have failed to keep pace with funds that simply track the UK stockmarket, as measured by the FTSE All-Share index, over the past decade. Almost three-quarters have underperformed by more than 10% and more than a third are at least 20% behind. Well-known pension providers singled out for criticism include Clerical Medical, Phoenix, Scottish Widows and Standard Life. Even small differences in performance have a substantial impact over time, AJ Bell warns. A saver with a £50,000 pension fund would see their savings grow to £167,357 over the next 20 years if their fund returned 6% a year; if that return dropped to 4%, the final pot would be worth only £109,556.

## Relying on inertia

There are several explanations for the poor performance of many funds. Some of the largest and most long-standing pension funds do little more than track the market closely, but charge very high fees for doing so, says AJ Bell, with underperformance then an automatic result. Indeed, expensive charges are at the root of many issues – even stakeholder pension plans, subject to a regulatory cap on charges, are often several times more expensive than the cheapest trackers. Another problem is that many of the largest and worst-performing pension funds in the UK are now closed to new savers. Managers and pension providers have little incentive to do better, since they're not trying to win new business. They rely on savers' inertia to keep hold of their cash.

For savers, this research is a stark reminder to keep track of the progress of your retirement planning. It makes sense to review your existing arrangements once a year. Pension providers are expected to publish detailed data on their



Staying with your plan could shrink your savings

fund performance, including comparisons with relevant benchmarks, which enables you to assess how well they are doing. If you're not happy with how much information you're receiving, ask for more.

Charges are a crucial part of the picture. Make sure you understand exactly how much you're paying your pension provider each year, including fund costs and administration fees such as the charges made by investment platforms. The cheapest tracker funds now cost as little as 0.3% a year, including platform costs, while actively managed funds typically demand around 1% a year. By contrast, some of the funds identified in AJ Bell's research are charging twice as much. If you're unhappy with your current funds, transfer to more attractive alternatives. Check whether doing so means

giving up any valuable perks: some older pension plans offered guaranteed rates of income in retirement, which will be difficult to match. But that won't apply for the majority of people.

Switching pension fund doesn't necessarily mean changing pension provider. Your existing plan provider may have better options – and, in any case, it may be tricky to switch provider if you're saving through a workplace plan. Equally, don't be daunted by a full-scale change of pension provider, if that's what's necessary. Take independent financial advice if you're worried about choosing for yourself. Finally, don't think of shaking up your retirement saving as a one-off exercise. Keep reviewing your retirement planning regularly – you may need to ring the changes again in the future.

## The row over the triple lock

While pledges on personal tax from Labour and the Conservatives are almost identical in this election, one area where they do differ is the taxation of pensioners. The Conservatives say Labour's refusal to back their "triple-lock plus" commitment amounts to a raid on pensioners. So what exactly is at stake here?

Under the triple-lock guarantee on the state pension – that the payment must rise each year in line with the higher of price inflation, average earnings or 2.5% – the value of the state pension (£11,502 today) could soon rise above the threshold at which people start paying income tax.

The government has frozen this threshold at £12,570 until April 2028. So even pensioners who have no income other than their state pension would be dragged into the income-tax system. They could also be forced to complete a self-assessment tax return each year. That said, we are talking about tiny amounts here. Independent projections, based on assumptions about future inflation and average earnings, put the likely value of the state pension at £12,893 in the 2028-2029 tax year. This is the first tax year in which income-tax thresholds are due to start rising again – to an estimated £12,820 to begin with. A pensioner reliant on state pensions alone that year would be taxed on £73 of income in 2028-2029, resulting in a tax bill of £14.60 over the whole year. That's the equivalent of 28p a day.

## News in brief... the cost of early retirement

- Women claiming compensation for mistakes made by previous governments with increases to the state pension age are unsure how the political parties might deal with their cases. Last month, the Parliamentary and Health Service Ombudsman said the way in which the state retirement age for women had been raised from 60 to 66 was unfair, prompting calls for compensation to 3.6 million women affected. But both of the main parties have so far refused to say how much compensation – if any – the next government should pay. That has sparked criticism from groups such as the Women Against State Pension Inequality (WaspI) campaign, who fear politicians are determined to avoid a large bill.

- What would it cost you to retire early? New research from Interactive Investor suggests savers cashing in their pensions early will need

huge amounts of extra cash to generate the same level of income in retirement as they would otherwise enjoy. A 55-year-old taking early retirement, for example, would need a pension of £1.3m to enjoy what advisers define as a "comfortable" old age, but only £811,000 if they waited until age 67. Even retiring at age 60 would require pension savings of more than £1m for a comfortable retirement.

- More than 75% of savers now retiring have already dipped into their pension savings, says insurer Scottish Widows. It notes that of the 78% claiming cash early, more than half withdraw funds at least five years before their selected retirement age, with a fifth dipping into their funds nine to ten years before they retire. Such withdrawals are leaving many people with much smaller pension incomes to rely on later in life.

# Best of British stocks in the bargain basement offer income and growth



A professional investor tells us where he'd put his money. This week: Callum Abbot, portfolio manager of the JPMorgan Claverhouse Investment Trust

The UK market is an attractive investment opportunity owing to its extraordinarily cheap valuation. There have been eight mergers or takeovers with a value of more than \$1bn in the UK so far this year, compared with just three in 2023. The sheer scale of the dealmaking activity in the UK underpins the valuation opportunity. This is despite Britain's improving economic prospects, with GDP growth improving and inflation cooling.

Many established British companies are known for paying attractive dividends, trading on high dividend yields and providing a reliable income stream. However, it is also worth considering companies that have the potential to grow their dividend materially over time.

## Powering business jets

UK stalwart **Rolls-Royce (LSE: RR)** is the world's leading engine supplier in business aviation, powering some of the largest, fastest and longest-range business jets available. With more than 3,300 of these aircraft in service worldwide, all requiring ongoing service and maintenance, the firm is profiting from increased demand for flights post-Covid.

Rolls-Royce's new management team has turned the firm around, improving cash flow and profit margins. As it continues to negotiate improved after-market contracts, we expect margins and cash flow to keep growing stronger. Rolls-Royce does not yet pay a dividend, but the scale of cash generation expected as the turnaround takes effect could finance a rapidly growing dividend for the remainder of the decade and beyond.

**3i Group (LSE: III)** is a private-equity business that owns stakes in a diversified portfolio of companies. It targets sectors offering long-term sustainable growth and owns firms with a competitive advantage. It has consistently increased the value of its portfolio at an annual growth rate in the teens for over a decade.

3i's largest holding is the discount retailer **Action** (worth 65% of the portfolio). The first store was in the Netherlands, but it now has over 2,600 across Europe. The retailer's strategy is to focus only on items most frequently purchased in the categories consumers prioritise, meaning it offers a limited range of products that remain in demand.

Action buys from its suppliers in huge volume and therefore enjoys attractive pricing, which is passed on to consumers; most products sell for under two euros. Future growth will be driven by new stores and further



Rolls-Royce: the dividend could soon take off

same-store growth as the compelling offering drives more sales. Holdings such as Action distribute cash back to 3i through dividends, which 3i uses to invest in opportunities and finance its own growing dividend.

## Bytes is worth a nibble

**Bytes Technology Group (LSE: BYIT)** is a value-added reseller of IT services and Microsoft's top UK partner. As Microsoft has thrived, so too has Bytes. It goes beyond simply reselling products to small and medium-sized firms by educating clients on trends in technology and helping them find suitable solutions. As IT becomes complex and organisations require more guidance on tools and cybersecurity, Bytes' services will become more sophisticated and valuable.

The firm has thrived in the public sector, winning major contracts with organisations such as the NHS. Recent developments in artificial intelligence, such as Copilot, present growth opportunities. Copilot marks a major productivity enhancement, but requires instruction for effective use. Bytes can sell it to their customer base at scale, further boosting sales and profitability. The business model is highly cash generative: Bytes has invested cash for growth, paid a growing normal dividend and financed a special dividend in each of the last three years.

*“Most products in discount retailer Action sell for under two euros”*



# A punt on PayPal will pay off

The group has added strings to its bow and looks reasonably valued



**Matthew Partridge**  
Shares editor

One of the key trends of the past few decades has been the rise of e-commerce. While it has receded from the highs seen during the pandemic, when the closure of most shops meant that nearly 40% of retail sales in the UK were made online, it still accounts for 16% of all sales in the US and more than a quarter in Britain. This has been good news for companies such as Amazon, and bad news for the high street. However, rather than risking money on a particular retailer, it may make sense for traders to buy one of the most important gatekeepers in the world of e-commerce.

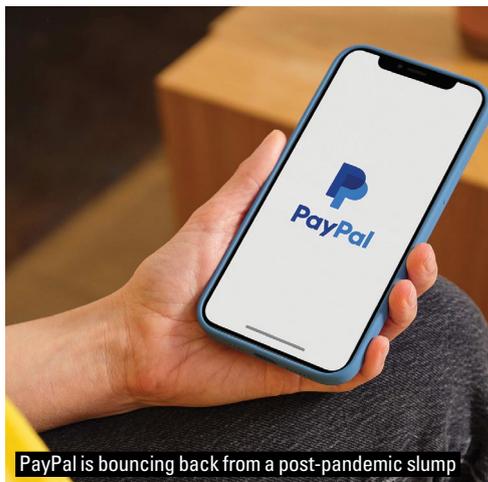
The company in question is, of course, PayPal (Nasdaq: PYPL). PayPal runs one of the most popular electronic-payments platforms, used for everything from retail transactions to services such as AirBnb. It has 426 million active accounts across 200 markets. While this platform still provides the core of PayPal's revenue, growth has slowed drastically since Covid. This is partly due to the general downturn in household spending. However, another factor, and one that seems to have rattled many investors, is intensifying competition from rival services provided by Google and Apple.

These services have threatened to entice customers away from PayPal and forced it into defensive price cuts, hurting its margins.

*“Operating margins have hit record levels and the return on capital employed has increased”*

## Diversifying beyond payments

The good news is that PayPal seems to have found a way out of its problems by broadening its business. The large number of different payment options on the market may be bad news for its main branded payments business (although it is still growing), but it has created an opportunity for its Braintree subsidiary, which serves as a simple single gateway to connect firms with these various payment providers, without having to



PayPal is bouncing back from a post-pandemic slump

deal with them individually. At the same time PayPal is trying to appeal to younger consumers with Venmo, a peer-to-peer transaction service. It is making tweaks to its main product as well, including a new feature aimed at making it quicker and easier to buy products as a guest (without setting up an account with the retailer).

These changes seem to be helping PayPal bounce back. Revenue growth is increasing by double-digits again, with the volume of transactions processed rising by 14%. Revenue in 2023 was almost double 2018's levels, with earnings increasing by a similar amount during the same period.

After a few years in which they started to dip, operating margins have rebounded to record levels and the return on capital employed, a key gauge of profitability, has similarly increased to 15%. Despite this continued success the stock is priced modestly on 14.4 times 2025 earnings.

Note too that while the shares are still more than 75% down from their peaks in 2021, they are now trading above both their 50- and 200-day moving averages. I suggest you go long at the current price of \$67 at £50 per \$1. Put the stop loss at \$48, giving you a total downside of £950.

## How my tips have fared

It has been a poor month for my nine long tips, with five falling and only four appreciating. Investment and share-trading platform IG Group rose from 745p to 788p and General Motors shifted up a gear from \$45.17 to \$47.57. Rolls-Royce Holdings increased from 420p to 456p and cruise-ship operator Royal Caribbean climbed from \$142 to \$155.

However, concession-owner SSP, which runs the likes of Pret A Manger at airports and stations, plunged from 221p to 163p, high-street clothing retailer Next slipped from 9,276p to 9,208 and easyJet dipped from 525p to 459p. US building-materials supplier Builders FirstSource fell from \$167 to \$146 and Hollywood Bowl declined from 341p to 319p. My long tips are now making overall profits of £763, compared with £1,216 last month.

My three short tips also put in a mixed performance, with two out of the three moving against me. Solar-energy company Sunrun appreciated, its price rising from \$10.72 to \$15, the point at which I suggested that you cover it at for profits of £300. Air-taxi firm Joby Aviation rose from \$5.05 to £5.09.

The only saving grace was Trump Media & Technology Group, which fell from \$51.65 to \$42.09 following a new audit revealing that it made losses (and of course the criminal conviction of its chairman won't have helped matters). Counting the profits on Sunrun, my short tips are earnings £964, down from £1,404 four weeks ago.

My combined long and short positions are making profits of £1,827. I now have ten open long positions (easyJet, SSP, IG Group, General Motors, Builders FirstSource, Rolls-Royce, Hollywood Bowl, Next, Royal Caribbean and PayPal).

With the covering of Sunrun, I only have two open short positions left (Joby Aviation and Trump Media & Technology Group), which means that my portfolio of tips has become somewhat unbalanced. Finally, I recommend that you increase the stop-loss on easyJet to 6,500p from 6,178p.

## Trading techniques... reverse stock splits

Semiconductor manufacturer Nvidia recently instituted a stock split, whereby shareholders got ten new shares for one old share. Overall market capitalisation isn't affected. The shareholder's slice of the overall pie remains the same; it is just divided into more pieces. Companies do this to prevent the cost of a single share becoming too expensive. However, the process can happen in reverse too. In that case investors exchange their current shares for fewer individual shares, so they could end up with one

new share for every two that they own. The price of each individual share is higher.

A reverse stock split can be useful since some exchanges (such as the New York Stock Exchange and Nasdaq) force companies to delist if their share price falls below \$1 for 30 consecutive days. Some fund managers may not want to invest in penny shares. Given that stock splits almost always come about after a company's share price has risen, and are therefore seen as a bullish sign, a reverse stock split is usually carried out by companies whose share

price is falling – and so it can be seen as “bearish”.

Interestingly, in recent years reverse stock splits have become more common than traditional stock splits. Studies suggest that reverse stock splits deserve their reputation as a sign that a firm is desperate. A 2006 paper by three US universities looked at 1,600 companies that had undergone reverse splits between 1962 and 2002. It found that they lagged the market over the next three years, and this effect grew bigger when you take size, value and prior momentum into account.

# Nigel Farage is back

The man most responsible for Britain's seismic exit from the EU has made a noisy re-entry into politics to shake up the general election. The aim is a "reverse takeover" of the Tory party. Jane Lewis reports

"What I'm really calling for is a political revolt," said Nigel Farage as he announced his surprise re-entry into frontline politics at a noisy campaign launch in the faded seaside town of Clacton. In a trice, reported Fox News, the "maverick populist leader" sent "shock waves through the British general election". Farage – who has taken leadership of the upstart party Reform UK, and is contesting a Westminster seat for the eighth time of asking – had previously hinted about heading to the US to work on Donald Trump's re-election drive. "I changed my mind," he said, because "I can't turn my back on those millions of people who followed me, believed in me." His campaign promise is "to make Britain great again".

## Remaking the British right

"Rishi Sunak's bed of nails just got a lot more uncomfortable," says Bloomberg. The "architect of Brexit" is a "charismatic figure – a 'regular bloke' with a pint in one hand, a cigarette in the other" – who supporters claim is willing to say "what everyone is thinking". A consummate political operator, Farage "aims to do for the Tories what Donald Trump has done for Republicans". The goal is "to remake the British right" via "a reverse takeover" of the Tory party, and create a new movement that would speak "for the little guy", says The Economist. Last year's Courts debanking scandal helped Farage burnish his credentials as a man of the people: trapped in a Kafkaesque nightmare of institutionalised prejudice and wokery.



*"It's fame or prison for you, dear boy"*

Polls suggest Reform has already made considerable headway since Farage threw his hat into the ring. A YouGov survey, taken after the launch of the Conservative manifesto this week, puts Reform UK just a point behind the Tories, with 17% of the vote. Ipsos is predicting a likely "crossover moment" before the campaign ends.

Born in 1964, Farage grew up in the Kent village of Downe, once home to Charles Darwin – the son of a "colourful" City stockbroker. He describes his background as both "very patriotic" and "traditionally Conservative". Educated at Dulwich College in South London, he joined the party in 1978, inspired by a talk given by Margaret Thatcher's mentor, Keith Joseph. On his last day at school, says The Times, a teacher predicted he would make an impact. "It's fame or prison for you, dear boy." Farage followed his father into the City, becoming a commodities broker at Drexel

Burnham Lambert and then RJ Rouse & Co. At one point he set up his own business, Farage Futures, which he wound up in 2002. But politics came to dominate. Enraged by the Major government's signing of the Maastricht Treaty in 1993, he became a founder member of the UK Independence Party (Ukip) and in 1999 was elected to the European Parliament – beginning a lengthy political dance with the Tories that would ultimately lead to the 2016 referendum, and Britain's seismic departure from Europe.

## A Cavalier by instinct

When Farage celebrated a landmark birthday in April, at a knees-up held in Boisdales in the City, Trump appeared by video-link to congratulate him. He has always had a sense of his own destiny. "I am lucky. I am lucky," he told an interviewer in 2012 – a belief reinforced by surviving three near-death experiences: a car crash in his 20s, testicular cancer and a plane crash while campaigning in 2010, says The Times. A keen historian, who once observed his ideal job would be to work as a tour guide on the Somme, his particular interest is the English Civil War. "I'm a Cavalier by instinct and by lifestyle. I mean, I don't like Roundheads," he once observed. But he has an almost Cromwellian belief in his providential rise. "After the Brexit vote, Farage languished without a guiding cause," says The Guardian. He appears to have rediscovered it. Whether or not he triumphs in Clacton-on-Sea, he has once again put a grenade under British politics.

## Britain's Bill Gates vindicated in US court

"Hollywood loves to see a British villain getting their comeuppance," says Andrew Orlowski in The Telegraph. So when Mike Lynch, 59, the British tech entrepreneur who was extradited to the US 13 years ago to face fraud charges, stood before a jury last week in San Francisco, "he had every reason to fear the worst". Fewer than 0.5% of US fraud prosecutions result in an acquittal. Yet Lynch (pictured) was found not guilty and was able at last to walk free.

The Essex-born entrepreneur was once hailed as a great British success story. His PhD was on neural networks, the foundation of today's generative artificial intelligence, and he

launched several companies before he was 30. He co-founded Autonomy in 1996, and its IDOL software boasted a "miraculous ability to find what was relevant in unstructured data".

His downfall began in 2011 when HP, a desperate computer maker trying to reinvent itself, bought Autonomy at a 68% premium in a deal worth \$11bn. It was carried out in such a rush that HP's chief financial officer later admitted she hadn't even read a due diligence report on the acquisition. Within a year, HP had disposed of its CEO, torn up

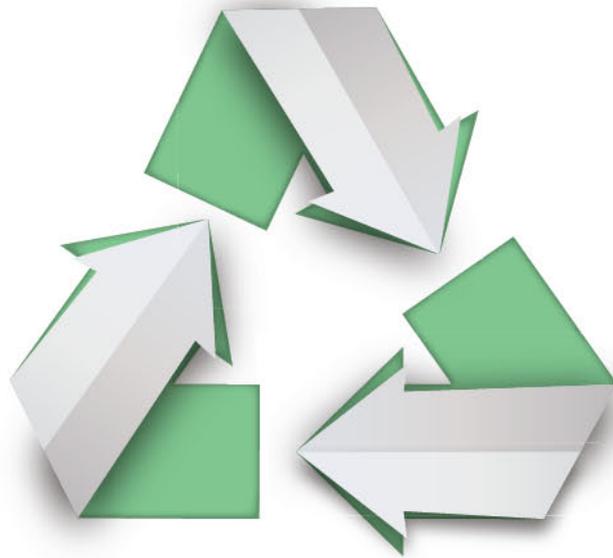


its strategy for renewal, wrote down the value of the investment by almost \$9bn, and charged Lynch with fraudulently inflating the value of the company it had bought.

The verdict is vindication for Lynch and means that Autonomy's "epic tale of woe" is nearing its end, says Breakingviews, leaving Lynch free to return to the UK to focus on his family and a return to his field. Sadly, "the slow grind of justice" has put his career on hold for more than a decade, and the negative publicity has affected his ability

to move on via new ventures, such as the \$5bn cyber-security company Darktrace. "As victories go, it's fairly pyrrhic."

The media once dubbed him "Britain's Bill Gates", but it was a comparison that flattered Gates, not Lynch, says Orlowski. Lynch won an OBE in 2006, was elected a fellow of both the Royal Academy of Engineering and the Royal Society, and served as a government tech policy adviser. His replacements in government seem more skilled in "smooth-talking and self-promotion" than in technical or engineering subjects. Who knows, we may yet come to our senses and remember "that we need Mike Lynch after all".



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# Unwind in stunning Saint Lucia

Chris Carter stays at Windjammer Landing on the colourful Caribbean island

Whenever I travel to the Caribbean, I'm reminded of the discussion the Greek-Irish travel writer Lafcadio Hearn had aboard a steamboat, travelling from New York to the French West Indian island of Martinique in the summer of 1887. What, asks Hearn, constitutes the colour "tropical blue"? As the ship nears the Antilles, Hearn repeatedly declares he's seen it only to be rebuffed by a fellow passenger, "a nice old French gentleman from Guadeloupe". "He tells me I do not yet know what blue water is," laments Hearn. These days, we fly and we don't get to see the gradual change in the colour of the sea. By the time my partner and I arrived at Windjammer Landing on Saint Lucia, an island to the south of Martinique, it was already after dark. That was no bad thing. I like the surprise of waking up somewhere new. Besides, Liam, one of the attentive butlers, was on hand to check us in to the room – or rather rooms.

The next morning, I padded into the living room of our spacious three-bedroom villa and peered through the curtains.

There it was, tropical blue – once my eyes had adjusted. "Under the sun the sea is a flaming, dazzling lazulite," Hearn wrote 137 years ago. It had not changed.

The views from the seafront villas are spectacular and from the vantage point of our private infinity pool, we watched the ruby sun dissolve into the Caribbean Sea every evening. Inside, the villas are no less impressive. The interiors are all clean white lines, creamy hues and stone floors. In ours, two of the bedrooms open onto the pool terrace and these have the largest bathrooms with his and hers sinks and showers, a standalone tub in each and an outdoor shower in the en-suite attached to the master bedroom. In the main living area, there is a fully equipped kitchen with an induction hob and several wide TVs scattered throughout the villa. But who comes to Saint Lucia to watch TV?

Windjammer Landing runs up the hill facing the water and equally fine views can be had from almost anywhere on the property, not least from Papa Don's, the resort's Italian restaurant up the hill. It's best to take the all-inclusive option as that way you can enjoy Windjammer's six other eateries without worrying about the bill. Windjammer, located on Labrelotte Bay between the capital Castries to the south and the fascinating colonial-era fort at Pigeon Island to the north – both 30 minutes away by car



*"Fine views can be had from almost anywhere on the property"*

– isn't exactly remote, but you will need wheels to get around or hire a guide for half a day via the resort, as we did.

## Blue sea, green island

Besides Papa Don's, there's steak restaurant Upper Deck (fabulous views); Indian eatery Masala (Liam recommends the butter chicken); Jammers for burgers and goat roti; Embers for lunch on the beach; The Perch bar and lounge for more great views; and, our favourite, Dragonfly for a Caribbean buffet every Thursday, and freshly prepared seafood, such as grilled conch in *souski* sauce – a local dressing of oil, vinegar, shallots and herbs. Then, enjoy a beer by the main pool while listening to the bands play in the warm evenings. This is the hub of the resort around which most of the restaurants

and bars are clustered. Windjammer's architectural look is Mediterranean meets contemporary chic, and the resort comes alive in the evening with lights, live music and the clinking of glasses. You could imagine yourself at a village fiesta in Spain if it weren't for the twang of the steel pan drums calling you back to the Caribbean.

The spa, on the other hand, is an oasis of calm. We were treated to a couple's massage, with bamboo rollers, hot stones

and wraps. What parts of us hadn't melted away by that point were left to dissolve in the tub, with a bottle of wine.

Saint Lucia is a vibrant, colourful island, from the food, music and clothing to the "Jump Up" street parties held every

Friday night for the past 40 years, not far from Pigeon Island. The islanders are genuinely warm and friendly. And while tropical blue surrounds Saint Lucia, the island itself is decidedly green. There are the pair of Piton peaks for instance, rising up like two giant sugarloafs, and the rainforest that still occupies much of the island.

During our stay, we embarked on the three-hour Jacquot Trail, run by Rainforest Adventure. Watch out. Besides the colourful parrot for which the trail is named, there are boa constrictors and the Fer-de-lance viper, and tarantulas scuttle across the forest floor. But don't worry. As our guide Nian coolly put it, "just try not to fall down".

*Chris was a guest of Windjammer Landing. Hilltop two-bedroom villas with pool from \$1,436 a night all-inclusive (children under 11 eat for free). Windjammer-landing.com.*



Windjammer Landing on the beautiful Labrelotte Bay

# Ford flexes its muscles

The new Mustang GT packs plenty of power despite being a more refined machine

In the six decades since the original Mustang was unleashed in 1964, Ford has nurtured the iconic sports car into becoming “a world best-seller”, says Steve Sutcliffe in Auto Express. Now the seventh generation of the car has arrived. It has been “comprehensively redesigned to celebrate the success of its ancestors and to hike the Mustang howling into the 21st century”. It’s a sharper car despite Ford sticking to the front-engined, rear-driven V8-powered formula “that we’ve come to know and love”.

The “reborn” Mustang features a fully digitised cabin that has been loosely designed to “replicate the feel of a fighter jet”. It boasts the software and “graphics wizardry” that feature on “many of the world’s top computer games”. So, while the mechanics look familiar – “big V8, uprated suspension, rear-drive, huge brakes, [and] monster 19in Pirelli tyres – the Mustang has been well and truly modernised inside for its

probable final outing... As a result, it looks like an awful lot of car for the money at ‘just’ £55,725.” Don’t ask about fuel consumption. At 23.5mpg combined and emissions of 274g/km, the numbers are “pretty horrendous”.

## Road warrior

Unlike the “beefed up” Dark Horse track version of the new Mustang, which will set you back £67,996, the entry level GT is the one “that’s best suited to the road”, says Yousuf Ashraf in Evo. The five-litre V8 engine has been revised, resulting in 440bhp and 398lb ft of torque, and it is linked up to a six-speed manual gearbox as standard. The GT hits 62 mph in 5.3 seconds. At 1,836kg, it feels like a “big car”, but you can now “wring more performance” out of it. “It really is a lovely engine, smooth yet with real bite to the soundtrack that makes you

wonder whether Ford has taken any notice of European noise regulations.”

“This Mustang is one of the most convincing there has ever been, merging muscle-car charm with the kind of rolling refinement you would associate with premium German rivals, at a more affordable price,” says Jonathan Bryce in Autocar. Ford has given customers exactly what they want – the Dark Horse variant has sold out until the end of 2025. Never mind, “we’d recommend the manual GT” anyway. It has “more than enough power, convincing driver appeal and an affordable price... [to make it] the best Mustang of the breed”.

See [Ford.co.uk](http://Ford.co.uk)



*“This Mustang merges muscle-car charm with rolling refinement”*



## Wine of the week: a great white in a small bottle

**2023 G de Guiraud, Bordeaux Blanc, France**



**Matthew Jukes**  
Wine columnist

£13.50, half bottle,  
[thelittlefine  
winecompany.co.uk](http://thelittlefinewinecompany.co.uk)

It is incumbent on us all to moderate our alcohol consumption. So, this week, I have found you a stunning half bottle of white wine so you can gently modify your evening routine from a bottle of white and red to a thoroughly civilised half of white and your usual bottle of rouge! Joking aside, Master of Wine Vicki Stephens-Clarkson has seen an enormous uplift in half-bottle consumption as wine lovers strive to maintain elite flavour standards while cutting down on volume. This



welcome trend has inspired her business, The Little Fine Wine Company, to seek the very best halves from around the planet. She has even inspired wineries to bottle in this format to satiate the demands of this important and growing sector of consumers.

This week, I have found you the ultimate all-rounder white half bottle. It hails from the august surroundings of Sauternes, but it is, in fact, a dry wine. Made from a blend of 60% semillon and 40%

sauvignon blanc, the flavour sits somewhere between an elite Loire white and a lusty Burgundy. It summons up freshness, verve, citrus tones, and aromatic lift from the sauvignon grape while gathering more mid-palate depth and discreet oak imprint from part of the blend, which has spent six months in barrels that have been used for the Grand Vin at this estate. This brings grandeur, luxury, and texture, which one usually associates with the pricey wines from Burgundy.

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

This week: properties in national parks – from a 17th-century stone house in the Lake District National



▶ **Colby Lodge, Stepside, Narberth, Pembrokeshire, Wales.** A Grade II-listed Georgian mansion in Colby Woodland Garden estate in the Pembrokeshire Coast National Park. It has a grand entrance hall and an elegant library. 5 beds, 3 baths, 2 receps, 2-bed annexe, outbuildings. £1.25m Country Living Group 01437-616101.



▶ **Llanwenarth, Abergavenny, Monmouthshire, Wales.** A Grade II-listed Georgian manor on the outskirts of Abergavenny within the Brecon Beacons National Park. It retains its original fireplaces and has a Victorian orangerie. 6 beds, 3 baths, 4 receps, outbuildings, gardens, 21.7 acres. £2.25m Savills 029 2036 8919.



▶ **Lobbs, Troutbeck, Penrith, Cumbria.** A renovated 17th-century stone house in the Lake District National Park with views towards Blencathra Fell. It has beamed ceilings, exposed stone walls, wood floors and gardens leading onto grazing land and woodland. 5 beds, 2 baths, 2 receps, kitchen, stone barn with stables and stores, shepherd's hut, tree house, detached garden office, 24 acres. £1.5m Finest Properties 01434-622234.



l Park, to a Victorian house in the North York Moors National Park



◀ **Tunstead House, Hayfield, High Peak, Derbyshire.** A restored Grade II-listed early 19th-century house in the Peak District National Park, situated near the Kinder Reservoir. It has flagstone and wood floors, fireplaces with modern wood-burning stoves and a country kitchen with an Aga. 5 beds, 5 baths, dressing room, 3 receps, breakfast kitchen, study, gym, laundry, garden room, cellar, outbuildings, cobbled yard, gardens. £1.975m Fine & Country 01298-808082.

▶ **Burefield, Horning, Norfolk Broads.** An Edwardian house by a river in the Norfolk Broads National Park. It retains its leaded-light windows, panelled rooms and open fireplaces. The landscaped gardens lead down to a thatched boat house. 5 beds, 3 baths, 2 receps, study, open-plan kitchen, 14 acres. £2.35m Strutt & Parker 0160-388 3602.



▶ **Fylingholm, Boggle Hole, Whitby, North Yorkshire.** A Grade II-listed Victorian house in the North York Moors National Park close to Robin Hood's Bay. It has beamed ceilings, pitch-pine floors, open fireplaces and mature gardens overlooking the surrounding countryside. 5 beds, bath, recep, dining kitchen, garden room, studio, parking, garden stores, woodland, 0.8 acres. £800,000+ Blenkin & Co 01904-671672.



▶ **Holne, Newton Abbot, Devon.** This period former farmhouse is situated in an elevated position in Dartmoor National Park and commands outstanding views across the River Dart Valley. The house has sash windows, reception rooms with high ceilings and feature fireplaces, and a double-aspect breakfast kitchen with a Rayburn. 5 beds, 2 baths, 3 receps, breakfast kitchen, gardens, paddocks, 4 acres. £1.25m Savills 01392-455755.

▶ **The Lanacre Estate, Landacre, Withypool, Minchhead, Somerset.** A manorial estate with a five-bedroom Georgian former farmhouse that comes with a cottage and flat, two bungalows and a range of farm buildings. The estate is situated in Exmoor National Park and commands far-reaching views along the River Barle. The grounds include a converted stone barn, modern farm buildings, pasture and woodland. It has 198 acres and a further 1,878 acres of moorland are available separately. £3.5m Knight Frank 01392-848846.



# Rewind to the Eighties

Why we're seeing the return of the music cassette. Chris Carter reports

Anyone old enough to remember using a pencil to wind the magnetic film back into a chewed-up cassette tape may well wonder why anyone would want to dabble with such antiquated technology. You had to fast forward to get to the song you wanted, usually overshooting the start, and the sound quality had nothing on today's digital offerings. But it's precisely the sound, often described as "warm", that appeals to older collectors as well as a new generation for whom pencils and recorded music hold no connection.

"Old guys are buying for their memories. Young people are buying to try. They think it's trendy," Stephen Ho, a collector from Hong Kong, tells Larry Ryan in *The Guardian*.

East Asia has experienced much of the boom in sales. Record shops in Tokyo have been expanding their cassette sections, "signalling a resurgence of compact analogue recording media", says Megumi Kito on *Nikkei Asia*. Last September, Tower Records in the Shibuya district multiplied its stock of old and new tapes by a factor of six as sales have continued to grow in recent years. "Cassettes seem to come across to the younger generation as 'new and cute' things," Ko Takeda, who heads the cassette section, tells the paper. Tapes are also cheaper to manufacture than vinyl LPs



Some things were better in the 1980s

and that is reflected in retail prices, says Matthew Kronsberg in *Bloomberg Businessweek*. A new vinyl record can cost \$35 in the US, a tape a mere \$10, but the latter still provides "a similar analogue experience". "It

**"New versions of the Walkman are also coming to market"**

may be lower fidelity, but it's also more playful and more portable," he says. TV

series *Stranger Things* and blockbuster superhero film *Guardians of the Galaxy*, both with their depictions of life in the 1980s, have also helped to make the decade cool.

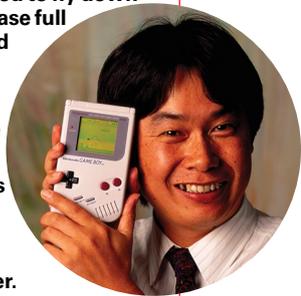
Crucially, cassettes are also affordable to the youngest of new collectors. That's not lost on pop superstar Taylor Swift, who counts many of them among her fans. Her latest album, *The Tortured Poets Department*, sold 1.64 million physical units in its first week of release in April, of which 21,500

were cassettes, according to music magazine *Billboard*. That's a long way behind the 859,000 LPs that were sold, to be sure, but not bad for a format that until recently had been consigned to the attic of history. Selling physical recordings is also a smart business move made by young musicians, who also include Billie Eilish, Kendrick Lamar and Dua Lipa. The per-click royalties musicians earn from streaming platforms such as Spotify is "infinitesimal" compared with the "far greater revenues that artists can earn from physical products", as Ben Sisario points out in *The New York Times*.

In fact, such has been the take-up that new iterations of the 1980s Walkman are coming to market so that younger buyers will have something to play them on. Examples include the We Are Rewind WE-001 and the FiiO CP13. Some things really were better in the 1980s.

## The hot market in old video games

A thriving auction market in vintage video games has also sprung up in recent years. Would-be sellers are scouring their attics for games they played decades ago. In 1998, Mark Odorisio, now 62, closed his video-games shop in Nebraska and rather than sell off his unsold stock placed it in a storage unit, where it remained with the games sealed in their boxes for almost 25 years. The *Washington Post* reported in December. He had anticipated that they might be worth something one day and he was right. Those 300-odd games are now worth an estimated \$1m. "A lot of people wanted to fly down with a briefcase full of money and just buy the whole collection," the owner of Gameroom, a shop that is helping the Odorisios to sell the haul, told the paper.



Little wonder, then, that Heritage Auctions in Texas brought in \$2.14m from the sale of 314 lots at its video-games auction at the end of May. The top seller was the second-highest graded copy of a first-production *Super Mario World* from 1991 for Nintendo. (Shigeru Miyamoto, the creator of Mario and other characters and video games for Nintendo, is pictured.) Wata, a grading firm, gave it a 9.4 A grade (out of ten – the letter reflects the "quality and integrity of their shrink-wrap/seal", from A++ to C) and it sold for \$125,000, including buyer's premium. Another *Super Mario* title, *Super Mario 64*, from 1996, with a 9.8 A++, still holds the record for the most expensive video game sold at auction – it fetched \$1.56m with Heritage in July 2021.

Also in last month's sale, a 9.4 A+ copy of *Mega Man* and 9.2 A+ copy of *Castlevania*, both from 1987, fetched \$106,250 and \$100,000 respectively. Besides games, the line-up included two early microcomputers, the earliest was a Q1 Desktop Micro Computer with an internal printer from 1972, found by cleaners in Britain. It featured in an exhibition at Kingston University and sold for \$47,500 with Heritage.

©Alamy, Getty Images

## Auctions

**Going...** There was a time when "carp were considered impossible to catch and were mythical monsters" in the popular imagination, Ben Jones of Telford-based Mullock Jones Auctioneers tells BBC Radio Shropshire. It was thought that the fish could be anything up to 25lb in weight. But then Clarissa, a 44lb carp, was landed by angler and author Richard Walker in 1952. "It was a bit of a shock," says Jones, and it "changed carp angling... forever". The catch in a pond near Ross-on-Wye inspired Walker to design the Richard Walker Mark IV rod, which is still collected today. As for Clarissa, she was preserved and kept at London Zoo and became "well-known in fishing circles". Her next appearance will be on the auction block on 24 and 25 July, where she is expected to land between £35,000 and £40,000.

**Gone...** The world's most expensive feather has sold with Webb's Auction House in New Zealand, says BBC News. It belonged to a huia (pictured), a small songbird of the wattlebird family in New Zealand that was known for its jumping abilities and beautiful plumage. The birds were sacred to the Māori people and the feathers were worn by chiefs, and gifted or traded. However, the last confirmed sighting of a huia was in 1907 and they are now believed to be extinct. Due to its cultural status, the well-preserved feather was classed as a *taonga tūturu*, an object that relates to Māori traditions and therefore blocked from leaving New Zealand without permission.

Only licensed collectors were allowed to bid. It sold for NZ\$46,521.50 (£22,500) at the end of May, well above its NZ\$3,000 (£1,450) pre-sale estimate.



## Bridge by Andrew Robson

### Protected into game

Dealer South

East-West vulnerable

♠ 42  
♥ J942  
♦ K763  
♣ Q73

♠ KJ95  
♥ Q  
♦ A52  
♣ 109865

♠ AQ763  
♥ 53  
♦ QJ4  
♣ K42

♠ 108  
♥ AK10876  
♦ 1098  
♣ AJ

### The bidding

<b>South</b>	<b>West</b>	<b>North</b>	<b>East</b>
1NT	pass	pass	2♥
2♠*	3♥	4♣**	end

\* It does generally pay to bid your (decent) five-card suit after an overcall, when you can do so at the Two-level. Phooey to not bidding again after opening One Notrump.

\*\* North could not afford to bid Stayman last time, poorly placed over a Two Heart reply – without game values unless partner had Spades. After partner volunteers Two Spades – the hand is now worth a game bid. The ninth Trump is very big.

West led a Heart to East's King, and East correctly switched to the ten of diamonds, seeking to set up winners there before they could be discarded on dummy's long Clubs. Trick two went ten of Diamonds – Knave – King – Ace, and declarer drew Trumps in two rounds finishing in dummy, then led the ten of clubs. East rose with the ace and continued with the nine of Diamonds to the Queen, establishing his eight. Is there a way home for declarer?

Declarer cashed the King of Clubs, stripping East of his second Club exit card. He ruffed his second Heart, and led a third Diamond, playing for the exact layout. East won the eight, but held only Hearts. Declarer could discard his third Club and ruff in dummy – ten tricks and game made.

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

## Sudoku 1212

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

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.

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

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## Tim Moorey's Quick Crossword No.1212



TAYLOR'S PORT

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 24 June 2024. By post: send to MoneyWeek's Quick Crossword No.1212, 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.1212 in the subject field.

1		2		3		4		5		6		7
8										9		
10		11				12						
13								14				
15				16				17				18
19				20						21		
22								23				

Across clues are cryptic whereas down clues are straightforward

### ACROSS

- 1 First book band (7)
- 5 In which there's sex between five and seven (5)
- 8 Bare all in dancing? Not me! (9)
- 9 Horse and Hound (3)
- 10 This food partly gives us hiccups? (5)
- 12 AI is one - He's another? Yes and No! (7)
- 13 Work at the seaside Brighton finally put out (13)
- 15 New vocalist not very patient (7)
- 17 One section of company briefly showing skill (5)
- 19 Port and whiskey (3)
- 20 Israel OTT upset philosopher (9)
- 22 An old bowler getting a duck? (5)
- 23 Decoration for Judy? (7)

### DOWN

- 1 British architect of St-Martin's-in-The Field (5)
- 2 Zilch (3)
- 3 Class subordinate to a genus (7)
- 4 Inspiring terror in, say, a film (5-8)
- 5 Let (5)
- 6 US river and state (9)
- 7 Nullified (7)
- 11 Coronation Street, for example (4,5)
- 13 Without doubt (7)
- 14 Judas, say (7)
- 16 Wading bird (5)
- 18 Fashion (5)
- 21 Leaves (3)

Name .....

Address .....

email .....

### Solutions to 1209/1210

**Across** 1 *Comic double def*; Ernie Wise 4 Natal *hidden* 8 Remission *re mission* 9 Tin *double def* 10 Mad cow disease *anag* 13 Evoke *OK in Eve* 15 Usher (*gusher*) 17 Correspondent *anag* 21 Uni *hidden* 22 Humdinger *MD I inside hunger* 24 Lines *double def* 25 Links *double def*  
**Down** 1 CD-ROM 2 Mum 3 Cassock 4 No-nos 5 Tête-à-tête 6 Lance 7 Hind 11 Diversion 12 IOU 14 Ems 16 Sundial 17 Cruel 18 Ethos 19 Pomp 20 Terms 23 Gun.

The winner of MoneyWeek Quick Crossword No.1209/1210 is: Clare Green of Bournemouth

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.



# The downsides of progress

It tames the population and sucks all the charm out of national life



The Old Ireland still exists in the odd corner



**Bill Bonner**  
Columnist

In our first visit, almost 30 years ago, Dublin was still a grim city on the Liffey. It took three hours to drive, on little, winding roads, to get down to our office in Waterford. Eating out was not an easy matter back then; there were few good restaurants. And bars were still of the “Old Ireland” vintage.

In one, we recall standing on a bed of sawdust and talking to an Irishman, both of us holding big tankards of Guinness. In the course of the conversation, our companion got drunker and drunker. And then, he fell down, not once, but three times. Remarkably – and perhaps as proof of his Old Ireland pedigree – he didn’t spill a drop of his beer.

We ran into the Old Ireland again recently when a man in his 40s showed up with two chainsaws and offered to cut down some trees in exchange for the firewood. We agreed and got to talking and he told us of his love of salmon fishing on the nearby river. “I thought you weren’t allowed to fish in the river,” I said. The Duke of Devonshire has the fishing rights since the 17th century, hasn’t he? Aren’t you afraid of getting caught?” “I did get caught once,” he said. “I got home and there were two gardai

(policemen) waiting for me. But they didn’t know anything about the fishing rights. I told them I have a special licence that gave me the right to fish out in the ocean or in the river. It was not exactly true, but who really wants to look out for the Duke of Devonshire’s fish? I invited them in. We had a drink. Then, they left. That’s how you settle problems in Ireland.”

But all this charm is being swept away by wealth and progress. Today, a modern highway system spreads out from Dublin. In just an hour and a half, you can zip along to Waterford. And the old pubs?

*“Ireland is now the second-richest country in Europe”*

Some are still there, but many have been turned into Italian or Thai or French restaurants. The Irish themselves have changed. “We think of ourselves as European,” explains a neighbour. Like Europe, Ireland has become risk-averse and law-abiding. No more drinking at the pub until late at night. Now, Dads share childcare and put on helmets before riding a bicycle.

Dublin is still gray. Its old public buildings and handsome Georgian private houses still grace the centre part of town. There are still some pubs and tour companies offering to show

Americans the Old Ireland. And there are still a few wrinkled taxi drivers able to speak the old brogue and keep a few jokes on hand for visitors from Boston. It must be a huge disappointment for Irish Americans. They think they’ll hear the harp, the bagpipe and fiddle, and a tenor calling from across the glen. But then, arriving at Dublin airport, they are whisked to a prosperous, modern city, with a section – the Silicon Docklands – that could be in Kuala Lumpur or Vancouver. The taxi driver is more likely to be from Bangladesh than Tipperary. There are Pakistanis, Africans, Chinese, Malays, Spaniards, Brazilians – not just one or two, but whole groups of them speaking their native languages. They are almost all young, and, we presume, employed by Ireland’s booming tech sector.

“I guess Dublin is more like New York than New York itself. It’s a real melting pot,” explained our taxi man. Indeed, Ireland is now the second-richest country in Europe after Luxembourg. According to UN estimates, Ireland has a GDP per capita of \$101,000. The US has only \$69,000.

The Old Ireland was poor and wild. The New Ireland is rich and tame.

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

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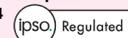
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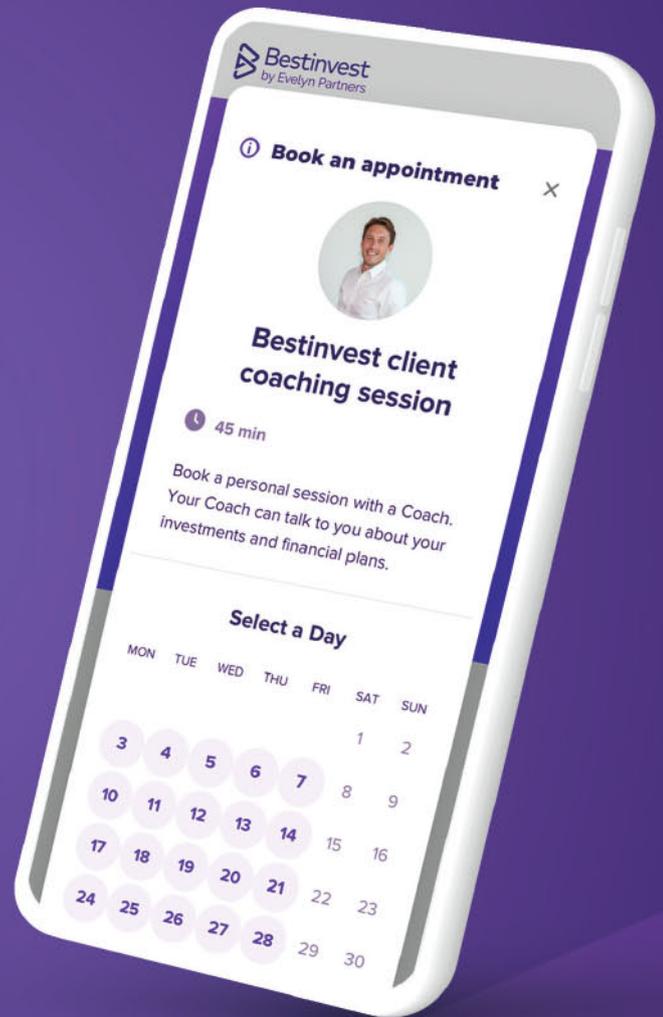
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FROM AI TO VR:

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