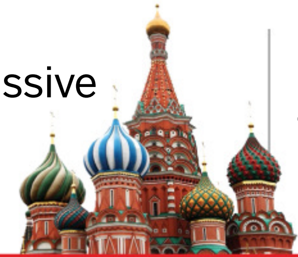
MARKETS *P5*
Investors' massive gamble on Moscow



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MAKE IT, KEEP IT, SPEND IT

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Slim profits

How weight-loss drugs will change the food industry

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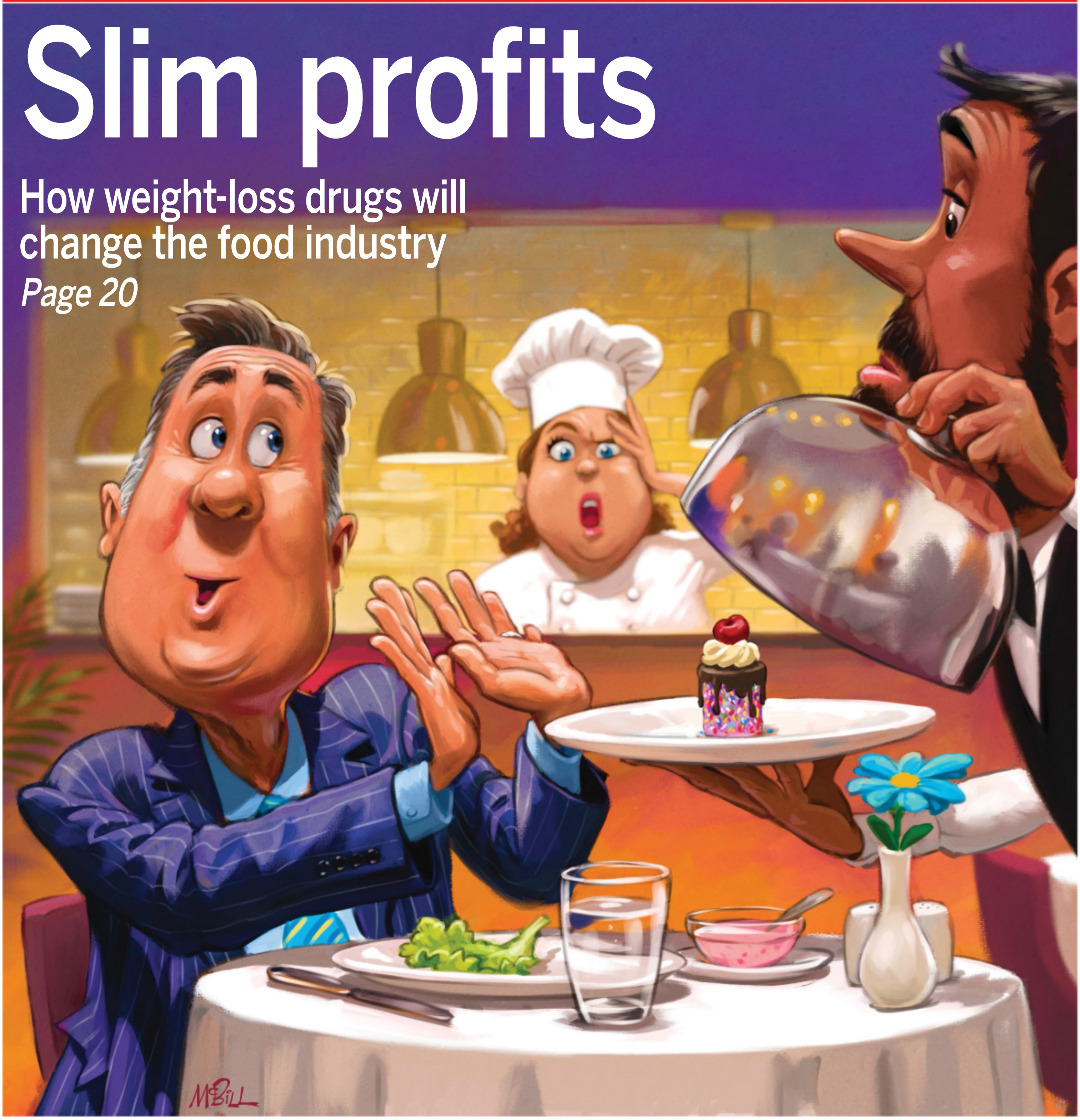

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MoneyWeek

21 March 2025 | Issue 1252

Britain's best-selling financial magazine

From the editor...

"I always worry about gold when everyone is talking about it," says Max King. We have been gold bugs since the long-term uptrend began in 2001, at around $250 an ounce, and there was great excitement in the office when gold eclipsed $300 in 2002. But one of the most striking things about the long ascent to $3,000 (see page 4) was how little attention was paid to it. It was a stealth bull market.

Asset managers and investment banks have largely ignored it, as their perma-bullish marketing has no room for an asset that thrives on bad news. Very few analysts saw the need to insure portfolios with a "barbarous relic", even though the structural deficiencies of the heavily indebted global economy, a result of central banks' serial bubble-blowing, became increasingly clear over the years. Only when major milestones were reached did gold hit the headlines.

Leaflets urging you to sell gold jewellery are often a sign of froth in the market

©Alamy

"Nobody is paying attention to silver, which looks undervalued relative to the yellow metal"

Time for a breather

The $3,000 mark has prompted far more talk than usual, with the press reporting that it has outperformed stocks and bonds over the past quarter-century (not bad for portfolio insurance). I also noticed a flyer had come through my door inviting me to cash in my gold jewellery, often a sign of overcooked sentiment in a market for metals. It may, then, be time for gold to take a breather, but the structural bull market looks far from over. Gold has only just eclipsed its 1980 record high in inflation-adjusted terms, while an index tracking gold miners, the HUI Gold index, has reached a 12-year high, but remains almost 50% below its 2011 peak.

The fundamentals also augur well. Concern over inflation and debt will endure (America's annual interest bill of $1.2trn is now worth 20% of the federal tax take), while US trade policy veers around like a demonically possessed golf cart. Edward Chancellor notes on Breakingviews that the US Economic Policy Uncertainty index (based on searches for key words in the media) has hit an all-time high (see page 18), which will undermine business investment. Throw in the darkening geopolitical outlook, and we are likely to continue to need plenty of portfolio insurance.

That accounts for up to 10% of your holdings, however. What else can you fill it with? This year's Isa supplement, which comes with the magazine, will give you plenty of extra ideas. We have again skewed our ideas towards income-bearing investments, often via investment trusts, to help you beat stubborn inflation. But there are also riskier options, including emerging markets, which are expected to expand more than twice as fast as developed economies over the next five years.

Another risky, but potentially rewarding option, is the other monetary metal, silver – or "gold on crack", as BullionVault's Adrian Ash likes to call it. Silver mimics and amplifies the yellow metal's movements in a gold bull, while around half the demand for it stems from industry. Industrial demand has jumped by 50% in the past ten years.

Silver has jumped by around 125% in five years and has just breached a ten-year high. And it still looks historically undervalued compared with gold. The gold-silver ratio (the former's price divided by the latter's) is just below 90; it has averaged around 65 since the 1970s. The **WisdomTree ETFS Physical Silver (LSE: PHAG)** looks worth a nibble. And the best part? Very few people have noticed. Now there's a stealth bull market.

Andrew Van Sickle
editor@moneyweek.com

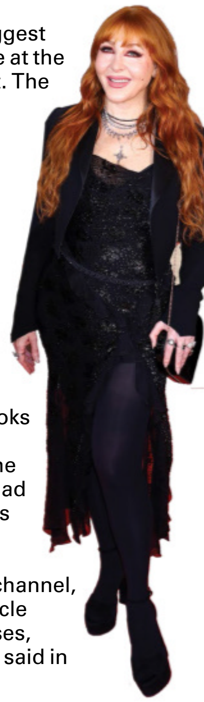
A global boycott

The backlash against buying US products by consumers in Mexico and Canada – angered by US president Donald Trump's trade policies against those countries – has been well documented, says Peter Beaumont in The Guardian. The boycott movement is now spreading to Scandinavia, Britain and beyond. In Sweden, a Facebook group promoting a boycott – including, ironically, of Facebook itself – has attracted 70,000 users, while the Salling group of grocery stores in Denmark – reacting to widespread anger at Trump's threats against Greenland, an autonomous Danish territory – will mark European-made products with a black star to distinguish them from US ones. Haltbakk, Norway's biggest oil-bunkering operation, has said it will no longer serve the US Navy. Takeshi Niinami, CEO of Japanese drinks group Suntory, which owns US brands, told the FT in February US products would be "less accepted" globally due to "first, tariffs and, second, emotion".

Cover illustration: Howard McWilliam. Photos: Getty Images

Good week for:

Jack Draper, the British men's number one tennis player, has won the biggest title of his career with a straight-sets victory over Denmark's Holger Rune at the Indian Wells tennis tournament in California last Sunday, says BBC Sport. The 23-year-old collected $1.2m for his maiden ATP Masters 1000 title and he moved up to number seven in the men's world tennis rankings.



Make-up artist and cosmetics entrepreneur **Charlotte Tilbury** (pictured) has topped The Sunday Times's inaugural beauty rich list of the 30 wealthiest Britons who have made their fortunes in the industry. Tilbury, who is worth an estimated £350m, launched her eponymous make-up and beauty brand in 2013. Seven years later she sold a stake to Spanish fashion group Puig, which valued Charlotte Tilbury Beauty at nearly £1bn. Tilbury retains a 23.9% stake worth roughly £317.8m.

Bad week for:

Publishing house Pan Macmillan is seeking £220,000 from comedian **Russell Brand** for the expenditure it "wasted" in connection with two books Brand has been contracted to write in 2021 but failed to deliver, says The Times. Brand still hadn't delivered the books when, in September 2023, he was accused of sexually abusing four women (which he denied). Brand had received advances of £75,000 and £142,000 for the first and second books before Pan Macmillan terminated the contract at the end of 2023.

Regulator Ofcom has fined **The Word Network**, a Christian religious TV channel, £150,000 for giving air time to Peter Popoff, a US evangelist selling "miracle spring water", says The Guardian. Popoff claimed the water cured illnesses, such as lung cancer and diabetes, as well as drug addiction, while others said in testimonials they had come into large sums of money by using it.

©Alamy; Getty Images

Trump chaos leaves investors flying blind

Alex Rankine
Markets editor

"I've been in the investment business for 35 years, and I can tell you that corrections are healthy. They're normal. What's not healthy is straight up… that's how you get a financial crisis," US Treasury secretary Scott Bessent tells NBC News. The former hedge-fund manager is putting a brave face on a market tantrum about US tariff policies. Last week Wall Street's benchmark S&P 500 index entered a correction, defined as a 10% fall from a recent peak. The tech-focused Nasdaq Composite is off 13% since its December high.

The White House's "constant flip-flopping" on tariff policy is making it "very difficult to make earnings forecasts with any conviction", leaving US investors "flying blind", says Katie Martin in the Financial Times. Falling stockmarkets hit the wealthy particularly hard – that's a problem since the richest 10% of Americans account for 50% of all consumer spending. During past downturns markets could trust the Federal Reserve to ride to the rescue, but tariffs and the threat of inflation mean that this time rates may stay high.

Investors are looking beyond the US for a "margin of safety", says The Economist. Despite the correction, the S&P 500 still trades on 21 times forecast earnings for the next year. Europe's Stoxx 600, on 15 times, and the Chinese Hang Seng, on 11 times, look more reasonably priced and have "less room to fall" should the global economy slow. Fund managers have slashed US stock allocations by the largest amount on record this month, according to the latest Bank of America survey. A net 23% of respondents, who collectively account for $426bn in assets under management, are now underweight US equities – a 40% drop from the February survey.

©Getty Images

Bessent and Trump: serving up vegetables for now, dessert later

Heading for recession?

Since 1928 the S&P 500 has suffered 60 corrections, says Jim Reid of Deutsche Bank. Historically, 56% of those were not followed by a recession within a year. (A recession is conventionally defined as two consecutive quarters of falling GDP, although the US definition is more complex.) The US economy grew at a strong annualised pace of 2.3% in the final quarter of 2024. But sentiment has turned sharply lower in the current quarter. Analysts have slashed growth forecasts, with JPMorgan Chase economists raising the odds of a recession in the US from 30% at the start of the year to 40% now.

US consumer confidence measures look "horrific", say Samuel Tombs and Oliver Allen of Pantheon Macroeconomics. A total of 66% of respondents to the closely watched University of Michigan survey expect unemployment to rise over the coming year. The US "has never avoided recession in the last 45 years with unemployment expectations this high".

Still, harder measures of data are holding up, suggesting the US may just be slowing. Recession should be narrowly avoided, says Seema Shah in The Sunday Times. Bessent and Trump are "essentially demanding that investors eat their vegetables" – spending cuts and tariffs – before getting "dessert" – tax cuts and deregulation. The chaos of Trump's first two months might yet give way to a more profitable second half.

Gold fever hits Wall Street

Gold prices have topped $3,000/oz for the first time in history, amid ongoing trade tensions and renewed conflict in the Middle East. Gold has been on a relentless run, having soared by 27% in 2024 and 14% already this year, says Étienne Goetz in Les Echos.

The fact that investors are willing to sacrifice the yield available on other assets to buy metal bricks that cost money to store is a sign of the times, says Ole Hansen of Saxo bank. The decision to freeze Russian central-bank assets in 2022 proved a game-changer, pushing central banks in many emerging markets to buy gold for their reserves as a safer alternative to US Treasury debt.

Globally, central banks have bought more than 1,000 tonnes of gold annually for three years running, compared with less than 500 tonnes on average in the prior decade. Without that tailwind, "gold would be worth barely $2,000" at present, based on prevailing real interest rates and the dollar, calculates Arnaud du Plessis of CPR Asset Management.

©Getty Images

Gold prices have topped $3,000/oz for the first time

"Wall Street has gold fever," says Karishma Vanjani in Barron's. Most big investment banks are tipping the metal, but the "mega-rally isn't without risks". A lot of optimism has been priced in and investors have become so gloomy that any positive US economic news could swiftly correct gold prices.

The speed of gold's run-up leaves it vulnerable, agrees Taylor Burnette of the World Gold Council. It took just 210 days to go from $2,500 to $3,000/oz, compared with 1,700 days on average to achieve previous $500 increment gains. Past milestones – such as when gold topped $2,000/oz in 2020 – were followed by "a period of consolidation" before the up-trend resumed. Geopolitical chaos, rising inflation and a weakening dollar are "powerful tailwinds" for gold, but "even strong rallies need to catch their breath".

Choose US small caps carefully

America's technology giants have flailed this year, but small-caps are failing to offer much protection. Investors piled into small US stocks last summer when the tech mega-caps first stumbled, says Sarah Hansen for Morningstar. But that bet on a "rotation" of market leadership away from giants towards smaller, cheaper firms proved a "head fake", with growth stocks like Nvidia soon reasserting their leadership.

Small-cap enthusiasm reached a peak after Donald Trump's election victory in November as investors bet on a US boom, says Investopedia's Colin Laidley. But instead of tax cuts and deregulation, markets have got tariffs and talk of recession from Trump.

"Stubborn inflation" is a particular problem for small caps. They tend to have less pricing power than big firms, forcing them to cut profit margins when prices rise. The US Russell 2000 small cap index has plunged 15% from a November peak.

Smaller firms are also vulnerable to higher-for-longer US interest rates because of their greater use of "floating-rate debt", says Jacob Sonenshine in Barron's. Still, the S&P 600 small-cap index includes plenty of firms in non-tariff exposed sectors such as "finance, healthcare… software, consulting, and energy production". And on 15.5 times earnings (compared with 21.6 for the blue-chip S&P 500), valuations are at "levels that have always provided a buying opportunity" in the past.

Massive gamble on Moscow

"War and peace are notoriously difficult to price," says The Economist. Yet with Donald Trump pushing for a ceasefire in Ukraine, investors are starting to do exactly that. The Russian rouble has rallied more than a third this year against the dollar, and the local MOEX share index has gained 15% on bets that Russia's heavily sanctioned economy might "become slightly less walled off".

Sanctions make direct dealing in Russian assets all but impossible for Westerners, but Russian-linked firms that trade in other markets have been booming. Hong Kong-listed aluminium miner Rusal is up 63% this year, while shares in Raiffeisen – an Austrian bank with interests in Russia – have rallied more than a third.

Quietly, global hedge funds and brokers are betting on a renaissance in Russian assets, but legal restrictions make it a fiddly process, says Joseph Cotterill in the Financial Times. Banking sanctions and Russian counter-sanctions forced most Western money managers to mark down their Russian holdings to zero following the 2022 invasion of Ukraine.

Local corporate bonds are "mostly off-limits to foreign institutional investors", while international rouble trading has become very thin, down from billions of dollars a week before the war to "barely $50m" now. Some traders are turning to proxies such as Kazakhstan's tenge currency.


©Getty Images
The state now plays a much larger role in the economy than before the war

A dangerous game

The logic of the Russia trade is simple enough – buyers think that "deeply discounted" Russian securities could "soar in value" if sanctions are lifted, says Bloomberg News. Traders are making a "massive geopolitical gamble". Negotiations can be difficult to predict, especially in the era of Trump – the US president threatened Putin with new banking sanctions as recently as 7 March if he didn't play ball with peace plans. Investors who move too early to re-enter the country also face reputational and legal risks if sanctions are later "re-imposed".

Whatever happens to the short-term Russia trade, the idea that we are heading for a durable rise in US foreign direct investment into Russia is for the birds, say Georgi Kantchev and Joe Wallace in The Wall Street Journal. America has never had a "significant" economic relationship with Russia. If anything the two economies compete with each other as energy exporters.

Even before the war, America's $6bn in goods exports to Russia were only comparable in volume to US trade with Egypt. Ongoing UK and EU sanctions would make re-entering the Russian market a "compliance nightmare" for US multinationals.

Russia's economy has also been changed by three years of war, with the state taking a much larger role. Assets have been seized from foreign firms and "redistributed" to regime "loyalists". Western businesses are unlikely to get their confiscated capital back.

Viewpoint

"In 2024 alone, 89 companies left London's junior market [and] the headline performance of the Aim All-Share index in recent years has been less than stellar. However… numerous high-performing companies… have been acquired and so lost to Aim… The government… has a golden opportunity… to transform Aim into a genuine high-growth market – in effect, a European equivalent of Nasdaq…[by] demerging Aim to give it its own identity… The LSE could spin out Aim… inviting other stakeholders to invest. The government could even retain a 'golden share' to ensure that the market is not acquired by foreign competition… there have already [been] reports that a group of investors are looking at acquiring Aim and relaunching it as the Global Growth Exchange… any initiative that provides enhanced autonomy and identity will help the UK small-cap market."

Tim Cockroft, The Sunday Times

The green energy bubble has burst

S&P Global Clean Energy Transition index

Source: Financial Times / S&P Global

Green energy shares have gone from boom to bust, says Rachel Millard in the Financial Times. The S&P Global Clean Energy Transition index, which tracks major green players such as Danish wind firm Vestas and Spanish renewables utility Iberdrola, has fallen 64% since 2021. High interest rates have undermined the financial logic of breaking ground on big energy projects, which require lots of up-front capital investment. Meanwhile a political backlash has been gathering pace against Environmental and Social Governance (ESG) investing, as the Trump administration cuts green investment budgets, US fund managers scale back support and green energy targets are brought into question in parts of Europe.

Trump trips up Tesla

Elon Musk's association with the American president has dented demand for his electric cars in the US and Europe. Matthew Partridge reports

Elon Musk's support for Donald Trump has done little for the car company he founded, says NBC's Rob Wile. Last week, Tesla's shares suffered their worst day in five years. The stock has now plummeted 41% since the start of this year, with "growing distaste" for Musk and his role in the White House causing sales in the US to fall by 11% year on year in January. What's more, boycotts in Europe have caused sales in the EU to fall by more than half in the same period.

President Trump has responded to Tesla's woes by hosting an event at the White House promoting Tesla and promising to buy one of its vehicles in a "show of support", say Aime Williams and Stephen Morris in the Financial Times. But it's not just the backlash from Musk's interventions in support of far-right European political parties – or the cuts to the federal government being spearheaded by Musk – that are causing Tesla problems. Trump's trade war "could make it a target for retaliatory tariffs against the US and increase the cost of making vehicles in America".

A sea of troubles

The bad publicity from Musk's antics and the potential impact of tariffs are particularly damaging as they come at a time when Tesla is facing "increasing competition, particularly from China", says Louise Callaghan in The Times. Even though China is effectively locked out of the US market, "it is now the world's leading manufacturer of electric cars, with BYD outearning Tesla in the third quarter of last year". So while consumers "may have been willing to tolerate Musk when Tesla was really their only serious choice, now that they have other options, they are voting with their feet". Even before Musk and Trump entered the White House, Tesla had decided to drop a "long-standing aim to be making 20 million cars annually by 2030 while reporting [its] first decline in annual sales for many years – a fall of 1%, to 1.79 million cars", says The Economist. This is leading many analysts to predict that the company almost seems to have become a "reluctant carmaker", with "robotaxis and humanoid robots" now the main focus. Given that Tesla doesn't have any record in these fields, and demand remains uncertain, Tesla's share price has become "a bet on... Musk's ability to revolutionise any business he turns his hand to" – a risky proposition given its CEO is "spreading himself ever thinner".

©Getty Images

MAGA isn't making Tesla great again

Tesla's shareholders may be cursing Musk's involvement with the Trump administration as their shares plunge, but his private companies, which now make up most of his wealth, have seen their valuations soar since the election, says Ariel Zilber in the New York Post. Trading platform Caplight, using data from secondary markets, suggests that the collective valuation of SpaceX, Neuralink Corp., the Boring Company and artificial intelligence firm xAI has jumped 45% since last November. xAI may now be worth as much as $96bn, while interest in X (Twitter) is such that it may receive additional investment, valuing it at $44bn.

Hornby reaches the end of the line

Shares in model train maker Hornby plunged by 25% after it announced that it had reached the "end of the line" as a public company after 40 years, says Harry Wise for This is Money. The group will cancel its listing on the Alternative Investment Market (Aim) and go private.

This marks "another setback for the City", as London "struggles to attract initial public offerings while suffering an exodus as companies leave or are taken over". Hornby, in the midst of a "major transformation" with the backing of Sports Direct tycoon Mike Ashley, blamed "the regulatory burden and cost of maintaining the public quotation".

Calm down, says AJ Bell's Russ Mould. Hornby's decision "is not a damning criticism of the UK stockmarket", but a reflection of the fact that, when two shareholders – Phoenix Asset Management and Frasers – own 91% of the company, "it doesn't make sense to be a listed entity".

After all, the whole point of being listed is to "obtain a diverse shareholder base and access capital markets", neither of which Hornby needs. So, perhaps it's best to acknowledge that "sometimes a business is better off away from the public markets".

Still, the fact that Hornby specifically cited the red tape and the costs associated with being listed when announcing its decision should cause alarm bells to sound, says Tim Cockroft in The Sunday Times. This isn't an isolated incident: "in 2024 alone, 89 companies left London's junior market", which suggests that the "challenges facing Aim are escalating".

Rather than "simply giving up when confronted with hurdles", as the chancellor seems to have done when she halved the inheritance-tax benefits of owning Aim shares at the last Budget, we need some "bigger and bolder thinking" that can help "transform Aim into a genuine high-growth market".

Defence sector hits speed bump

Qinetiq, which specialises in everything from defence robotics to surveillance and cybersecurity, has rattled the markets with a trading update, says Sylvia Pfeifer in the Financial Times. The defence contractor warned that full-year growth to 31 March "will be lower than expected amid contract delays and difficult trading conditions", with organic revenue growth of 2%, down from previous guidance of "high single-digit" growth. Margins are also expected to be about 10%, down from the previous indication that they would reach 12%.

Some of this "disappointing" update was due to factors that were specific to Qinetiq, says Hargreaves Lansdown's Susannah Streeter. For example, Qinetiq has been "beset with contract delays, not just for its US arm, but also its UK intelligence business". Given it is undergoing a "re-evaluation and restructuring of its US business to help revive growth", while a large part of its income stems from the US, lay-offs at the Pentagon may worsen its current problems. Still, this has clearly put all defence contractors "on the back foot", with the shares of rivals BAE and Chemring also down. This is a reminder that heightened geopolitical tensions from shifting political alliances may not necessarily "translate into a flurry of new contracts", but instead prove to be "more of a curse than a blessing".

The defence sector faces several possible "hurdles", says Guy Taylor for City AM. One particular "headwind" is that governments in Europe and the US are "under significant pressure to slash costs and improve efficiency", which places potential contract awards "under more heightened scrutiny". Yet this is more a "bump in the road" than a sign that the wider defence boom, which has made shares in the leading companies "some of the hottest in Europe", is over. Orders at FTSE 100 giants Rolls-Royce and BAE Systems are "surging", while the "wider push" from Europe to increase defence spending will see "more contracts dished out despite the delays".

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

Five to buy

easyJet
The Telegraph
The budget airline is well placed to weather pressure on disposable incomes in the coming months. It has an £18m net cash position, access to £5bn of liquidity, and may benefit from consumers trading down to cheaper package-holiday alternatives. Its valuation is "unjustifiably" low as earnings are set to grow over the next two years. The firm's discounted share price offers a wide margin of safety and scope for significant capital gains. *485p*

Breedon
The Times
Breedon is one of Britain's biggest building-materials groups. The firm is expanding in the US with two acquisitions; its US arm is expected to contribute a fifth of profits by 2026. Breedon's markets are benefiting from population growth, boosting demand for housing and infrastructure. Analysts expect higher earnings and share-price growth. Breedon has a "generous" dividend policy, and the shares appear "reasonably" priced. *484p*

Costain
Interactive Investor
Costain's share price has trebled since Covid and is benefiting partly from the water industry improving its quality and services. The infrastructure company aims to grow its margin above 5% and said its "forward work" order book has increased to £5.4bn, over four times 2024 revenue. Higher employment costs are a challenge, but Costain is a relative "growth" company on a cyclical-type rating. The dividend recently doubled. "Buy and hold." *106p*

Bakkavor
Shares
Bakkavor is an "attractively valued, cash-generative and dividend-paying" stock with "defensive qualities". The manufacturer of chilled, prepared food counts Tesco and Sainsbury's as customers and also operates in the US and China. Bakkavor has positive trading momentum and has been rebuilding margins and reducing leverage. It should gain if consumers cut back on dining out and spend more on eating at home. Bakkavor is confident it will achieve a 6% operating margin by 2027 despite higher employment costs, and analysts predict higher profits. The stock has a "juicy" 5.6% yield. *179p*

Canal+
Investors' Chronicle
Vivendi spin-out Canal+ had a "rocky" debut on the London Stock Exchange in December. But analysts say it's suffering from a "value dislocation" and expect a 65% upside. The pay-TV broadcaster's full-year revenue and profits grew due to growth in subscriptions

in Africa and Asia and hits including *Paddington in Peru* (pictured). It is improving cash flow, and its planned takeover of South African rival MultiChoice could be transformative. The firm's "long-term potential outweighs the risks". *177p*

One to sell

Aston Martin Lagonda
Investors' Chronicle
Aston Martin Lagonda's shares fell 14% after the luxury carmaker said it would cut 5% of its workforce after posting another chunky loss despite significant fundraising.

Wholesale volumes fell last year, but improved in the second half thanks to new and upgraded models. The group's net debt is "painfully high", and annual free cash outflow has worsened. Aston Martin's first mid-engine plug-in hybrid electric vehicle, Valhalla, is key to the company's outlook, but its launch has been postponed to the "latter part of this decade" after it was previously delayed to 2026. "We remain unconvinced" by Aston Martin. "Sell." *80p*

...and the rest

Investors' Chronicle
The outlook is improving at industrial-threads specialist **Coats Group**. Full-year revenue in the key apparel and footwear divisions grew by a respective 12% and 10%. The smaller performance-materials unit's profitability should be bolstered by the closure of a Mexican

manufacturing site. The leverage ratio was lower than analysts had been pencilling in despite higher net debt. Coats expects to generate $750m of free cash flow and more than 5% average organic revenue growth over the next five years. "With attractive new targets and market headwinds receding, we remain bullish." Buy *(82p)*.

The Telegraph
Anglo American's "story feels strong" after the group sold its steel-making coal and nickel units, while the forthcoming demerger of its platinum business also augurs well. The miner is placing copper, iron ore and potash at the heart of its operations, and its £29bn valuation "still looks intriguing". Anglo plans to spin off De Beers, and the diamond business's recent writedown highlights a risk, but rival "BHP did not launch last year's takeover without good reason". The recent weakness in the US dollar, bolstering the commodities sector, also helps matters. Buy *(2,257p)*.

The Times
B&M European Value Retail lost over a fifth of its value after it cut its annual profit forecast and announced the departure of its CEO. The discount chain expanded massively in the past decade, but has faltered in the past year. B&M's valuation is "undemanding", and a 5.7% forward dividend yield is also appealing. Sluggish growth could accelerate next year, but trading has been "disappointing for a while now and must pick up soon if the company is to win back faith". Hold *(265p)*.

An American view

The stock of the ride-hailing group Uber has been "stuck in neutral" since October, says Barron's. There are fears that Uber will get pushed out of the market by Tesla's robotaxis. Concern over the economy and tariffs has hardly helped. But Uber should be seen as "a partner, not a victim, of autonomous vehicles", as it already works with Alphabet's Waymo. The global self-driving taxi market could grow to more than $2trn over the next decade. Uber's app is on over 171 million phones, and it has a diverse business with food delivery and advertising; it is a "free-cash-flow machine". Uber could become a "super app" for rides, food, and booking travel.

IPO watch

Klarna has filed to float in the US, putting the Swedish buy-now-pay-later company on course for an initial public offering (IPO) by April with a valuation of about $15bn, says the Financial Times. The listing would test investors' appetite for the financial technology (fintech) sector amid plunging share prices in the US. Klarna became emblematic of the fintech market's boom-and-bust cycle when its valuation dropped from $46bn in 2021 (making it Europe's most valuable start-up) to $6.7bn within a year. The group reported a net profit of $21m for 2024, up from a loss of $244m the previous year. Revenue rose 24% to $2.81bn. Klarna was co-founded in 2005 by CEO Sebastian Siemiatkowski.

Project Chainsaw begins

The British government is taking the fight to the blockers. Emily Hohler reports

The abolition of NHS England, the world's largest quango, is part of Keir Starmer's "Project Chainsaw" to tackle a "weaker" but "ever-expanding state", says Beth Rigby on Sky News. He also intends to get rid of regulators, slash red tape and use artificial intelligence (AI).

Every arm's-length state body is up for review. Welfare secretary Liz Kendall also announced benefit reforms that she hopes will save £5bn annually by 2030.

Starmer has launched a "historic reset" for his party

©Getty Images

Starmer is prepared to fight not just "blockers" and "NIMBYs" but also his own party, public-sector workers and the unions in the knowledge that if his government fails to deliver, the winners will be Reform UK or "even a revived" Tory opposition.

Fighting the flab

By prioritising fiscal prudence over social policy, he has set the scene for a "showdown" with the left of his party, though his 168-strong Commons majority does provide a cushion, says Joe Mayes on Bloomberg. Starmer's attack on the "flabby state" has come as a shock, but for most of the modern left's history, anti-bureaucratic politics has in fact been a "core principle", says Thomas Peermohamed Lambert in The New Statesman. And if Starmer can "harness some of the justified animus towards NHS England" and direct it to other bureaucratic "nuisances" such as "corrupt procurement structures, murky public-private partnerships and powerful lobbying machines", he might succeed not just in emulating the anti-bureaucratic right, but in beating them, too.

Starmerite centrism is "a historical reset" for the party, says Stephen Bush in the Financial Times. He wants to make the party the "natural home" for economically insecure workers uneasy about perceived generosity to the poorest at home and abroad. In part, Labour is driven by expediency: the worsening economic backdrop coupled with a need to stick to Rachel Reeves' fiscal rules. The problem, in practice, is that the government's ability to "rewire" the economy "tends to be limited in the extreme" and it often does a "bad job". Alarmingly, the labour market is "softening fast" and "much of the rest of Labour's economic agenda" is aimed at "squeezing out the lower-paid jobs that are most likely to suit someone with a thin work history and health problems", says The Economist. Changes to national insurance and the minimum wage mean "cheap" labour will cost 5% more in April.

It's hard not to feel sorry for Reeves, says Martin Wolf, also in the Financial Times. As she presides over a stagnant economy with high indebtedness, she could either game her self-imposed new fiscal rules or relax them. Both would look "ridiculous". The alternative would be for her and Starmer to say that this is a new world and we need to borrow more for defence, while also raising "broad-based taxes on income, sales and property" and going even further with spending cuts.

At the same time, the government must pursue pro-growth deregulation and investment, and embrace EU initiatives and new technologies. "The country needs leadership. A bold government would state that the constraints we have lived under on taxation, spending and regulation need to be reassessed. Times have changed. So must we."

Germany turns on the credit taps

Germany's parliament has approved Friedrich Merz's plans to inject up to €1trn into military and infrastructure, "a move that could revive Europe's biggest economy and boost the EU's rearmament efforts", says Anne-Sylvaine Chassany in the Financial Times.

In an emergency session of the outgoing Bundestag on Tuesday, the "chancellor-in-waiting" narrowly won the two-thirds majority required for constitutional changes.

The Christian Democrat (CDU) party and its probable coalition partners, the Social Democrats (SPD), are planning a €500bn infrastructure fund and unlimited borrowing for defence. Merz justified his U-turn on the debt brake, which limits the structural budget deficit to 0.35% of GDP, by the "deteriorating transatlantic relationship and the growing threat from Russia". He had to act fast because the far-right AfD party and the far-left Die Linke had the numbers to block the vote in the new parliament.

Merz has delivered a "masterclass in how to betray your voters while maintaining a straight face", says Henry Donovan in The Spectator. Instead of addressing Germany's "grotesquely oversized social budget", he has opted for a "politically expedient sugar rush of deficit spending that will briefly mask structural problems while exacerbating them in the long run".

Major concessions to the Greens to get the vote over the line are "catastrophic" for the CDU and centrist politics in Germany as a whole. When voters discover their "ballot for fiscal sanity" delivers a "Green-tinged spending spree", the extremists will find "fertile ground". Merz has "salvaged his chancellorship at the cost of the very principles that might have made it worth having".

Trump and Putin seek deal on Ukraine

The main outcome of Vladimir Putin's 90-minute phone call with Donald Trump on Tuesday was Putin's rejection of a full 30-day ceasefire in Ukraine, which Volodymyr Zelensky signed up to last week, and an agreement to "pause attacks" on energy and infrastructure, says David Blair in The Telegraph.

This is "thin gruel". The US "read-out" of the call contains "not a hint of pressure"; rather speaks "enthusiastically" of the "huge upside" of an "improved bilateral relationship" between the US and Russia, including "enormous economic deals and geopolitical stability".

The read-out produced by Russia was friendly but unyielding on Putin's basic demands, says The Economist. For a 30-day ceasefire to be effective, the Kremlin said Ukraine had to halt mobilisation and re-armament and the US had to stop providing it with weapons and intelligence.

"There was no mention of Russia pausing its recruitment, halting its military production" or stopping arms imports. For any lasting peace, Russia said any agreement should "eliminate the root causes of the crisis", in other words, limit Ukraine's sovereignty, enforce its neutrality and, ideally, push Nato out of eastern Europe. Putin emphasised the idea of Russia and the US negotiating bilaterally to end the war.

For all the "ballyhoo", this was no "telephonic version of Yalta", says David Ignatius in The Washington Post. Putin made "maximalist initial demands" and hasn't given up his "desire to dominate Kyiv. He hopes to win in negotiations what he hasn't been able to on the battlefield." Crucially, Russia has already won a return-from-pariah status.

Trump has put himself "on the diplomatic hot seat". He will either take on Putin and "get concessions that could frame a lasting deal" or he will "back off and risk a bad deal" that might embolden Putin to resume his assault, making it "only a temporary pause in this terrible war".

London

A cluster headache: The OECD group of rich nations' downgrade of Britain's growth prospects this year is "yet another headache" for chancellor Rachel Reeves (pictured) ahead of the Spring Statement next week, says Michael Simmons in The Spectator. It now expects the economy to grow 1.4%, and 1.2% in 2026, compared with 1.7% and 1.3% earlier. "In fairness, the whole world is seeing slowing growth" for a variety of reasons, not least of which is the US tariff war. But the fall in employment in Britain over the past 12 months suggests a recession is on the way. If the labour market continues to cool, Reeves will be "£15bn short of her headroom".

The chancellor was "clutching at straws" last Friday when she blamed a "changing world" for January's surprise 0.1% month-on-month contraction in GDP. "Given the fragile outlook, further… downturns can't be ruled out." "[Long-term] worklessness is a headache for the government, too," says The Economist. Since 2019, annual spending on health-related benefits for those of working age (16-64) has risen by £19bn (0.7% of GDP), with a further £13bn expected by 2029. Almost a million more working-age Britons than in 2019 are out of work. "No other rich country has seen a similar rise."

New York

Google pays up for Wiz: Google's parent company Alphabet is in fresh talks to buy New York-based cybersecurity start-up Wiz after previous talks collapsed, say Lauren Thomas and Berber Jin in The Wall Street Journal. Last summer, Wiz had been concerned about the amount of time it would take for a deal to overcome regulatory hurdles and whether it would remain a separate unit within Google or be integrated into the latter's cloud-computing arm.

"It's not often you see big tech firms getting pushed around," says Chris Hughes on Bloomberg. "Upstart Wiz has just squeezed… Alphabet to pony [up] $32bn for a privately owned five-year-old cybersecurity firm." Wiz, in securing a price around 40% higher than last year's $23bn offer, shows just how badly Alphabet wants it. The motivation for Alphabet is that Wiz, which helps companies to identify and patch vulnerabilities in their cloud-based data, would go some way towards edging out rivals Microsoft and Amazon in the field of corporate cloud services. But Alphabet is "taking a leap of faith". Wiz is probably loss-making and that is something Alphabet will have no doubt priced in to its previous offer. More generally, investors are "cooling" on the tech sector, while it's "too soon to assume the risks of this deal being blocked" by regulators on competition grounds have sufficiently diminished under US president Donald Trump. "Alphabet's management has some convincing to do."

Austin

Pepsi buys Poppi: US drinks giant PepsiCo is buying prebiotic fizzy drinks brand Poppi for $1.95bn, which includes $300m of expected cash tax benefits, says Amelia Lucas on CNBC. Prebiotic drinks, which are claimed to be good for bacteria in the gut, have grown in popularity with health-conscious consumers over the past five years as traditional sugary drinks have fallen out of favour. Rival Coca-Cola recently launched its own prebiotic brand, Simply Pop, and said the market for the drinks could exceed $2bn by 2029. A funding round in February valued Olipop, another brand, at $1.85bn. It's not all been plain-sailing.

Last week, Poppi moved to settle out of court for $8.9m a class action lawsuit that alleged its drinks were not as healthy as claimed. Meanwhile, the fizzy-drinks industry in the US is facing a backlash from the Make America Healthy Again movement, driven by health secretary Robert F. Kennedy Jr, who has called the drinks "poison", says Denny Jacob in The Wall Street Journal. He backs efforts in several US states to prevent Americans from spending food-aid benefits on sugary, carbonated drinks. The American Beverage Association, a trade group, commissioned a poll this year which showed that nearly 60% of people who voted for Donald Trump support allowing fizzy drinks purchases with food aid.

The way we live now... a creative solution to a labour shortage

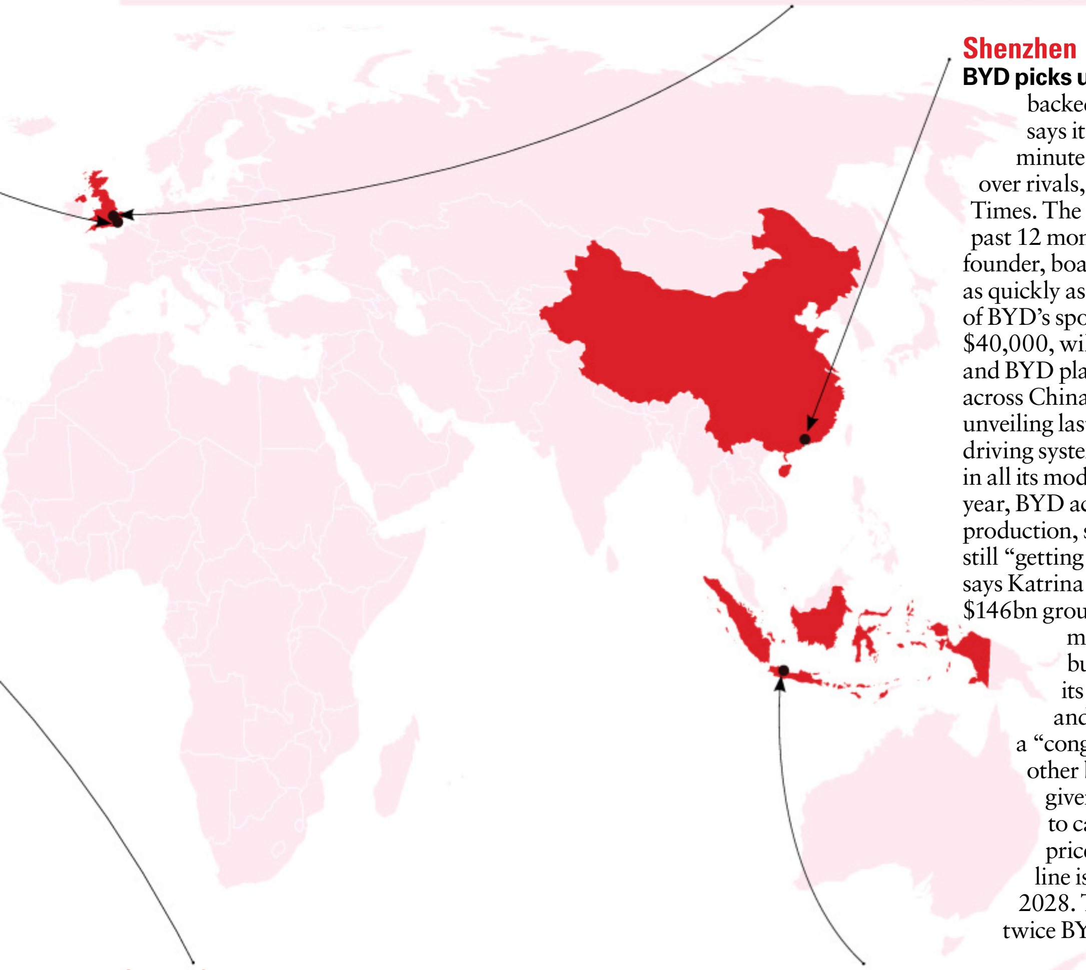
Service-sector businesses in Japan are investing in robots that can work with people, rather than replace them, to address a serious labour shortage and a rapidly ageing population, say Erica Yokoyama and Momoka Yokoyama on Bloomberg. These robots also assist older or foreign workers by giving physical assistance and easing language barriers. Skylark, the country's largest restaurant chain, uses about 3,000 cat-themed robots with big blue eyes (pictured) that have 3D sensors and dozens of facial expressions to deliver food from orders taken via tablets. The company has saved around ¥5bn (£26m) in annual labour costs. The robots are also increasingly being used in Japan's elderly care sector due to a shortfall in carers, although, naturally, there are limits to what they can do.

Japan's service robot market is expected to be worth over ¥400bn (£2.1bn) by 2030, nearly triple the size in 2024, while the global market is forecast to reach ¥2.57trn (£13.3bn) this year, according to research firm Fuji Keizai. "This market is significantly broader and more diverse than industrial robotics," says Werner Kraus from the Fraunhofer Institute for Manufacturing Engineering and Automation. "The growth potential is therefore higher."

Cambridge

A new approach: AstraZeneca, Britain's biggest pharmaceutical company, is building on its pipeline of cell therapies that harness the body's immune system to attack cancers, says Alex Ralph in The Times. On Monday, it agreed to buy EsoBiotec, a company of 13 employees in Belgium, for $425m on completion of the deal, with up to a further $575m due should certain development and regulatory milestones be met. EsoBiotec has developed a lentiviral platform that delivers instructions to specific immune cells, such as T-cells, via an injection, programming the cells to recognise and destroy tumours. Traditional cell therapies require cells to be removed from the body in order to be modified before being readministered to the patient. That typically takes weeks. Besides being faster, the "*in vivo*" method of modifying cells within the body has the advantage of potentially "tackling many of the barriers associated with traditional cell therapies", such as complexity and cost. EsoBiotec's platform has the "potential to transform cell therapy and will enable us to scale these innovative treatments", says Susan Galbraith, AstraZeneca's executive vice-president of oncology research and development. In 2023, the pharma giant bought Gracell, a Chinese oncological company, for up to $1.2bn in a similar bolt-on acquisition.


Galbraith: transforming cell therapy



Shenzhen

BYD picks up speed: BYD, the Warren Buffett-backed Chinese electric-vehicle (EV) maker, says it can now charge its cars in just five minutes, demonstrating a technological lead over rivals, says Edward White in the Financial Times. The shares have gained 85% over the past 12 months. Wang Chuanfu, the company's founder, boasted BYD's batteries could add 470km as quickly as it takes to fill a car with petrol. Two of BYD's sports utility models, priced around $40,000, will have the new fast-charging system, and BYD plans to install around 4,000 chargers across China. The announcement follows BYD's unveiling last month of its free advanced self-driving system, God's Eye, which will be included in all its models. For the first two months of this year, BYD accounted for 27% of Chinese EV production, selling over 405,000 cars. Yet BYD is still "getting too little credit from shareholders", says Katrina Hamlin on Breakingviews. "The $146bn group trades at a lower multiple than its main rivals, even though its core [car] business, which accounts for the bulk of its earnings, sports better sales growth and margins." Investors could be applying a "conglomerate-like discount" due to BYD's other businesses, but this would be "unfair, given how integral chips and batteries are to car making". Tariffs and a domestic price war are risks, but the car unit's top line is likely to grow faster than rivals' by 2028. The car unit could be worth $390bn, twice BYD's current market capitalisation.

Santa Clara

New boss at Intel: Intel's new CEO, Lip-Bu Tan, will test the "great man theory" of visionaries who bend technology and markets to their will, says Robert Cryan on Breakingviews. But the "odds are he will fall short". Tan replaces interim co-CEOs David Zinsner and MJ Holthaus, who took over in December when Patrick Gelsinger was ousted, rejoining Intel's board after departing last year. Intel's shares rose 25% on the news. The $110bn US chipmaker has been struggling with declining sales, a failure to capitalise on the booming AI market, and losing its manufacturing edge. Tan "mostly promises the same direction" as his predecessor, "but with more vigorous movement". The plan remains to "defray hefty investment costs by profitably producing chips for other companies" and rival the likes of Taiwan's TSMC. The trouble is, margins depend on scale, and Intel is expected to spend about $20bn annually on capital expenditure in the next few years – half as much as TSMC. "It's hard to see how any one person… can influence those odds." Meanwhile, Nvidia unveiled its latest chip at its annual developer conference – the Blackwell Ultra graphic processing unit (GPU), which is better for reasoning models, such as China's DeepSeek AI chatbot.

Jakarta

Stocks tumble: Indonesia's main stock index plunged 7.1% on Tuesday, hitting its lowest level since 2021 and triggering a 30-minute trading halt, says Nana Shibata on Nikkei Asia. The Jakarta Stock Exchange Composite index, which has fallen 14.8% in the past 12 months and is one of worst performers globally, subsequently regained some ground, but the fall reflects mounting concern over a weakening economy. Investors have been "spooked by slowing consumption" in Southeast Asia's largest economy and are nervous about the "costly spending plans" of president Prabowo Subianto (pictured), which have placed a strain on "already stretched finances and prompted widespread austerity measures", say Anantha Lakshmi and Diana Mariska in the Financial Times. The rupiah has dropped around 2% against the dollar this year and consumer confidence dipped for the second consecutive month in February. On Wednesday, Indonesia's central bank held interest rates at 5.75% to support the currency, while the country's financial authorities made it easier for companies to buy back shares.

Labour rolls back the welfare state


©Getty Images
Liz Kendall is to radically tighten eligibility criteria for sickness benefits

The government is tackling the swelling welfare bill. Has it gone far enough? Simon Wilson reports

What's the scale of the problem?

The number of working-age people receiving long-term sickness or disability benefits has risen sharply since the Covid-19 pandemic, up from 2.8 million to four million people in England and Wales – or from one in 13 of the working-age population to one in ten. Fiscally, that rise is unsustainable in an era of stagnant growth and where there is a pressing need to boost spending in other areas, not least defence. Overall, the Office for Budget Responsibility says the UK spends 11% of GDP on all social security and welfare. And since some of this spending – the pension triple lock – is apparently politically untouchable (if fiscally incoherent), the Labour government has announced plans to cut spending on disability payments and health-related top-ups to universal credit.

Is the rise due to mental health?

Partly. There are a range of factors at play, including a benefit system that makes it more favourable to claim incapacity benefit than jobseeker's allowance. There has also been a striking drop-off in the number of re-assessments carried out since the pandemic, making it easier for people to continue claiming. But according to an Institute of Fiscal Studies paper published this month, worsening mental health is a significant driver. More than half of the overall rise in claims relates to mental health or behavioural conditions; 44% of all claimants cite mental health as their primary condition. And while no doubt some people are exaggerating conditions to game the system, the rise in benefit claims relating to mental health is mirrored by a wider, societal trend towards poorer mental health – and one that predates the pandemic.

> *"The UK spends 11% of GDP on social security and welfare"*

What's in the Green Paper?

First, and most contentiously, the work and pensions secretary Liz Kendall plans to radically tighten the eligibility criteria for receiving the "personal independence payment" – a benefit paid to disabled and incapacitated people regardless of whether they are in work, to help with the additional living costs associated with their conditions. Payment levels vary depending on the severity of the disability, and claims have surged in recent years (from 2.14 million adults in January 2020 to 3.66 million now), with more claimants citing mental-health conditions. Currently, more than 1.3 million people are on the maximum PIPs payment of £9,500 a year (on top of other benefits). Campaigners and charities have attacked cuts to PIPs as cruel; the government argues it wants PIPs to be targeted more fairly. Second, the government wants to tackle what it calls the "clear financial incentive to define yourself as incapable of work". Currently, people who are permanently signed-off from work because of sickness – and therefore qualify for the highest level of benefit top-up – get more than twice as much as jobless people looking for work.

What will change?

Barring an unexpectedly large rebellion by Labour backbenchers, the current top rate of universal credit incapacity benefits will be frozen for existing claimants until 2030, but cut from £97 per week to £50 for new claimants (£2,444 less per year). In addition, the government is launching a consultation on stopping people getting the health top-up for universal credit altogether until they are 22. Meanwhile, the basic rate of universal credit will go up by £7 a week from next year, benefitting more than four million claimants with no health problems. In the longer-term, the government plans to abolish the work capability assessment used to qualify for universal credit health payments by 2028, and offer means-tested health support based solely on PIP assessments. Separately, the government will legislate for a "right to try" work for disabled people, meaning they are not penalised if they attempt to work again but fail. And it will introduce more face-to-face assessments (rather than by phone or online) but end needless re-assessments for the most severely disabled.

What's the rationale?

Any welfare state involves a fiscal balancing act. As William Beveridge put it in his landmark 1942 report, social-security payments must be set high enough to ensure "freedom from want", but not so high as to stifle incentive and personal responsibility. Writing in The Times this week, Keir Starmer made clear he thinks that balance is now off. He pledged that "nobody with a condition that means they will never be able to work will lose out from our changes". But, he insisted, we must be "clear-eyed that the system is actively incentivising people towards higher incapacity benefits and away from work" – representing an "affront to the values of our country".

How much will the plans save?

Supposedly £5bn a year (about 0.2% of GDP) by 2029-2030, but the government has been vague about how it arrived at that number. According to briefings, the gross saving will be around £6bn, with a billion of that reinvested into programmes helping people on health-related benefits get back into work. However, even with a net saving of £5bn, overall spending on these benefits is still projected to rise sharply – the £5bn figure is a "saving" when compared with previous projections. The total cost of sickness and incapacity benefits has risen from £46bn in 2019 (pre-pandemic) to £75bn in the 2024-2025 financial year, and is projected to hit more than £100bn by 2030. That is more than we currently spend on defence, police and courts combined. More is expected to become clear next week in the chancellor's Spring Statement.

So a move in the right direction?

Overall, the government has announced a "sensible package" and one that goes further than the previous government, says The Economist. What's worrying, though, is that the rise in worklessness happened during an exceptionally strong jobs market. Unemployment hit a half-century low in 2022 and vacancies were the highest on record. Now, though, the labour market is softening. "A recession could easily exacerbate the problem and land another cohort on the sick rolls for good."

The return of the department store

Middle England's favourite shops have bounced back for now – but do they have a future?

Matthew Lynn
City columnist

Under the hapless leadership of the former high-flying civil servant Sharon White, John Lewis looked to be in terminal decline. In the case of both the department stores and its upmarket grocery chain Waitrose, the retail chain had too many shops, selling the wrong products in the wrong places. At one point, it even looked as if it might have to abandon its treasured workers' control model and bring in an outside shareholder with the capital necessary to keep it afloat.

Last week it became clear that all it in fact needed was some tough management by an experienced retail boss. Under its new chairman Jason Tarry, a veteran Tesco executive, it announced a 73% rise in profits to £97m for the last year and, although there is no sign yet of the staff bonus being restored, it was the best set of results in years. The retailer is selling its stuff (examples of which are pictured) under the "never knowingly undersold" slogan again and is using AI to track the prices charged at its main rivals. It has gone back to the basics of retailing and focused on the detail, and that is starting to generate better results.

It is not alone. Tesco was plunged into a crisis almost a decade ago, but it has since returned as the largest grocery retailer in the UK and its share price has almost doubled over the last ten years. Marks & Spencer (M&S) at one point seemed close to collapse, but has successfully turned itself around, and the share price has risen by 258% over the last five years. Next is also going from strength to strength, snapping up less successful brands, such as Fat Face and Reiss. Even Debenhams might make a surprise comeback – the fast-fashion retailer Boohoo is renaming itself after the department store it acquired in 2021 and turned into an online-only brand (see below). The great traditional retail brands of Middle England are doing well again.

Growth will prove elusive

Don't get too carried away though. Chains such as John Lewis, M&S and Tesco have all successfully turned themselves around. Under fresh management they have gone back to the basics of retailing, offering quality products that people want, at competitive prices. They have abandoned attempts at international expansion, brand extensions, or moving into financial services, or IT, or any other industry that happens to be fashionable for a year or two, and concentrated on getting a few simple things right. But although this shows that they can be turned around, they can't grow. They face three big problems.

First, employment taxes are about to rise sharply. From next month, the national insurance (NI) charged for each employee will rise and the threshold for paying it will come down to just £5,000. For retailers that typically employ lots of part-time, relatively low-paid workers, that will mean a big rise in tax bills that have to be paid irrespective of whether they are making any money or not. Analysts estimate that Tesco alone will have to pay an extra £250m a year in NI, and that money won't be available for investment in new stores, or new product lines, and will make it very hard to invest.

Second, the consumer is being squeezed. As figures published last week show, the economy is still getting smaller, with output contracting by another 0.1% in January and GDP per capita falling at an even faster rate. Finally, there may well be more tax rises on the way. With a stagnant economy, and with huge pressure on public finances, the chancellor may have little choice but to impose yet another round of tax rises, and businesses are the most likely target.

We have seen how tough the market is in the sharp falls in the share prices of Tesco and Sainsbury's over the last week, with both down by 9% or more. There are fears of a price war with an embattled Asda, and, more broadly, worry that within a stagnant economy the competition for customers will get more and more fierce.

Sure, investors who get in at the right time will do well. No one can buy shares in John Lewis (it is still owned by its employees), but anyone who bet on Tesco or M&S coming back when they were at rock-bottom will have made plenty of money. JD Sports, with its shares down by a third over the last year, may present a similar opportunity right now, and so might the discount chain B&M. There will always be money to be made selling cushions, office clothes, and reasonably priced food to Middle England. Everyone needs that stuff, and John Lewis and M&S are the place to get it. But companies suffering rising costs while serving a market that no longer has much spare money to spend face long-term decline.

©John Lewis

City talk

● Shares in pest control and hygiene group Rentokil slumped 10% after its latest update, says Ian Conway in Shares. Weakness in North America dragged down sales, while operating profits and free cash flow declined. "The outlook brought little comfort either." Investors sense more weakness in North America and the decision to ditch a target of £200m in cost savings from the pricey acquisition of Terminix in 2022 "went down particularly poorly no matter how management tried to spin it". Overall, the gulf between Rentokil's performance and US rival Rollins "suggests investors... are being short-changed".

©Getty Images

● After ten years running construction firm Balfour Beatty, CEO Leo Quinn is "hanging up his hard hat just when things are really looking up", says Alistair Osborne in The Times. When he took charge in 2015, Balfour had just seen off a bid from "basket case" Carillion and issued five profit warnings. "It's been quite a rebuilding job," yet over the past five years, Quinn has returned £944m to investors and focused Balfour on growth markets – energy, transport, defence and buildings – which should see plenty of future work. Balfour is now on a sturdier footing and the shares have risen from 160p on the day of his appointment in October 2014 to over 450p. "Quinn must have mixed feelings about jacking it in."

● "Debenhams is back," proclaims the online retailer previously known as Boohoo. Yet CEO Dan Finley's upbeat talk "feels more than a little premature" after also issuing another profit downgrade and a "thumping" £40m writedown of stock, says Nils Pratley in The Guardian. The group is following firms such as Next into a "marketplace" model – selling other retailers' brands – but third-party labels are probably only a small part of sales, while revenues for its own fast-fashion brands fell nearly a quarter to £947m. "It's hard to escape the impression that Boohoo has simply had its day in the sun." For all Finley's efforts, he was pushing his credibility in declaring "Our best days are ahead of us." The best days were when "lockdown turned everyone into an online shopper", Boohoo "was still vaguely buzzy", and the share price hit 400p. "You can change the corporate name, but the shares stand at 26p for a reason."

Star stocks start to struggle

Buying quality large caps worked very well last decade. A more volatile world will be a bigger challenge

Cris Sholto Heaton
Investment columnist

One of the best strategies during the last market regime was to buy quality large caps, as epitomised by Terry Smith (see right). Quality is rather a flexible concept in investment – most people prefer to say they hold good businesses rather than trash – but broadly this meant companies with high return on equity, low leverage, steady earnings that produce reliable cash flows and strong global growth prospects.

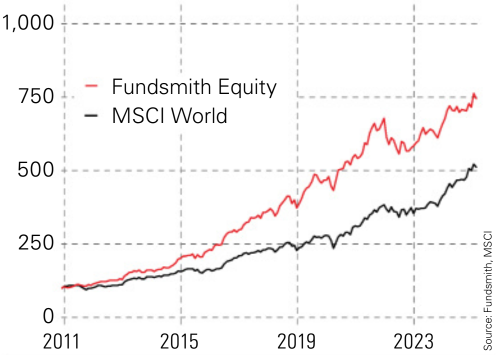
A decade ago, quality investors favoured areas such as consumer staples – often developed-market firms with exposure to emerging markets. Later, some of these stocks started to struggle amid slower emerging-market growth and the return of inflation after the pandemic, while the tech sector began to lead markets. So quality investors shifted a little towards software or data services, where the best businesses have steady recurring revenue, low capital intensity and the ability to lock-in loyal customers.

Still, relatively few quality investors were drawn to Nvidia (semiconductors have always been a cyclical sector) and certainly not to firms such as Tesla. Since these stocks have had a huge influence over the last few years, quality has been unable to outstrip the market as easily as it did before the pandemic and many funds with this approach are doing less well (see also page 17).

A changing portfolio

You can see these shifts play out in Fundsmith's history. In February 2015, the fund had 40% in consumer staples, by far its largest position. By February 2020, technology was the top sector at 29%, slightly ahead of consumer staples. Then last month, it held 32% in health care, with 20% in consumer staples. Fundsmith has been

Fundsmith Equity vs MSCI World
Total return in GBP, rebased November 2010 = 100



more flexible than some other quality strategies and the steady move into healthcare could help performance rebound if tech is reaching a peak.

However, the tricky question for quality large-cap strategies – not just Fundsmith – is whether the entire approach faces a much tougher environment. The last era was hugely favourable for large multinationals. Globalisation gave them the chance to expand into new markets around the world, while politicians and regulators were often very relaxed about waving through cross-border mergers and acquisitions. Big companies grew ever bigger and more profitable.

There are compelling reasons to think this may be over. In the short term, tariffs will mostly hurt firms that ship goods across borders, rather than services. But in the longer term, fragmentation and antagonism creates a more hostile world for multinationals. The US slaps more tariffs on European goods. Europe cranks up regulation on US tech giants. The US strikes back against European firms… and so on in a vicious circle.

If this happens, the obvious conclusion is to favour local over multinational (and small over large). I don't think that outcome is certain, and this volatile market is not the time to rotate out of large global defensives into small caps. However, investors should be alert over the next few years for signs that the trend has changed and quality large caps may no longer be a stand-out strategy.

I wish I knew what a factor was, but I'm too embarrassed to ask

A factor is a characteristic of a share (or other asset) that has been shown to contribute to market outperformance. Research into factors was driven by academics trying to figure out why some stocks generated higher returns than theories about efficient markets would have predicted.

For example, widely accepted factors include size (the observations that small companies tend to beat large firms over time); value (cheap companies beat expensive ones); yield (high-yielding stocks do better than low-yielding ones); and momentum (stocks that go up just keep on going up).

To be clear, these factors will not always beat the market over any given time period. However, looking at historical data, they have generated superior returns in many different markets across the globe over the long run.

"Smart beta" is one trend in the investment industry that tries to exploit this using both the rapid growth in computing power and a growing sense of disillusionment with active fund managers. Smart-beta exchange-traded funds (ETFs) promise to use computer algorithms to build and invest in indices based on various factors. So you might invest in a momentum ETF that continually rebalances into momentum stocks, or a value ETF that does the same for stocks seen as cheap on measures such as book value.

One problem with the race to find new factors for smart beta to exploit is the risk of data mining – if you look hard enough at historical data, you can find apparently meaningful patterns that are simply statistical flukes.

However, it's fair to say that the most deeply established factors (such as those listed above) are widely accepted as valid – although, as with value, whenever they endure a period of significant underperformance, there will always be people who question whether they still work, or if they ever did.

Guru watch

Terry Smith, founder, Fundsmith

The growing dominance of passive index funds is "a very big distortion" that has pushed large-cap US equities to artificially high valuations, says Terry Smith, manager of the giant Fundsmith Equity fund. "That's what we've been battling against for the last year or two, and we might continue battling against it for some time to come."

"We are going through a rather difficult time," Smith acknowledged to investors at his fund's annual general meeting. Fundsmith lagged behind its benchmark last year, for the fourth year in a row, and investors withdrew £3.4bn in the last 12 months. Still, active investing will make a comeback, he insisted. "The dream of any active manager that's worth their salt is to be the last active manager left."

Fundsmith is underweight in US tech stocks and does not hold high-flying chip giant Nvidia, which was the main reason why it failed to keep up with the index. A large position in pharma firm Novo Nordisk was also a drag on returns, but Smith remains optimistic about the growth potential in the weight-loss market despite rising competition. Still, Novo "is likely to be our most controversial share" in 2025.

This faith in weight-loss drugs led to the fund selling its stake in Diageo last year due to the effect on demand for alcoholic drinks. "It will be a while before we think about diving back into the drinks business further than we are now."

Fundsmith continues to hold tobacco firm Philip Morris, which is "doing the right thing" by shifting to non-tobacco products, but a potential environmental, social and governance (ESG) standards backlash remains a risk. Are there enough investors willing "to buy the shares and reflect the [company's] formidable financial performance"?

Meanwhile, Unilever's shock decision to oust CEO Hein Schumacher after 18 months and replace him with CFO Fernando Fernandez is "good news" for investors. Fernandez is "dynamite' and "quite a talent".

Mid Wynd runs out of puff

This global trust has struggled since it changed managers and a turnaround is not yet in sight

Max King
Investment columnist

The performance of **Mid Wynd International Investment Trust (LSE: MWY)** since it moved from Artemis to Lazard in late 2023 has been disappointing. Its investment return of 11.9% in 2024 was just half that of the MSCI ACWI index of global stocks and it remains well behind the benchmark this year. The shares still trade at a modest discount to net asset value (NAV) of 3%, but that is likely to widen significantly unless performance improves greatly.

The change was necessitated by the retirement of Simon Edelsten, the lead fund manager at Artemis. And at the time, Lazard seemed a good choice for this £370m global trust. So what has gone wrong?

The thesis of "buying great businesses with sustainably high returns on capital and the ability to reinvest to generate growth, resulting in the compounding of cash-flow and earnings" appears to make sense. The portfolio is full of high-quality stocks, such as Apple, Microsoft, Taiwan Semiconductor, Visa and Relx. The approach is growth-orientated, with 35% in information technology and 20% in industrials – each 10% more than in the benchmark.

The investment team at Lazard has been investing in this style since 2011 – and perhaps that is the problem.

JPMorgan Global Growth & Income holds media stocks, such as Walt Disney

©Alamy

When a style works well for a long period, other managers jump on board, the favoured shares become overpriced and performance starts to suffer.

As Edelsten himself says, if investors aren't raising their eyebrows at the inclusion of some stocks in the portfolio and questioning how they fit into the process, managers aren't being flexible enough. With that in mind, it's notable that Mid Wynd has no exposure to energy, telecoms, mining and utilities, and low exposure to consumer discretionary firms (such as leisure, travel and retailers). It has avoided recovery and cyclical shares, such as banks, yet these have been great performers recently.

A stronger rival

By contrast, **JPMorgan Global Growth & Income (LSE: JGGI)** goes from strength to strength. It returned 21% in 2024, 116% over five years, yields 3.1% and trades around NAV.

JGGI was launched by the restructuring in 2016 of the £200m JPMorgan Overseas Trust, which was going nowhere. The concept was to avoid the trap of other income funds, which is to invest for income and thereby sacrifice a disproportionate amount of capital return. Instead, the managers invest to maximise total return. This would generate a dividend yield of just 1.4%, but the trust pays dividends of at least 4% of the NAV at the end of the preceding financial year. Most of the dividend is paid out of capital returns (and so a significant increase this year is very likely).

Due to this policy and strong underlying performance, JGGI has grown rapidly, issuing new shares and absorbing other investment trusts. The agreed takeover of Henderson International Income will increase its size to £3.4bn, putting it on course to be the seventh investment trust in the FTSE 100 index.

At first sight, the portfolio looks similar to Mid Wynd's, dominated by familiar names and with 69% US exposure, but there are significant differences. A 3.9% exposure to Nvidia shows that the managers are not afraid of high growth. Yet overall exposure to technology is less gung-ho at 23% and there is room in the portfolio for energy and banks. Media and entertainment makes up 14%, against 4% for the broader communications sector at Mid Wynd, while exposure to industrials is much lower.

JPMorgan has a well-deserved reputation of not letting the grass grow under its feet when it comes to the funds it manages. Any management changes are likely to be handled smoothly, any discount would be met with buy-backs and costs are low, totalling under 0.5% of net assets each year. All of this adds to the reasons why JGGI is likely to continue to be a better investment than Mid Wynd.

Activist watch

US consumer health giant Kenvue has agreed to give the CEO of activist fund Starboard a seat on its board after the hedge fund launched a campaign to get four of its nominees elected as directors. Kenvue has struggled since it was spun out of Johnson & Johnson in 2023 – sales growth has missed expectations and the shares are down by 11% since listing. In October, Starboard, which owns a 1.1% stake in Kenvue, blamed the firm's skin-health and beauty unit for the weak growth and urged it to improve its marketing strategy. In addition to Starboard's boss Jeffrey Smith, Kenvue will add two new directors with consumer health and e-commerce backgrounds who weren't on Starboard's list of candidates, while Starboard will withdraw the rest of its nominees.

Short positions... a solid bid for a battery fund

■ Shares in Harmony Energy Income jumped by 20% after renewables specialist Foresight made an 84p per share takeover offer for the struggling battery storage fund. The bid is at a 29% premium to the previous closing price, although still at a discount of 9% to the latest NAV. Harmony said in May that it would sell its assets, and this bid for its entire portfolio from Foresight – which runs Foresight Environmental Infrastructure and Foresight Solar – may have implications for other renewables trusts on deep discounts. At an implied valuation of £810,000 per megawatt, the offer is twice the price that Gresham House Energy Storage and Gore Street Storage trade on, say analysts at Peel Hunt.

■ Schroders Capital Global Innovation – the former Woodford Patient Capital trust – soared by almost 40% after it made its first disposal since investors voted last month for a managed wind-down. The trust will receive $24.3m (£18.7m), plus potential milestone payments of up to $43.6m, for its stake in Araris Biotech, a Swiss antibody specialist that is being taken over. The original Araris investment – which was made by Schroders rather than former manager Neil Woodford – totalled CHF3m (£2.6m). The initial proceeds will be used to increase an upcoming return of capital to investors from £10m to £28.7m.

■ Life Science Reit has launched a strategic review of its options, including a sale or a managed wind-down. The specialist real estate investment trust, which leases properties to the life-science sector, has struggled since listing in November 2021, blaming higher inflation and interest rates for a slowdown in leasing activity. The shares are down by 55% from the float price, while the discount to NAV stands at 45%.

Uncertainty bedevils US economy

Edward Chancellor
Breakingviews

In the public's mind, Donald Trump and Franklin Roosevelt "could scarcely be more different", says Edward Chancellor. But if their approach differs greatly, both presidencies are characterised by economic disruption and policy uncertainty. Like Trump, Roosevelt was a "political showman" with pet hates, who fell out with his advisers and enacted a "hodgepodge" of sometimes conflicting policies. Ultimately, his New Deal reforms of the 1930s failed because his "wayward economic policies" discouraged firms from making investments. There is a strong negative relationship between capital investment and uncertainty about the direction of travel. Over the past week, the US Economic Policy Uncertainty index has "soared to an all-time peak". Outsiders struggle to discern the rationale for tariffs, which countries and industries the White House will target, and how much others will retaliate. Global investors openly wonder whether the administration wants the US dollar to remain the global reserve currency, or "even whether overseas capital is still welcome". The effects of potential mass expulsion of undocumented migrants is another unknown. An adverse supply shock could be on the way, and it may "already be too late to turn back".

China's AI euphoria may not last

Editorial
The Economist

The frenzy over Manus, a Chinese artificial-intelligence (AI) bot, is the latest sign of the "mania" that has been sweeping China since January, when DeepSeek "shook the world" with a new model that cost a fraction of similarly powerful Western ones to train, says The Economist. This has led to a record start to the year for Chinese markets, with the Hang Seng Tech index up by more than 40%. Many are betting that cheaper AI will allow innovators to develop new applications. Investment in data centres is booming. Hundreds of large Chinese firms say they plan to use DeepSeek's technology and some firms and city governments are busy "embedding" it into their products. Others are using it to cut costs and raise performance. Yet some analysts argue that DeepSeek will not change the fundamentals for most firms. They may struggle to monetise AI. One of the biggest potential "party-poopers" is access to semiconductors. The US is still allowing China to buy H20 chips from Nvidia, but these are not the most powerful and, so far, even the best Chinese chips are no match. If Donald Trump imposes harsher restrictions, the cost of training and running AI models will rise, "bringing China's AI euphoria to an abrupt end".

Treasury brain needs a rewire

Andy Haldane
Financial Times

So-called "Treasury brain" has two sides, says Andy Haldane: a rational "fiscal hemisphere that safeguards the public purse" and a creative hemisphere that "stimulates growth". Unlike the human brain, however, it is not equally balanced, but rather "fiscally dominant". In good times, this dominance is "imperceptible and benign". In bad times, it leads to self-defeating rounds of belt-tightening, "shrinking the UK's capital stock, worsening its public services" and so "weakening both growth and the underlying fiscal position". This is what has happened since the global financial crisis. Labour promised change. Rachel Reeves committed to rewiring the brain to growth-first, tweaking the rules to allow for more public investment. Since then, however, no measures have been announced that will decisively shift the dial. As growth has once more disappointed, "fiscal-first instincts have gone into overdrive". There is an argument that a "new world order requires a fiscal reset", but this does not go to the heart of the issue – the mindset of those designing the rules. Keir Starmer should copy other G7 countries and create a separate ministry focused on growth, giving the government "the balanced brain it requires".

AI will live up to hype eventually

Rolfe Winkler
The Wall Street Journal

Some investors worry that the current AI boom will follow the dotcom trajectory, says Rolfe Winkler. Yet that period offers an important lesson for AI investors: "ultimately, the early internet hype proved correct". Today, the five most valuable listed companies are tech firms from that era or "ones that grew from seeds planted then". Unlike "bad bubbles" based on assets that don't make the economy more productive (eg, the tulip bulb), a number of "tangible advances" have already emerged from AI. It is clear there is great potential to create economic value. Smarter search, the ability to write software code, file taxes, schedule meetings; these are all things that can boost productivity. This doesn't mean there won't be losers. Some AI firms are already "melting down". Many start-ups will "flame out". And some will have"brilliant ideas that get picked up by others". General Magic released an early version of the smartphone in 1994, years ahead of its time. The firm went bankrupt in 2002, but General Magic alumnus Tony Fadell went on to help develop the iPod and iPhone. Another, Andy Rubin, founded Android. Meanwhile, John Giannandrea, an engineer working on a project to create AI agents to complete tasks, now heads AI at Apple.

Money talks

"I never had any money advice from my folks, other than my dad saying, don't go anywhere near the entertainment business because it's a waste of time and you won't make any money. I think he was aghast that I was willing to work for nothing."
Bafta-award-winning filmmaker Nick Hamm (pictured), quoted in The Telegraph

"Confronted with a challenge to distil the secret of sound investment into three words, we venture the motto: margin of safety."
Legendary investor Benjamin Graham, quoted on X

"The proverb says: 'Good fences make good neighbours.' When they don't, lawyers make good money."
Columnist Libby Purves in The Times

"The trick of successful investors is to sell when they want to, not when they have to."
US hedge-fund manager Seth Klarman, quoted on X

"If protective tariffs were in reality a cure for business crises, they would long ago have had a chance to demonstrate their efficacy."
US economist Percy Bidwell on the role of tariffs in fuelling the Great Depression, quoted on X

"The Deutschmark is a strong currency, but if the Russian tanks roll, it's Kleenex."
A commentator during the Cold War alluding to Germany relying on the US for defence, quoted in City AM

"I started to resent being paid less than my male counterparts, many of whom were less competent. I asked my personnel officer what was preventing me from becoming an officer. The poor man [was] taken aback. I felt like Oliver Twist when he asked for more."
Stella Rimington, former director-general of MI5, quoted in The Telegraph

America's debt time bomb

noahpinion.blog

Donald Trump's tariffs have tanked stocks and crushed consumers' confidence, says Noah Smith. Elon Musk is "haphazardly smashing" government institutions. But there's yet another "huge and imminent danger": Trump is about to expand the national debt "massively" at a time when it is already increasingly unaffordable.

The size of the debt is not Trump's fault – he inherited it, and Democrats and Republicans "share about equal portions of the blame". And interest rates are the proximate reason for why the debt is becoming a problem: as the government rolls over more and more of its bonds, it's being forced to refinance at higher rates, and interest costs are soaring as a percentage of GDP. But Trump's tax cuts are about to make the problem worse.

A constant in US politics is that Republicans "always want to cut taxes". This time is no different. The Republican-dominated Congress plans to extend the tax cuts from Trump's first term, which were due to expire. That in itself will cost the federal government trillions of dollars in lost revenue over the next decade.

But Trump's administration has many other tax cuts in mind, too. It wants to cut corporation tax to 15% from 21%, raise the $10,000 limit on the deduction for state and local taxes, stop taxing tips and social-security benefits, and much more. Even without all the extra cuts total public debt was on course to rise from $30trn this year to $52trn, or nearly 120% of GDP by 2035.

The justification is that higher economic growth will compensate for lost revenues, but this didn't materialise in anything but homeopathic amounts for Trump's previous tax cuts and looks especially unlikely at a time when debt and rates are already high, and the economy is likely to take a hit from tariffs.

The Republicans propose to slash spending, of course, but that will be difficult politically, and for all its ruthlessness, Musk's Doge department has not found a way to save money: the rate at which the federal government is borrowing each month is undiminished. Its efforts could even be making things worse by hollowing out the tax-collection agencies.

The only thing that could rescue Trump's administration from the consequences of fiscal irresponsibility is monetary irresponsibility – in other words, inflation. Expectations about inflation have already spiked, and if it materialises that will mean more big drops in Americans' real income. Trump is "gambling" with US fiscal stability – and ultimately with its economic stability too.

©Getty Images

Trump has taken a baseball bat to US economic stability

Trump's coalition will implode

project-syndicate.org

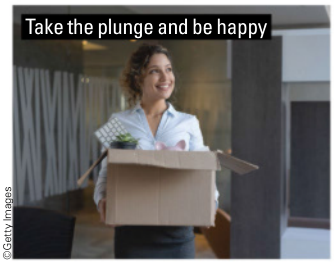
Donald Trump may have ridden to office on a wave of public hostility against elites, but his "enablers" are themselves leading figures in the establishment and plutocracy, says Dani Rodrik. His clique of Republicans, wealthy businessmen, Wall Street financiers and economic nationalists, has this time been joined by Silicon Valley technologists. All are united in their belief that Trump will advance their agendas. But the different camps "embody very different visions of America". The economic nationalists want to return to a "mythical past marked by American industrial glory". The tech camp "envisions an AI-administered utopian future". The former is populist and wants to stop immigration; the latter elitist and welcoming to skilled newcomers. One wants to break up Silicon Valley; the other to empower it. It is "typical of personalistic leaders such as Trump to pit allies against each other" so that none gets too powerful. But this works best when the conflict is over resources and rents, not ideologies. Given the vastly different worldviews of the elite camps, a "showdown is all but inevitable". Regardless of the outcome, the losers will be Trump's working-class supporters. "The urgent policy agenda needed to create a middle-class economy in a post-industrial society will remain as distant as ever."

Be brave and quit your job

unherd.com

A spectre is haunting the British workplace, says Charlie Colenutt: the "Fear of the Great Mistake". This is the feeling that your career is always but "seconds away from some imagined disaster". This fear has become institutionalised and manifests in many ways: overly cautious and bureaucratic work practices, a planning system that won't let us build anything for fear we will build the wrong thing, plodding investment portfolios because we fear losing money, and so on.

On an individual level, it keeps us trapped in jobs we hate. We keep the ones we have for fear of what might happen, even if that means living in misery. In fact, big career moves "only ever seem to happen in response to some crisis, such as redundancy, a breakdown, or the sudden arrival of caring responsibilities". Yet these "shoves from God" rarely result in disaster. The Fear of the Great Mistake is an "anxious fear that often owes more to imagination than reality". Our worst fears are rarely realised, or if they are, are seldom as bad as we thought. The Great Mistake "rarely shows its face". Be brave and make the move. The result could be greater happiness.



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Take the plunge and be happy

Three policies to fix Britain

thecritic.co.uk

Everyone knows by now that Britain is in deep trouble, says Sebastian Milbank. But some of our problems are "self-inflicted and freely chosen" and could be dealt with very quickly if the political will were there. We have three "millstones" hanging around our necks.

First, "Treasury brain". The government department's obsession with balancing the books has strangled public investment and hence industry for decades. Labour should drop the "absurd" fiscal rules holding back investment in our "crumbling" infrastructure. Second, net zero. Britain's "fanatical" rush to go green will not save the planet, but is killing off industry with soaring energy prices. Instead, we should get busy extracting our own oil and gas in the short term – and putting the profits in a sovereign wealth fund that could back green technologies – and investing in nuclear power for the long term. Finally, get a grip on law and order. Restoring confidence in the courts and strengthening the hand of the British state to pursue "popular and needed policies" are "but a few pen strokes away".

Make fat profits from trim waistlines

The new generation of weight-loss drugs are a boon for the overweight, but they also promise to change our relationship with food and revolutionise the economy. Matthew Partridge reports

Obesity is a growing global problem and a real threat to the health of individuals. It is not just an aesthetic issue, but also a serious health concern – it is, to be blunt, very hard to be overweight and healthy, says Ali Khavandi, consultant interventional cardiologist at the Royal United Hospital Bath. In the US more than 40% of adults are classified as obese, which has created a "health crisis" as a result of rising healthcare costs and reduced productivity in the workforce. Obesity is even affecting military recruitment, making it a "pressing issue" for governments, says John Plassard, senior investment specialist at Mirabaud Group. There is good news, however. Governments are trying to encourage healthy eating. And the latest generation of weight-loss drugs seem to be highly effective. These drugs promise to shrink our waistlines and fundamentally alter our relationship with food, says Plassard. That has major implications for the food industry.

The drugs are a game changer

The big breakthrough has been the development of so-called GLP-1 receptor antagonists, such as semaglutide, which are sold by Novo Nordisk under the brand names Ozempic and Wegovy (similar drugs are sold by other companies, such as Eli Lilly). These were originally designed to be a treatment for diabetes, but have been repurposed as weight-loss drugs because they mimic the gut hormones that give rise to feelings of satiety, hence reducing appetites and calorie intake. The popularity and impact of these drugs is such that restaurant owners have started to notice changes in ordering patterns – diners are already tending to opt for smaller portions, says Roel Houwer, a product manager at asset manager VanEck.

The drugs are a game changer, agrees Khavandi. They have only relatively recently appeared on the market, meaning we don't yet know much about their long-term effectiveness and side-effects. But there is no doubting their popularity. Patients who aren't eligible for treatment on the NHS are buying the drugs privately from online pharmacies, which are themselves "struggling to keep up with the demand". Some people only use the drugs for a short period before stopping, usually because of stomach problems or because they baulk at the thought of being reliant on a drug they have to inject. But most people do stick with them, not least because the drugs kick-start a virtuous cycle "where you lose weight, so you feel lighter and maybe have less knee or joint pain, which in turn gives you more energy, so you lose even more weight". Their use is only likely to rise as health systems make more people eligible for treatment and new forms of the drug are developed that have fewer, or more manageable, side-effects.

"Already restaurant owners have started to notice changes in ordering patterns"

Is this the end for junk food?

Interestingly, the new drugs lead not only to a reduction in the amount of food that people eat, but also to an improvement in the quality of the food they choose, says Carl Hazeley, chief analyst at fintech firm Finimize. A study by Walmart, one of the largest retailers in the US, found that stores with a pharmacy where people were able to pick up prescriptions for weight-loss drugs saw smaller food baskets passing through the tills, and healthier, less calorific food choices. It seems, therefore, that people on the weight-loss drugs shift away from junk food towards healthier options.

This shift should be nudged further by the growing regulatory pressure on the industry to improve the quality of food. In the UK, for example, there has been a push by government to get companies to reduce the amount of sugar and salt in their products, as well as to "crack down on junk food in general". Shops in the UK cannot, for example, put sweets on display near the till, a rule which came into force in 2022, and there are restrictions on advertising that promotes junk food. The US is behind the curve on such measures, but "the push provided by the weight-loss drugs will hopefully prompt food producers to move away from empty calories".

Other studies of consumer buying patterns confirm that the weight-loss drugs are having an impact at the till, says Martin Frandsen, a portfolio manager at Principal Global Investors. One showed that the weight-loss drugs reduce overall grocery spending for most people, but that the impact is particularly large for low-income households. This group "ends up spending 8%-9% less on groceries, with big reductions" on the amount spent on "chips, savoury snacks, sweet bakeries and soft drinks as well as frozen food".

Opportunities in healthier grub

Sounds like bad news for junk-food producers. But it might be a boon for other food companies. The same studies suggest that those on weight-loss drugs "actually end up spending more money on fresh produce and yoghurts", says Frandsen. A rise in the amount of fresh produce consumed may seem logical, but why yoghurt? It may be that the drugs, as previously noted, are having a negative impact on the stomach and causing nausea, and so people are choosing things to eat that are soothing.

There is also evidence that the drugs boost sales of protein-rich foods, says Jeneiv Shah, portfolio manager for Sarasin Food and Agriculture Opportunities Fund. This is because those who take the drugs often exhibit muscle as well as fat loss and foods high in protein, along with regular exercise, build the muscle back up. This means there is going to be a big rise in demand for products that are "ready to drink", such as protein shakes, and for foods such as yoghurts that have been enriched with protein.

All such trends will have a knock-on impact further up the supply chain of the food industry, says Frandsen. If people are buying more fresh produce, then you will also need to have better inventory control systems, for example, as fresh food has a much shorter shelf life. That could be a great opportunity for companies involved in creating such systems. Similarly, since yogurts tend to have other ingredients added, such as vitamins and probiotics, the rise in the amount consumed "will be good news for some of the leading ingredient players in the market".


People on GLR-1 receptor antagonists eat less and choose healthier options

Desire dampeners

The primary purpose of the new generation of weight-loss drugs is, of course, to get people to eat less, but there is some evidence that they also have the potential to "make a profound impact on broader lifestyle choices in other areas – for example, by influencing alcohol and tobacco consumption", says Dasha Fomina, an equity research analyst at William Blair Investment Management. Studies "suggest a particular decrease in the desire for sweet alcoholic beverages", she says. Hazley also points to preliminary studies that indicate they may be a desire dampener when it comes to bad habits.

This development comes against a backdrop of "a slow-burning downward trend" in drinking among young people, which "started 20 years ago", says Aarin Chiekrie, an equity analyst at Hargreaves Lansdown. "Compared with previous decades, young people are now less likely to drink alcohol, and if they do, they start drinking at older ages, drink less often and consume smaller amounts." Evidence for this can be seen not only in surveys of consumption, but also from the fact that pubs are suffering. The number of pubs in the UK fell from 55,400 in 2010 to 46,800 ten years later.

But it's not all bad news for the drinks companies, says Chiekrie. Consumers are definitely buying less alcohol overall, but many are shifting to a "buy less, buy better approach", and a lot of companies are "pivoting their offerings to cater to this". Premium and craft drinks brands, for example, "remain strong", and there is a growing demand for alcohol-free beers, "which are becoming more socially acceptable to drink at events, more available at bars and (crucially) much tastier to drink" than previously available alcohol-free offerings. An example is Diageo, which invested heavily in Guinness 0.0, its alcohol-free stout. This doubled its sales in Europe in 2024 and the drink become the number-one non-alcoholic beer in UK licensed premises.

We can see similar trends in Europe and the US, says Houwer. A study by the European Commission's Directorate-General for Agriculture and Rural Development, for example, estimated that in 2021 the market for low- and non-alcoholic beverages (although virtually all of it is for the non-alcoholic kind) had grown to €7.5bn in the EU alone. The leading producer of non-alcoholic beer was

Continued on page 22

"These drugs may also have an effect on broader lifestyle choices, such as drinking and smoking"

Continued from page 21

Germany, which accounted for nearly a third of the EU's output in 2019.

The vegan revolution

As well as drinking less, younger consumers are also moving away from dairy and animal products, either for ethical reasons, such as concerns about animal welfare or the impact on the environment, or because of the supposed health benefits of a vegetable-based diet. Many people feel that the health benefits of such a move have been oversold. "There's a reason that most diets around the world have always contained meats," says Khavandi, "and that's because when you eat meat the animal has already done most of the work of extracting the nutrients from vegetable matter for you." A purely plant-based diet, by contrast, is often a nutritionally deficient one, which is "why most vegans end up having to supplement their diet artificially". Meat-substitute products also tend to be packed full of artificial flavourings, so, as Hazeley says, "you end up replacing a moral problem with a physical one".

Still, it's hard to dispute that there has been a big increase in consumers' interest in alternatives to animal protein, as shown by the range of different products now available. "Just a few years ago the only real alternative to milk from cows was soy," notes Frandsen. Now, however, "things have developed so quickly that there are around ten different types of alternative milk, and if you go into any large coffee chain you can easily find other alternatives, such as almond, oat, or coconut milk". Indeed, around 15% of the "milk" now sold in the US is plant-based.

The market for plant-based alternatives to meat is a little more complex, says Frandsen. Some consumers want their meat substitutes to taste like meat, others don't. This diversity "has made it harder for producers to achieve enough scale to reduce costs", which is why he recommends investing in companies that specialise in adding ingredients to food, rather those that sell the final product. Yet this too is a fast-growing market. The initial hype surrounding products such as

Some patients baulk at injecting the drugs, but the benefits are clear

Beyond Meat and Impossible Foods has slowed, says Lale Akoner, a strategist at eToro, but "alternative protein technologies such as precision fermentation (using genetically modified yeast and bacteria to grow specific ingredients) and cultivated (laboratory-grown) meat are poised to drive the next phase of innovation in the sector".

In sum, a combination of the rise of the new weight-loss drugs, health-conscious consumers, regulatory shifts and breakthroughs in food technology adds up to a "fundamental transformation" for the food and drinks industry, says Akoner. The battle for market share will be "fierce", with those resistant to change risking "obsolescence", but those who recognise these trends and act accordingly are set to "thrive". We look at some of the best options for investors who want to buy in the box below.

"The battle for market share in the new food industry will be fierce"

The best investments to buy now

Most of the funds focused on anti-obesity drugs invest in the drugs themselves. A way to benefit more broadly from changes in consumers' tastes is to buy an exchange-traded fund (ETF), such as the **VanEck Sustainable Future of Food UCITS ETF A USD Acc (LSE: VEGI)**. The fund aims to provide "relatively diversified access to companies at the forefront of sustainable and innovative food solutions" by tracking the MVIS Global Future of Food ESG index, says Houwer. Major holdings include **Danone (Paris: BN)**, which is the third-largest holding. As Hazeley points out in the main story above, the tendency of anti-obesity drugs to produce stomach discomfort in some users is leading to an increase in demand for Danone's yoghurts. The firm trades at 17.5 times 2026 earnings and on a yield of 3.14%. The VanEck fund has an ongoing charge of 0.45% a year.

An active fund worth considering is the **Sarasin Food and Agriculture Opportunities P Acc**. It is managed by Jeneiv Shah and Colm Harney and invests in firms around the world that will benefit from the growth of the agriculture and food sectors. Many of its holdings will profit from the rise of anti-obesity drugs, including **BellRing brands (NYSE: BRBR)**, the fund's second-largest holding. It has seen its sales more than double between 2019 and 2024, makes a popular ready-to-drink protein shake, which can offset the muscle loss from anti-obesity drugs, and is sold by large US supermarkets and wholesalers, including Costco (the fund's largest holding). BellRing trades at 25.6 times 2026 earning; the overall fund has an ongoing charge of 0.98% a year.

Another company held by Sarasin's fund (as well as VanEck's ETF), and which should also be a big winner from the rise of anti-obesity drugs, is **Kerry Group (LSE: KYGA)**, which sells specialist ingredients that make branded products tastier and more nutritious. The need to reformulate and redesign food products so they work alongside anti-obesity drugs is likely to boost demand for Kerry's services, says Shah, which will constitute major "tailwinds" for the company. Kerry's normalised earnings per share have jumped by nearly a third since 2020, and are expected to keep on growing. Its stock trades at a relatively modest 17.3 times 2026 earnings and a yield of 1.45%.

Another strategy is to focus on food producers that are "positioning themselves well in the evolving health-conscious market", says Plassard. He particularly likes **General Mills (NYSE: GIS)**, which is "adapting to consumers' preferences for cleaner ingredients and lower-calorie options" by "aggressively expanding into organic, high-protein and functional nutrition". General Mills has a solid record of sales growth of around 3%-4% a year, and has grown profits by more than 50% between 2019 and 2024, with a double-digit return on capital employed. Its shares trade at 14.7 times 2026 earnings and offer a dividend yield of 3.8%.

While anti-obesity drugs, and a more general millennial move away from drinking, may depress alcohol sales in general, a few drinks companies should still do well. Among them is **Boston Beer Company (NYSE: SAM)**, which Akoner praises for "innovating in alcohol-free options". Its strength in speciality and craft beers, which are also popular with younger consumers, should also ensure that it keeps growing. Boston Beer Company has seen its sales grow by 61% between 2019 and 2024, more than justifying the fact that its shares trade at 20.3 times 2026 earnings.

The housing bubble will burst

Property prices have climbed in the past few years, but the long-term outlook is poor, says Max King

House prices in the UK, according to Zoopla, have risen just 2.2% in the past year, while the cost of flats rose only 0.5%. Halifax's estimate of annual house-price growth is 2.9%, but Nationwide is more bullish. It records a 3.1% year-on-year increase for the fourth quarter in England, 2.7% in Wales, 4.4% in Scotland and 7.1% in Northern Ireland. The estimate for England hides a significant regional variation: prices were 4.4% higher in the Midlands and the north of England, but just 2% higher in southern England. In East Anglia, prices rose just 0.5%.

Nationwide and Halifax also produce monthly data, but this can be erratic. The numbers provided by different sources always differ as they can come from surveys of estate agents, deals completed, or mortgages arranged. The data from transactions may not be representative of the market as a whole. It will exclude properties that don't sell, or omit some private transactions. It is, in other words, not very reliable.

Yet the presumption is that house prices rise remorselessly with only occasional interruptions: they always have and they always will. That presumption is built into the behaviour of buyers. If your home will always rise in value, capital gains tax-free, you might as well buy somewhere bigger than you really need in a more expensive location. If buying to rent, you will accept a low rental yield, as it will be topped up by capital appreciation.

Nationwide, however, points out that prices at the end of 2024 "were still just below the all-time high recorded in summer 2022". Its regional numbers suggest that price increases in the north represented a catch-up with London and the southeast. If so, they will now slow down.

"Property prices in prime central London have gone nowhere for ten years"

At the top of the market (prime central London) "the market has gone nowhere in the last ten years", says Charlie Ellingworth of Property Vision. "There have been some spectacular sales, but these are outliers in a market that remains broadly flat." This end of the market is suffering from the exodus of non-domiciles, accelerated by their being dragged into the inheritance-tax (IHT) net in the last budget. Equally important, says Ellingworth, is that potential buyers from overseas have been put off.

A post-Covid collapse

The country market, he says, "had a noticeable spike over the Covid years that has unravelled recently, reflecting the retreat from working from home". However, "the internet and working from home have enabled people to extend their weekend and live further away", so good properties in good locations remain popular. This is also true in London where major developments that offer "good transport links and a good range of shops, cafes and restaurants" are popular – unlike "so many of the riverside developments that future generations will regard as sad failures".

In the broader market, affordability is improving as earnings rise, but the house price-to-earnings ratio is still well above the long-term average. Moreover, this does not take account of higher interest rates, which could fall back to 4%, but not to the sub-1% levels of a few years ago. Mortgage borrowers have been protected by the availability a few years ago of low fixed rates, but these deals are rapidly expiring.

The gauge of affordability also omits the relentless rise of stamp duty, soon to be zero on just the first £125,000. A buyer will pay 3% on a property costing

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Perhaps people will learn that a residential property is a place to live in for a long time, rather than an investment

£500,000, 4.4% on £1m and the marginal rate rises from 10% to 12% above £1.5m. First-time buyers pay a little less if buying a property for under £625,000, but buyers of second homes will pay an extra 5% and non-residents an extra 2%.

With many councils in financial difficulties, council tax is set to rise well above the rate of inflation. Those buying second homes will have to pay double tax, having paid only half ten years ago. For those buying flats, service charges are escalating rapidly, especially if remedial action for cladding is necessary. This probably explains why, as Zoopla reports, price increases for flats are lagging those for houses.

Buy-to-let investors and those letting out holiday homes are facing the cost of achieving the required level of energy-performance certificates; rising management costs; higher taxation on net income, with reduced deductions before net income is calculated; and higher capital-gains tax on disposal. In holiday locations, locals have complained about being priced out of the market. But without the tourist trade they wouldn't want to live there.

The attraction of buy-to-let investing has always been not just a reasonable level of net income, rising at least in line with inflation, but also the prospect of capital gains. But if costs, taxes and regulations are eating away the net income, the capital gains will disappear, and without them the investor needs a considerably higher level of net income. No wonder so many are selling – but the prospective returns are not attractive to buyers.

The same applies to home buyers. If price rises are no longer expected, the incentive to buy the biggest property you can afford disappears and the inclination to downsize in later life increases. Confidence in higher prices made that confidence self-fulfilling. Now, the reverse could apply. "Housing was the goose that laid the golden egg for successive governments, enabling them to tax, tax and tax again," says one developer.

But surely the UK is chronically short of housing? The government's plan to build (or have the private sector build) 300,000 new homes a year for five years has been much criticised, with the industry pointing to shortages of labour, materials and sites.

"It is easier than ever to build on the green belt and simpler for planning inspectors to approve projects"

Taking on the NIMBYs

Still, the intended changes to planning laws will presumably proceed and have some effect in increasing supply. As Ellingworth points out, "Labour is a predominantly urban party with little sympathy for countryside" the concerns of NIMBYs.

Last week, The Telegraph reported that "UK golf courses were under siege by Rachel Reeves's build, build, build mantra". The article claimed that "at least one in six of the country's courses are so distressed that they could face imminent closure. Already this year, the courses that have either shut or been earmarked to shut are running into double figures, with at least three making way for new houses".

"It is easier than ever to construct on the green belt and more straightforward for planning inspectors to wave through projects, even if they have previously been rejected by council planning committees."

The main thing deterring demand is household formation, which, according to Statista, has averaged growth of 0.6% per annum in the last ten years, but 0.4% in the last year, 2023. This is very similar to population growth, so household sizes are no longer falling. With the fertility rate now well below replacement level, population growth and hence household formation is dependent on immigration. It must be presumed that this government or the next one will significantly restrict immigration, as nearly all other developed countries are now doing.

When this happens, population growth and hence household formation will turn negative, while housing supply will be growing. This is not a recipe for rising prices. Rising building costs, exacerbated by inflation in wages and the price of materials, and the increase in national insurance and regulation should result in a squeeze on housebuilders' profits and lower land values rather than feed through into the price of new homes and hence the value of existing ones.

Perhaps people will learn that a residential property is a place to live in for a long period of time, rather than an investment. There will always be bargains based on quality, mis-pricings and location. But the days when a rising market would bail you out from overpaying are surely over.

Profit from the global LNG boom

Cheniere Energy is expanding to grab a share of a growing market

Rupert Hargreaves
Investment columnist

The group aims to more than double its current output
©Getty Images

Over the past decade, the US has become one of the most influential countries in the global liquefied natural gas (LNG) market. From producing virtually nothing in the early 2010s, in 2022 the country became the world's largest LNG exporter. By the end of the decade, almost one in every three tankers carrying the fuel will originate in the US, according to BloombergNEF. Production capacity from the country is expected to grow by 60% in the next three years. Companies such as **Cheniere Energy (NYSE: LNG)** and **Venture Global (NYSE: VG)** have powered the sector's growth, investing tens of billions of dollars in the infrastructure required to turn natural gas into the super-cooled liquid for export.

Vast LNG facilities – which chill natural gas down to -160°C, transforming it into a liquid, and then pump it into specialised ships – consume vast amounts of capital and require coordinated efforts by all parties to get from the idea to the production stage. Cheniere's Sabine Pass (owned by **Cheniere Energy Partners LP (NYSE: CQP)**, a subsidiary of Cheniere Energy*) is the world's largest liquefaction facility, with a total capacity of about 30 million tonnes a year (total US exports hit 88.3 million tonnes in 2024).

Enormous global demand

The growth in US export capacity has coincided with exploding demand for LNG worldwide. In its liquid form, gas is fairly easy to transport in large quantities and is a relatively cheap and clean fuel. In 2024, global trade in LNG grew by only two million tonnes, mainly due to capacity constraints. More than 170 million tonnes of new LNG supply a year is set to be available by 2030 and this is expected to help support demand growing from 407 million tonnes a year at present to 630 million-718 million tonnes a year by 2040, according to Shell's global LNG report (Shell is Europe's largest trader of LNG).

Demand is expected to come from traditional sources, such as heating and power generation, as well as non-traditional sources, such as shipping. The growing order book of LNG-powered vessels will see demand from this market rise to more than 16 million tonnes a year by 2030.

Cheniere Energy (NYSE: LNG)
Share price in US dollars

Cheniere's existing facilities, experience and market position make it one of the best ways to play the LNG boom. Along with Sabine, it also owns the Corpus Christi terminal, and both facilities sell their output into the market on fixed-term contracts, which gives the business a high level of visibility over future cash flows.

At the end of February, the company's CEO, Jack Fusco, said it plans aggressively to pursue new regulatory permits to expand capacity now that Donald Trump occupies the White House. "We intend to strategically pursue permits to ensure the long-term growth optionality of Sabine Pass and Corpus Christi," Fusco said. The company wants to more than double its current output, from 45 million tonnes to 90 million tonnes, by building more export terminals at Corpus Christi and Sabine. At Corpus Christi Cheniere is building the Stage 3 LNG export facility, which is ahead of schedule. Production is expected to begin by the end of the year, and the new addition will eventually boost output by ten million tonnes a year.

Cheniere is banking on the expected completion of the Corpus Christi expansion project to hit its targets for 2025. It says it expects adjusted earnings before interest, taxes, depreciation, and amortisation (Ebitda) of between $6.5bn and $7bn, up from $6.2bn for 2024. Distributable cash flow is expected to come in between $4.1bn and $4.6bn, with more than 90% of forecasted operational volumes expected to be sold in relation to long-term agreements.

Gushing cash

"Distributable cash flow" isn't worth much to investors if it isn't distributed. But Cheniere is making an effort to do so. It recently published its 20/20 vision, designed to return more cash to shareholders while expanding its LNG platform. The aim is to generate $20bn of cash by 2026 while the firm grows its distributable cash flow run rate to over $20 per share.

Last year, the company spent a total of $5.4bn on capital projects, share repurchases ($2.6bn), dividends ($500m) and debt repayments ($1.2bn). It boosted its dividend by 20% and plans to grow it by about 10% per year from the 2025 level of $2 per share. The yield is only 0.9% at present, but total shareholder yield (including share repurchases and debt repayments) was just shy of 9% last year.

With a market capitalisation of $48bn, the targets suggest the business will generate cash equivalent to 42% of its market value over the next two years. That gives no value to the group's cash-flow potential in the years after. With demand for LNG set to increase over the rest of the decade and Cheniere aiming to more than double its output, there's a considerable amount of future growth potential that doesn't appear to be reflected in the stock's current valuation.

** Cheniere owns its Sabine Pass facility via Cheniere Energy Partners LP – a listed business structured as a partnership. This is typical in the US for firms that want to raise capital and limit liability. Income flows through the partnerships to shareholders and they usually offer higher payouts to attract investors. The parent company, Cheniere, owns 100% of the general-partner interest and a 48.6% limited-partner interest. The rest of the limited-partner units are traded on the NYSE, but due to the quirks of US-UK tax law, they're not suitable for the average UK investor.*

Emerging EMEA – add a new dimension to your portfolio

Discover the compelling markets that may be often overlooked

A golden rule of investment is diversification. Spread your portfolio across a variety of investments allowing you to broaden opportunities while spreading risks.

As global markets move increasingly in tandem, it can be hard to find opportunities that genuinely offer diversification. But one group of markets that can potentially deliver something new to your portfolio is Emerging EMEA.

Comprising the markets of Eastern Europe, the Middle East and Africa, Emerging EMEA presents some compelling reasons to invest.

1. They're often overlooked

Because they're very young, and spread across a vast region, the markets of Emerging EMEA still don't get the analyst coverage of, say, the emerging markets of Asia-Pacific. That means well-run public companies with great growth prospects can often fall under the radar – providing opportunities for investors who do focus on them.

2. Many have great demographics

Whereas the West and many countries across Asia are struggling with the rising cost of an ageing population, Emerging EMEA economies often have a much younger age profile. In Turkey, for example, the median age is 34 (compared to almost 41 in the UK) while in Kuwait and South Africa, it's 30.[1]

This means these countries have a greater proportion of the population working, spending, and contributing to their economy. When this is combined with an educated and highly skilled workforce (as is the case in Turkey), the economic prospects look even more interesting.

3. They're each very different

Emerging EMEA spans selected markets from Saudi Arabia to South Africa, and from Poland to Qatar. The demographics, cultures and economic drivers of these countries are very varied. So as well as providing a new dimension to the rest of your portfolio, an Emerging EMEA portfolio enjoys strong internal diversification – spreading your risks and broadening your opportunity.

4. Digitalisation is only just beginning

Emerging EMEA is one of the few regions left in the world, where the digitisation of society is still at an early stage. What's more, it's often home-grown companies that are leading the market. So there are opportunities to capture growth potential in sectors such as technology and online payments at far lower share price valuations than the US tech giants can now offer.

5. And income is looking attractive too

Investors tend to associate young emerging markets with capital growth. But as these economies progress, companies are looking to reward their shareholders with attractive dividends too. In addition, the ongoing economic repair in Greece is allowing its biggest banks to return to paying dividends for the first time since the country's 2008 debt crisis, an important milestone, and supporting the regions place as a strong income diversifier.

Learn more

Barings Emerging EMEA Opportunities PLC allows you to focus on these diverse and dynamic markets. Managed by one of the longest-serving investment teams dedicated to the region, it offers a valuable opportunity to invest in a portfolio of companies often overlooked by large institutional investors and complement returns from other emerging market regions.

To find out more and read our Country Spotlights, visit bemoplc.com and for news and views, sign up at *bemoplc.com/preferencecentre*

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[1] https://www.cia.gov/the-world-factbook/field/median-age/country-comparison

Does it pay to signal virtue?

Getting certified as ethical is pricey, but the returns can be worth it

David Prosser
Business columnist

Higher ethical and environmental standards can drive improved financial performance, says B Lab UK, the organisation that awards B-Corp status. B-Corp-certified businesses in the UK reported a 23.2% average increase in revenues last year, compared with only 16.8% from other businesses. Moreover, B-Corp firms increased their headcount by 9.6%, while others trimmed their workforces.

B Lab UK, the British arm of the international B Lab organisation, celebrates its tenth anniversary this month and has so far awarded B-Corp status to more than 2,400 businesses in the UK. Mostly small and medium-sized enterprises (SMEs), these firms meet minimum standards across five areas of their business. To apply for the certification, B-Corp firms must provide data on around 200 questions about their governance, workplace culture, environmental performance, community engagement and relationships with customers.

Securing B-Corp status can be a valuable way for businesses to make a statement about their commitment to purpose as well as profit. At a time when scrutiny of companies' behaviour is increasing, this is important. Still, the relationship between standards of environmental and social governance (ESG) and financial results is not straightforward.

Studies are split on whether improving ESG drives clear commercial benefits; some analysts argue that the data seen in studies such as the B-Corp research may reflect other factors. It may be, for example, that businesses in faster-growing areas of the economy find it easier to get higher ratings. There has also been some criticism of the B-Corp movement, with campaigners accusing it of enabling greenwashing. Eyebrows were raised, for example, when coffee company Nespresso secured B-Corp status three years ago. The business is owned by Nestlé, the international consumer-products giant, which has often been criticised by sustainability campaigners. B Lab UK is a business in itself. It charges a fee for the application process, plus annual levies for the continued right to display B-Corp status. Even for SMEs, these charges can run into thousands of pounds.

Held to higher standards

Still, many businesses will feel they get a return on that money given the potential value of a public demonstration of higher ethical and environmental standards. PwC last year found that consumers are willing to pay an average of 9.7% extra to buy good and services produced responsibly. Seven in ten people in one survey conducted by Totaljobs said they considered firms' records on sustainability when deciding whether to work for them.

B Lab UK is shortly due to publish new standards for B-Corp certification, which may address some criticisms of the scheme. ESG experts point out that best practice in areas such as environmental performance is evolving. Companies should be held to higher standards over time. In the meantime, high-profile brands continue to embrace B-Corp status, with well-known UK companies including Graze, Giffgaff, Octopus Group, Cook, Tony's Chocolonely, Lucky Saint and Farrow & Ball all having secured certification. The UK is home to 25% of all B-Corp-certified companies worldwide; these firms now employ more than 150,000 workers.

Farrow & Ball has been awarded a wash of green

SMEs in line for car-finance cash

Small-business owners and sole traders could be in line for compensation payments worth thousands of pounds as financial regulators step up their investigation into car-finance mis-selling. The Financial Conduct Authority (FCA), the UK's chief city watchdog, has just announced plans for an industry-wide redress scheme that will require banks and other lenders to contact anyone who meets set mis-selling criteria.

The car-finance row has now been rumbling on for a decade, with a series of legal cases over practices in the industry. The argument centres on whether people taking out finance packages when buying a vehicle were given clear information about the commissions earned by brokers and dealers on such arrangements. Without such disclosures, mis-selling may have occurred.

Importantly, a redress scheme would be likely to cover many small firms, which have routinely used products such as personal-contract plans to purchase vehicles for their businesses. These firms would then receive compensation alongside consumers, with potential payments of more than £1,000 due.

The final detail of the scheme has yet to be worked out, particularly as a landmark car-finance case is due to be heard in the Supreme Court next month. Depending on the result of that case, the FCA is set to publish more detail of its scheme early in the summer.

Petty cash... old phones phased out

● One in five small businesses are still using analogue phone systems, telecoms giant BT warns, with time beginning to run out for them to transfer to digital technologies. The UK's legacy copper phone-line system will be switched off on 31 January 2027, potentially leaving companies without key telecom services. The phase-out has already been delayed once to give businesses and consumers more time to switch, but a further reprieve looks unlikely.

● Looking for debt to expand your business? If so, your preferred option is increasingly likely to be a challenger or specialist bank, rather than one of the large high-street banks that have traditionally dominated lending to smaller businesses. New data from the British Business Bank reveals these lenders accounted for 60% of gross lending to small businesses last year, a record high and the fourth successive year in which they have out-lent the high-street banks.

● Small businesses that file their accounts in line with the International Financial Reporting Standards (IFRS) for SMEs Accounting Standard will need to update their systems and processes from 1 January 2027. The International Accounting Standards Board, which administers the standards, has issued revisions that take effect for annual accounting periods beginning on or after that date. The new measures feature changes in areas such as revenue recognition and fair value. Take advice from an accountant if you're not sure how the new standards affect your business.

No quantum of solace

Quantum computing group IonQ is inefficient, overhyped and overpriced

Matthew Partridge
Shares editor

With many AI stocks having fallen substantially from their recent highs, investors have been seeking the next big technology that can deliver large investment returns. Many people think that quantum computing – using quantum mechanics to enable computers to perform calculations deemed too complex for conventional computer technology – could fit the bill. However, while quantum computing does hold out the promise of exponentially increasing the speed at which computers can carry out tasks, this doesn't mean that every company in this area is worth buying.

One firm longer on hype than on substance is **IonQ (NYSE: IONQ)**, a quantum computing hardware and software company based in Maryland. Its shares quintupled over the last three months of 2024 thanks to promising recent developments in quantum computing at both Microsoft and Google. IonQ claims that its particular type of quantum computing technology is more promising than versions used by its rivals, and is only a few years away from reaching the stage at which it can be used in a range of fields, such as drug development.

IBM's quantum computer is one among many models available in this field

©Alamy

Computer says no

The sales pitch sounds appealing, but there are several obstacles to progress. Firstly, as short-seller Sahm Adrangi of Kerrisdale Capital Management points out, IonQ has a long record of making big promises and then either taking much longer than expected to meet its targets, or missing them entirely.

While IonQ has managed to increase the power of its systems over the past five years, it still hasn't solved the key problem of how to minimise the noise and errors that appear in quantum computing – one of the main barriers to commercialisation. As a result, IonQ continues to lose large amounts of money, with no timeline in sight for becoming profitable, which bodes ill for a company whose shares trade at 60 times 2025 earnings.

IonQ's problems in reaching profitability are compounded by the intense competition it faces. There are many well-funded smaller companies with similar goals, while some of the biggest names in technology, such as IBM, Google and Microsoft, are also working hard in this area. As Andrew Left of Citron Research points out, these technology giants can invest billions of dollars into research and development, compared with mere millions in IonQ's case. So it is hard to see how IonQ will be able to keep up with them.

> *"The group faces intense competition from larger rivals with far deeper pockets"*

While IonQ's fundamentals look shaky, the surge in enthusiasm that propelled the company's share price upwards at the end of last year seems to have cooled. The stock is now down by over half from its high at the start of this year, and is 27% below its 50-day moving average. I would therefore short IonQ at the current price of $25.02, at £40 per $1. I also suggest that you cover your position if it rises above $49.02, which gives you a total downside of £960.

Betting on politics... Starmer will stay

Only nine months ago Labour was celebrating an election that gave it the largest number of seats gained in nearly seven decades, with a majority only slightly lower than in its landslide victories of 1997 and 2001. Today, its polling ratings languish above 20%, with the party falling behind Reform in many surveys.

No wonder then that Ladbrokes is running a market on whether Keir Starmer will be prime minister at the next election. It is offering 4/5 (55.6%) on Starmer being PM, and 1/1 (50%) on him not being PM on election day. Despite Labour's current woes, I think the odds on him still being PM look good value. Even if Labour's poll ratings don't improve, the Labour party doesn't have a history of forcing its leaders out of office, even when the polls look bleak; witness the failure of attempted moves against both Gordon Brown and Jeremy Corbyn.

Bear in mind too that the bet has him quitting as PM, so it is theoretically possible that he could let someone else fight the election as Labour leader while remaining as PM until polling day.

I would also recommend taking the 1/6 (85.7%) that Ladbrokes is offering on Nigel Farage remaining leader of Reform in 2025, rather than the 7/2 (22.9%) on him being replaced this year.

Even though I think Reform is still likely to lose the coming by-election in Runcorn, Farage retains a huge amount of support from the Reform membership, with no obvious successor in sight. In any case, the way that Reform is structured makes it very difficult for anyone to remove Farage, even if they were able to muster enough support.

How my tips have fared

A fortnight ago I said that I was contemplating culling some of my long tips. As it transpired, the fall in the market made the decision for me: in the past two weeks, five of my seven long tips declined.

What's more, Marks & Spencer was closed out at the stop-loss level of 325p, at a loss of £196; United Airlines was closed out at $80, yielding a profit of £819; and ticketing company Trainline was closed out at 275p, leaving me £774 in the red.

As far as the other tips are concerned, food packager Hilton Foods decreased from 854p to 839p, while Corpay fell from $368 to $347.

The only bright spots were property developer Harworth, which rose from 162p to 166p, and Domino's Pizza Group, which appreciated from to 293p to 297p. Overall, counting the three closed positions, my long positions fell from a gain of £526 to a loss of £1,015.

My short tips did a bit better, with three of the four moving in my favour. Like last time, the only exception was telecoms firm Lumen Technologies, which rose from $5.03 to £5.07. Trump Media & Technology – Donald Trump's social-media business – continued its fall, from $24.17 to $20.56, while online food retailer Ocado declined from 256p to 234p.

Drone maker Red Cat Holdings slipped further, from $5.84 to $5.79. As a result, the net profits on my short have gone from £2,083 to £2,355. Overall, my long and short tips are making combined profits of £1,340, down from £2,629 two weeks ago.

My trading portfolio now contains nine tips, including four long ones (Corpay, Harworth, Hilton Foods and Domino's Pizza Group) and five short plays (Trump Media & Technology, Ocado, Lumen Technologies, Red Cat and IonQ).

I suggest raising the stop-loss on Hilton Foods to 640p (from 635p) and Domino's Pizza to 245p (240p). I think you should also cut the price at which you cover Ocado to 305p (from 310p); for Trump Media & Technology, reduce it to $38 ($40).

Three top-notch Taiwanese companies cashing in on the advent of AI

A professional investor tells us where he'd put his money. This week: Eric Chan, investment director and co-manager of the Aberdeen Asian Income Fund

Asia is poised to drive global economic growth and is expected to account for more than half of the world's GDP growth by 2025. There are major demographic dividends in Asia yet to be fully realised, led by giants such as China and India, while dynamic Southeast Asian economies, including Indonesia and Thailand, are also growing rapidly.

The focus on dividends is increasing across corporate Asia: 50% of the Asia-Pacific ex-Japan region is now yielding more than 2.5%. We believe the risk of dividend cuts is low in Asia owing to robust earnings and strong balance sheets, which provide good support for growing dividends.

We look for high-quality and dividend-paying companies in Asia that operate in growing industries and have a sustainable competitive advantage. We are actively investing in the future of AI and see real potential winners in the Asian technology hardware and semiconductor supply-chain names.

Taiwan's chip champion

TSMC (Taipei: 2330), the fund's largest holding, is a global leader in producing semiconductors that are key building blocks for supporting the use of AI. Over the past few decades it has secured a sizeable advantage when it comes to production. It leads the global market and has built relationships with key customers.

It would be difficult for potential rivals to enter the market as they would need to spend huge amounts to replicate TSMC's production system. Demand for its products, moreover, is strong. TSMC can therefore generate robust free cash flows. This helps support growing dividends, and the group's shareholders have enjoyed good capital and dividend growth to date.

Taiwan-based **Sunonwealth (Taipei: 2421)** makes cooling fans for data centres. It supplies clients in industries such as IT, automotive electronics and network communication. A niche player, Sunonwealth is a preferred partner for customised cooling solutions, which enhances its market position.

It has also developed the first-ever MagLev motor fan, the world's smallest and thinnest magnetic levitation motor fan, showcasing its innovation. As AI technology becomes more complex, the need for advanced cooling solutions grows. This makes Sunonwealth a vital part of the AI supply chain.

"Demand for cooling fans in data centres is growing, which bodes well for Sunonwealth"

©Getty Images

TSMC is the top producer of semiconductors used for AI

The company's strong balance sheet and cash flows have historically supported a healthy dividend payout and an attractive yield.

Accton (Taipei: 2345) is a Taiwanese firm that makes high-speed networking switches for US heavyweights such as Amazon and Facebook, as well as others, including HP, Nokia, and Ericsson. The company boasts a strong research and development edge, a broad product range and a solid record of over 30 years.

The business also has high barriers to entry, deterring rivals. This is due to complex technical designs, close relationships with high-profile, established companies, long qualification times and cost competitiveness driven by advantages of scale.

It has not only diversified its key customer base beyond Amazon (it now has Intel and Meta on its books), but has also extended the range of its switch business, which now focuses on AI accelerators too. Accton's consistent improvement in profitability underpins its ability to deliver steady income growth over the long term.

A 'vulture' swoops on the City

Boaz Weinstein's campaign to take over and transform "the Miserable Seven" London-based investment trusts has been routed – for now. The fight isn't over yet. Jane Lewis reports

©Getty Images

"Elon Musk isn't the only American business leader who relishes telling Brits how absolutely rubbish they are," observed The Times in January. One New Yorker adding "his own unique contribution to the special transatlantic relationship" is Boaz Weinstein, the hedge-fund chief who has spent much of the year laying siege to seven London-listed investment trusts he dubs "the Miserable Seven". Still, his three-month campaign hasn't turned out quite as planned.

"I love punching a bully in the nose," the Wall Street trader behind Saba Capital told the Financial Times. "That's what I think I'm doing with closed-end funds." When he landed with a bang in the UK – taking simultaneous stakes in a clutch of funds – he proposed ousting their boards, installing his own nominees and unlocking value for investors (and himself) by reducing the discount at which the shares trade relative to their assets.

It's a familiar playbook for Weinstein, who has previously targeted some of the biggest names in American finance, including BlackRock. But he didn't bargain on the resistance he encountered from London's old financial guard, who were "having none of his populist pitch", says The Wall Street Journal. Far from being viewed as a white knight, Weinstein was slammed as a "vulture", bent on "an opportunistic land grab of a significant part of the British financial system". Ultimately, investors in all seven funds voted overwhelmingly to kick out his proposals. "Boy, they crushed me."

"Weinstein is known as an aggressive trader with an appetite for risk"

"I didn't realise just how clubby" the UK financial world is, says Weinstein, 52, of his defeat. But he has vowed to fight on. In fact, the former Deutsche Bank wunderkind says he takes "pride in surviving periods of bad luck or bad performance". A chess master, he's also a poker and blackjack high-roller, once banned from the Bellagio casino in Las Vegas for his prowess at counting cards.

As a boy growing up in a small apartment on the Upper West Side of Manhattan, he was a regular watcher of the TV show *Wall Street Week*, "sparking an early fascination with markets", says The Wall Street Journal. Later, as a student at the prestigious Stuyvesant High School, Boaz won a stockpicking contest. At 15, he won an internship at Merrill Lynch; at 18, "he talked his way" into a Goldman Sachs summer programme aimed at graduates.

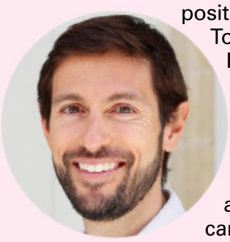
That was the prelude to a stellar career trading complex derivatives at Deutsche Bank, where Weinstein honed an ability to profit from volatility during the 1998 Russian debt crisis and discovered a lifelong passion for exploiting price gaps, says the FT. The profits rolled in, but he was badly hit during the 2008 financial crisis, losing about $2bn, and left the bank soon after.

Harpooning the Whale

Undeterred, he formed Saba Capital. In the hedge-fund game, Weinstein is known as a "monster" – an "aggressive trader with a preternatural appetite for risk and a take-no-prisoners style", noted The New York Times in 2012. His big coup came in 2011, when he noticed that an unknown trader, later dubbed "the London Whale", was making huge trades in an obscure corner of the credit markets, says the FT. He took the other side and "ended up harpooning" JPMorgan Chase, "which lost more than $6bn in the fiasco".

Today, Saba Capital oversees around $5bn in assets. But Weinstein's record has long split the critics. Some point to his ability to deliver steady returns, others say he was able to spot the London Whale because he is one himself – never too far from another ruinous Deutsche Bank trade. As Weinstein moves on to the second phase of his London campaign – he has filed proposals to convert four funds into open-ended funds that automatically trade at their asset values – his mettle and endurance will be tested. It goes without saying he thinks he'll win.

The patriotic millionaires giving away their wealth



©Clara Molden/The Telegraph

When Paolo Fresia inherited tens of millions of pounds after his mother's death, he didn't know what to do, says Charlotte Lytton in The Telegraph. At first he pretended it hadn't happened. He watched on in dismay as other members of his family who received similar amounts wasted their money, corrupting their lifestyles and mental health in the process.

Things came to a head when Fresia (pictured) reached his mid-20s and he decided he'd have to do something – "come out" as wealthy, and do something positive with the money. To that end he joined Patriotic Millionaires UK, a group that advocates for higher taxes on the rich.

Fresia, now 36, says that among his age group the wealthy can feel "really guilty" about their money, especially if it has come from industries such as defence, or oil and gas (Fresia's came from the family's vermouth company). But you can drop the guilt and become more "action-oriented", Fresia told The Telegraph, by developing a "clear reparations plan to make good all the negative impacts that money might have had while being made".

Fresia is far from alone in his predicament. People in advanced economies stand to inherit around $6trn this year, says The Economist – about 10% of GDP, up from around 5% on average among rich countries in the mid-20th century. Patriotic Millionaires would like to help relieve them of the burden and is currently on a country-wide tour to campaign to "raise awareness among ordinary people… that a tax of 2% on wealth above £10m could raise £460m a week for our country's crumbling finances", reports Josephine Ingram for Yorkshire Bylines. Seven out of ten millionaires say they agree.

But the group is pushing at an open door, says Matthew Lynn in The Spectator. The UK has already embarked on an "interesting experiment" with the highest marginal tax rates in the world on the "mobile wealthy, on business owners, on inheritance and indeed on anyone with… accumulated assets". We'll soon find out how cheerfully they cough up – or whether they'll up sticks to find a more congenial tax regime.

But if you agree with the group's aims, you need not wait for the glorious day when they are achieved. Anyone who wants to pay more tax can do so – the government will happily accept your money.

Two Indian Ocean idylls

Enjoy the best of the Seychelles at Constance Lemuria and Ephelia, says Ruth Emery

Constance Ephelia looks out over Port Launay Marine National Park

©Constance Hotels

What springs to mind when you think of the Seychelles? A tropical island paradise in the Indian Ocean, perhaps, or pristine white beaches and clear, turquoise waters. But this African archipelago of 115 islands boasts so much more. There's the nature side. Think giant tortoises, endangered turtles, colourful birds and exotic plants. Then, there's the adventure side, with plenty of hikes and water sports.

The fourth facet is the exquisite food. You will probably have the best sushi in your life in the Seychelles. There are also fine-dining restaurants worthy of a Michelin star and Creole food if you fancy something more comforting. I encountered all of the above when I stayed at Constance Lemuria and Constance Ephelia, two luxury resorts on the islands of Praslin and Mahé.

Championship golf

Lemuria is the smaller of the two and getting there involves hopping on a 20-minute flight from the international airport on Mahé. So, it feels more secluded. You're also very well looked after, with 420 staff in a resort of only 88 junior suites and a handful of senior suites and villas. Peacocks parade around the swimming pools and, as you wander across the lush gardens to the white-sand beach, you'll probably pass the giant tortoises.

There are trails you can hike, one of which ends at the Anse Georgette beach, considered to be one of the best beaches in the world. Above the beach sits the only 18-hole championship golf course in the country. The pros call it "Jurassic" as it's so dramatic with steep, rolling hills. If golf isn't your thing, you can still book to have sundowners at tee 15. We did this on our first evening – a truly memorable event with Champagne, canapés, and bats flying around as the sky started to darken.

Some holidaymakers may be happy to relax and unwind, swim, listen to birdsong, maybe go to the spa. But if you want to "do" more things, there are other experiences you can book. The morning sushi class on the beach with Michael was a highlight. We made spicy tuna rolls and avocado and

cucumber rolls as the waves gently crashed behind us. Guests can also enjoy a free "eco tour" with Robert, the turtle manager. "We're one of the last places on the planet where turtles are nesting," he told us. Endangered hawksbill green turtles are found in the Seychelles, with some laying as many as 200 eggs at a time. "We can have 10,000 eggs on the beach," said Robert. "And when they hatch, the whole beach looks like a maternity ward!"

Our tour continued with a visit to the resort's ten Aldabra giant tortoises. Amusingly, four are named after *Teenage Mutant Ninja Turtles*. Leonardo is aged 56 and Donatello is 62.

And what of the food at Lemuria? The day starts with a sensational breakfast buffet, there are several lunch options depending on whether you want high-end or casual, and then dinner is the real treat. We tucked into a six-course tasting menu at the elegant restaurant Diva. There was yellowfin

> *"You'll probably have the best sushi in your life in the Seychelles"*

tuna, Singapore laksa, wagyu beef, and a brilliant "Pink Panther Memories" dessert with mousses, macarons and chocolate galore.

Over at Constance Ephelia, there are plenty of culinary highlights, too. I loved the chicken and coconut curry with pumpkin chutney at Seselwa, and the Thai lunch at Adam and Eve was incredible.

A Balinese massage

At Ephelia, I stayed in a hillside villa with a terrace and an infinity pool with a sea view. The resort, overlooking the Port Launay Marine National Park, spans 120 hectares of lush vegetation. You get your own golf buggy with the villa, making it easy to explore the property. Like Lemuria, there are swimming pools, giant tortoises, a kids' club and spa. In fact, the spa is the largest in the Indian Ocean with 18 treatment rooms, plus pools and a sauna.

If you're an active sort, there's tennis, squash, windsurfing, diving and zip-lining. A monsoon-like downpour scuppered our efforts to go zip-lining, so I booked in for a Balinese massage instead. Tressy, my masseuse, worked out my knots and made me feel at once relaxed and rejuvenated.

Apparently, the singer Jane McDonald had stayed in my villa – not surprising as it was lovely. There was an outdoor shower where you could feel at one with nature, or you could laze on a sun lounger and watch the clouds roll in across the bay and boats bobbing around. These were real pinch-me-I'm-in-paradise moments.

Ruth was a guest of Constance. Three nights at Constance Ephelia followed by three nights at Constance Lemuria, both in junior suites, half board, in May 2025 from £2,899 per person. Includes return private transfers and flights. Price includes up to 30% discount. Contact Turquoise Holidays on 01494 678400 and at turquoiseholidays.co.uk. See constancehotels.com for further details.

Mercedes' quiet cruisers

Practical and comfortable, the updated GLE range of SUVs tick all the right boxes

The Mercedes-Benz GLE is, "rather alarmingly, approaching its 30th birthday", say Matt Saunders and Greg Kable in Autocar. This, the fourth generation of the SUV, has received a "fairly typical mid-cycle facelift", with an all-new GLE 53 Hybrid added to the line-up. The latest cars are even larger than their predecessors and the choice of engines has "swollen a little since launch" too.

The GLE 300d and GLE 450d have four- and six-cylinder mild-hybrid diesel engines respectively, while the GLE 450 and AMG GLE 53 have two six-cylinder mild-hybrid petrol units. Then, there are the petrol and diesel four-cylinder plug-in hybrids – the GLE 400e and GLE 350de – and a 604bhp turbo V8 AMG GLE 63 S. The new arrival AMG GLE 53 Hybrid takes the electric powertrain technology from the lesser plug-in hybrids and combines it with the six-cylinder petrol engine of the regular AMG GLE 53. Inside the cabin, the GLE is a "significantly more luxurious offering".

The GLE 53 Hybrid produces 536hp of total output due to its transmission-mounted 136hp e-motor and a 21kWh battery in the boot, says Nic Cackett on Pistonheads. It reaches 62mph in 4.7 seconds – three-tenths faster than its petrol-engine sibling, despite being half a tonne heavier – and it can reach 90mph on battery power alone, or 155mph with the help of the straight-six. "It is Mercedes-AMG's idea of what a plug-in hybrid should be." A 60kW charger will recharge the battery to 80% in 20 minutes.

That said, "this is not a sporty car", says Top Gear. It simply hasn't been designed to be "thrown around in anger," but it is "comfy". It's also a "quieter-riding car than most big SUVs" and the "clever" air suspension comes as standard on all GLEs. It is a "very placid, quiet cruiser". In the GLE 53 Hybrid, the steering is "well weighted and in its sportier drive modes… [it] hunkers down and stays remarkably flat when the road gets twisty".

The Mercedes-Benz GLE is "a pretty complete car". Its tweaks have made it "supremely quiet and refined without [becoming] horrendously ugly in the process". It is a "very balanced SUV. Comfy, quiet, practical, none too sporty and all the better for it".

From £75,455, mercedes-benz.co.uk

Wine of the week: a Georgian game-changer

2023 Tbilvino, Saperavi, Kakheti, Georgia

£13.99, reduced to £11.99 in a Mix Six, majestic.co.uk

Matthew Jukes
Wine columnist

As I reach my 1,000th column in MoneyWeek, I thought it appropriate to write up a wine from a country that, to my shame, I have never covered. It is not for want of trying, but this is the first Georgian wine to make the grade, and if a couple of other wines from the Tbilvino portfolio had docked in the UK, I might have three to sing about. So, keep your eyes peeled for the ravishing, mountain-fresh, nerve-tingling white 2023 Tbilvino Rkatsiteli, which will appear later this year. In the meantime, this spectacular saperavi will keep you occupied with its eye-catching packaging, stunning flavours and unbelievable price.

The saperavi grape is an odd one. If you have had the misfortune of tasting an old-fashioned brutish version, you are unlikely to want to try another. The rusticity, raw acid, and raking tannins on the finish pulverise the palate with alacrity. Granted, there is usually a temporary rush of fruit, but it is often bludgeoned into submission by the "anti-fruit"! However, Tbilvino has obliterated any dodgy memories of this famous old grape by presenting me with what I can only imagine is the future. Masses of blackberry and black cherry fruit, interwoven with teasing liquorice and vanilla spice notes and finished with a dramatic twist of cleansing acidity that reminds me of a rakish dolcetto or a swaggering cabernet franc.

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

This week: energy-efficient properties – from a HUF HAUS in London's Dulwich Village, to a contempo

▲ **Palmerston Court, Bovisand Harbour, Wembury, Devon.** A new development of six three-storey houses overlooking Bovisand Harbour, all with superb eco credentials and electric-vehicle charging points in the garages. The properties have wood-burning stoves and bi-fold doors leading onto a balcony. £1.1m Strutt & Parker 07502-609353.

▶ **Merryfield Road, Monkwood, Alresford, Hampshire.** A modern house with excellent insulation, a ground-source heat pump, ventilation system and state-of-the-art equestrian facilities. 5 beds, 4 baths, 2 receps, kitchen/orangery swimming-pool complex, stable complex, gardens, paddocks, 34 acres. £12.5m Fine & Country 01962-353229.

▶ **Old Camps, Headley, Thatcham, Berkshire.** A renovated, contemporary house with an EPC A-rating and award-winning gardens built on the site of a Roman camp overlooking Kingsclere. It has solar panels, an air-source heat pump and electric-vehicle chargers. 15 beds, 2 baths, 2 receps, study, office, kitchen, 2-bed annexe, garages, workshop, barn, greenhouse, grounds, orchard, 1.08 acres. £2.5m Savills 01635-277700.

rary property in the Lake District National Park

The Keld, Coniston, Cumbria. A contemporary house situated at the head of Coniston Water in the Lake District National Park. It has solar panels, triple glazing, an electric-car charging point and a double-height living area with floor-to-ceiling windows, exposed stonework and a wood-burning stove. 3 beds, 3 baths, open-plan kitchen/living area, study/bed 4, utility, stores, gardens, woodland, 3.7 acres. £2m Finest Properties 0330-111 2266.

Pond House, The Courtyard, Ashbocking, Suffolk. A detached house in a rural setting built as part of a boutique development. It has floor-to-ceiling windows, high-end fixtures and fittings, an air-source heat pump and electric-charging points. 4 beds, 3 baths, 2 receps, study, breakfast kitchen, garage, landscaped garden. £825,000 Jackson-Stops 01473-218218.

The Mall House, Brockham End, Lansdown, Bath. A period property extended over the years with grounds that include a 1950s wagon, yurts and cabins, reed beds, a bore hole and a sewage-treatment plant for the main house. It is situated just 15 minutes from Bath Spa railway station and has 5 beds, 2 baths, 1 recep, dining kitchen, secondary kitchen, 5 additional dwellings, gardens, woodland, 2.9 acres. £2m Hamptons 01225-685280.

Woodyard Lane, Dulwich Village, London SE21. A five-bedroom HUF HAUS with exceptional insulation and energy-efficient levels surrounded by landscaped gardens in a private residential cul-de-sac in Dulwich Village. 5 beds, 3 baths, open-plan kitchen/living room with a glass wall overlooking the garden and doors opening onto a decked seating area, study, TV room, garage, parking. £2.8m Knight Frank 020-3815 9422.

Walnut Shade Farm, Suton, Norfolk. A Grade II-listed house with 17th-century additions and medieval origins, and an award-winning two-storey contemporary extension set in landscaped gardens. It has exposed wall and ceiling timbers, brick and wood floors, inglenook fireplaces, a large breakfast kitchen, solar panels and an electric-vehicle charging point. 4 beds, 2 baths 2 receps, garden room, study, 1-bed annexe, outbuildings, studio, wildlife pond, 3.22 acres. £1.2m Sowerbys 01603-761441.

An icon of *anime*

Studio Ghibli memorabilia is as collectable as ever, says Chris Carter

A production cell from *Kiki's Delivery Service* is for sale with Heritage Auctions

This year, the Japanese animation studio founded by Hayao Miyazaki, Isao Takahata and Toshio Suzuki – Studio Ghibli – celebrates its 40th birthday. In those four decades, Studio Ghibli has acquired a loyal following of fans, who have grown up with *Castle in the Sky* (1986), *Princess Mononoke* (1997) and *Spirited Away* (2001) to name just a few of the familiar feature-length animation titles. Last year, *The Boy and the Heron* (2023), Miyazaki's last film, won the "best animated feature" Oscar – a fitting tribute to a long and successful career.

So popular have the studio's productions been that last year the London Coliseum – an opera venue – hosted a stage version of *Spirited Away*, which earned rave reviews. They were deserved, I can tell you, as I went to see it. Another Ghibli classic *My Neighbour Totoro* (1988) has had two hit runs at the Barbican theatre in London, for which it won six Olivier Awards. This month, *Totoro* moved to the West End, where it will run until November.

A growing market

In short, Studio Ghibli is a cultural icon. It's small wonder, then, that Texas-based Heritage Auctions has chosen to shine a light on its success by placing several of Ghibli's animation cells at the centre of its *anime* sale, which ends on Monday. They will no doubt appeal to nostalgic collectors, along with younger bidders who have been swept up in the recent hype.

"This is more than just an auction – it's a tribute to the artistry and vision that have made Studio Ghibli a household name," says Jim Lentz, Heritage's vice president of animation and *anime* art. "Collectors and fans alike will have the opportunity to own pieces of history from the films that have inspired generations." The highlights from the "Art of *Anime*, Vol. VI Auction" include a rare production cell from *Kiki's Delivery Service* (1989) of the titular character peering into an oven; a limited-edition cell of the character Ashitaka riding into battle on Yakul, his serow (an Asiatic antelope) in *Princess Mononoke*; and a "beautifully preserved" production cell of Catbus, a character from *My Neighbour Totoro*, with a leading bid of $6,900, including fees, at the start of the week.

Artwork from several other *anime* titles also features in the sale, including production cells from the animated epic *Akira* (1988). "The *anime* art market continues to grow," says Lentz. Last year, the category at Heritage Auctions brought in $17m, a record high. But, in this sale at least, Studio Ghibli specifically takes centre stage. Here's to the next 40 years.

Auctions

Going...

Noonans Mayfair is selling a rare gem-set medieval bishop's ring (pictured) on 26 March. The ring, dated to the late 12th/early 13th century, had been found in 2019 by a metal detectorist in a field in Shipdham, Norfolk. In the 13th century, the Bishop of Ely had built a manor house in Shipdham and there was also a royal deer park, owned by the See of Ely, during the medieval period. It is a "form of medieval ring, with a principal cabochon [polished but uncut] stone, usually a sapphire, surrounded by smaller collet set satellite stones", says Laura Smith, a jewellery expert at Noonans. The ring is expected to fetch £15,000-£18,000.

Gone...

A tiny but "exceptionally rare" 1930s pin brooch from Cartier's Tutti Frutti range that had been discovered among worthless costume jewellery has sold for well above its £6,000 pre-sale estimate with Gloucestershire-based auction house Kinghams, says BBC News. The brooch was crafted in gold and platinum, with diamonds, sapphires and rubies arranged in a bud-like form and it is typical of the Tutti Frutti collection of brightly coloured jewels in the Indian style, which was popular in the height of the Art Deco era. It would have been a "highly prized and expensive" piece, according to Kinghams. It sold for £19,500.

Hunting the Dirty Dozen

During World War II, the British government handed watchmakers a very special mission. They were tasked with producing highly accurate wristwatches that were also waterproof and shockproof. Watchmakers Buren, Cyma, Eterna, Grana, Jaeger-LeCoultre, Lemania, Longines, IWC, Omega, Record, Timor and Vertex answered the call, designing a set of 12 timepieces that have come to be known among collectors as the "Dirty Dozen". Henry Cavill's character in last year's Guy Ritchie action film *The Ministry of Ungentlemanly Warfare* wears two – a Cyma and a Jaeger-LeCoultre.

All 12 watches sport a black dial with Arabic numbers, and a luminous minute and hour hand. The timepieces also had to have a railroad minute track (referring to the arrangement of the numbers around the dial), with a shatterproof crystal and stainless steel case, specifically with size 15-jewel movements. Each watch is also engraved with the letters "WWW" for "Watch, Wrist and Waterproof" and the arrow-head symbol that has been used to denote government property since 1553, along with a unique serial number.

Of the 12 watches, the Grana is considered to be the hardest for collectors to find. Fewer than 5,000 are thought to exist – possibly no more than 1,000. Examples sell for around £15,000 at auction, while the 20 or so complete sets in the world are worth in the region of £30,000. To complicate matters, the watches were repaired frequently during the war. Since speed was of the essence, the government used to replace broken parts with cheaper alternatives and made many mistakes during the repair process, says Steve Collins, watch specialist at Cambridge auction house Cheffins. To find a watch in its original condition is all the more rare.

Cheffins is offering a Cyma watch at its sale on 1 May, valued at £500-£700. It is, says Collins, not only an opportunity for collectors to start their own hunt for the Dirty Dozen, but also (given the relatively low price) to "[save] for the Grana, should they ever find one!"

©Cheffins; Heritage Auctions; Noonans

Bridge by Andrew Robson

Play vulnerable bidders for shape

If vulnerable opponents bid strongly on low point-counts, you can be sure they are shapely.

Dealer West — East-West vulnerable

North
♠ AJ10942
♥ A973
♦ 10
♣ AK

West
♠ 3
♥ K1065
♦ Q987653
♣ 10

East
♠ Q87
♥ J4
♦ AJ42
♣ 9643

South
♠ K65
♥ Q82
♦ K
♣ QJ8752

The bidding

South	West	North	East
	3♦*	Dbl**	4♦***
5♣	pass	6♣§	pass
pass	pass		

* Preemptive.
** Take-out. North is a tad strong for Three Spades, the other alternative, plus his side might belong in Hearts.
*** Raising the barrage.
§ A gamble from North, a professional poker player by trade.

West led the five of Diamonds to East's Ace, felling declarer's King, East switching safely to a Trump. Declarer won in dummy and cashed the other high Trump, West discarding (a Diamond). Now what – the key was to avoid losing to the Queen of Spades?

At the table, the Irish declarer crossed to the King of Spades, and was now unable to make his slam as East held a third-round Spade winner with his guarded Queen. Down one.

It is easy to be clever after the event, but declarer knew from West's low Diamond lead that his suit was at best headed by the Queen (not Queen-Knave or he would lead the Queen). For his vulnerable against not preempt, he surely needed a very distributional hand, more so than say 7-3-2-1. Was he therefore not likely to have a second singleton – in Spades?

The winning line is to cash the Ace of Spades and run the Knave (he'd have to run the Knave on the first round if East had switched to an entry-removing Heart at trick two). A third Spade to his King scoops up East's Queen, whereupon declarer can draw East's Trumps then cross to the Ace of Hearts to enjoy the long Spades. Twelve tricks and slam made.

For Andrew's four daily BridgeCasts, go to andrewrobsonbridgecast.com

Sudoku 1252

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

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.

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

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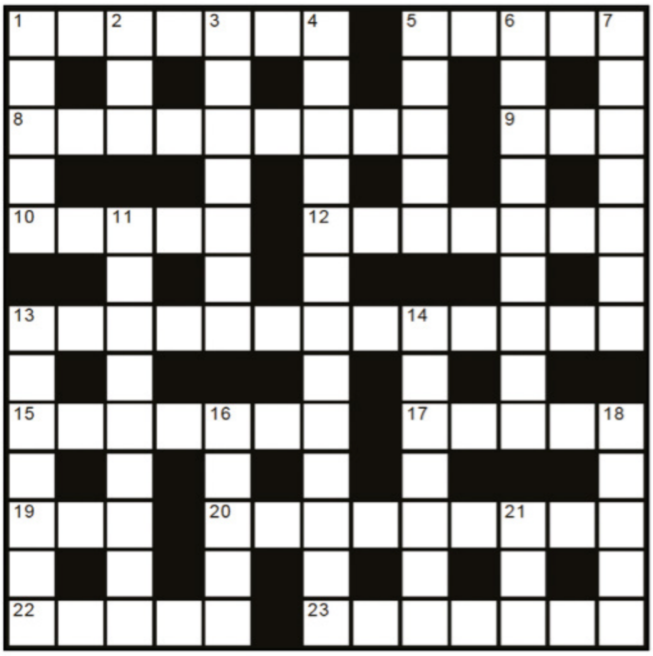
Caper's Quick Crossword No.1252

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 31 March 2025. By post: send to MoneyWeek's Quick Crossword No.1252, 121-141 Westbourne Terrace, Paddington, London W2 6JR. By email: scan or photograph completed solution and coupon and email to: crossword@moneyweek.com with MoneyWeek Crossword No.1252in the subject field.



Across clues are cryptic and down clues are normal

ACROSS
1 Dried meat one lieutenant found in pipe (7)
5 Time to thrash good swimmer (5)
8 Stupid tanner – fool not stopping in hottest part of day! (9)
9 Sailor seen back in Emirates (3)
10 Fabric dug out from the back (5)
12 Violently wash the Italian one – such language! (7)
13 Singer might be seen on this device? (6,7)
15 Small person in a tent is to run around briskly (7)
17 Hardy heroine goes around river for lock (5)
19 Take in repast regularly (3)
20 Remember a small bit of Ronnie Barker (9)
22 Subject article to meticulous examination from the outset (5)
23 Loose thing that's worn by the retired (7)

DOWN
1 Flavourless (5)
2 Allow (3)
3 Male rower (7)
4 One who charitably helps in times of need (4,9)
5 Polynesian kingdom (5)
6 To be in a potentially difficult situation (2,4,3)
7 Earthenware jar containing pâté (7)
11 City on River Tyne (9)
13 Mistrust (7)
14 Using scissors (7)
16 Bag for money (5)
18 Start a tennis game (5)
21 Animal doctor (3)

Name ....

Address ....

....

email ....

Solutions to 1250

Across **1** Actress *anag* **5** Solar *two defs* **8** Court-martial *homophone* **9** Tip *two defs* **10** A cut above *cryptic def* **12** Intuit *t inside INUIT* **13** Absent *BSE inside ant* **16** Dishes out *HEs in studio anag* **18** Row *two defs* **20** Amateur boxing *cryptic def* **22** Suede *homophone* **23** Deserts *Trees anag inside D s*

Down **1** Ascot **2** Trumpet **3** Extra time **4** Snap up **5** Sit **6** Llano **7** Respect **11** Ambitious **12** Indians **14** Earlier **15** Horrid **17** Share **19** Wages **21** Eve.

The winner of MoneyWeek Quick Crossword No.1250 is: James Fenwick of York

What's the point of the tariffs?

We don't know, but the result will be to hasten the decline of the US empire

White House press secretary Karoline Leavitt is serving up sour wine

©Getty Images

Bill Bonner
Columnist

Donald Trump has vowed a 200% tariff on EU wine, escalating trade tensions, says Bloomberg. That's just the latest in a series of tariff announcements, some of them since renounced again. What a wild and ridiculous ride! But it's all of a piece with our thinking that the Primary Political Trend is down… and taking us with it.

The real historical role for Trump is not to arrest America's decline, but to hasten it – which is not to say that Trump is wrong about everything. The Department of Education should have been abolished long ago; education is a local issue, not a national one. Eliminating wokeism and DEI initiatives, firing federal employees, etc – much of what Trump is doing is a pleasure to watch.

But it doesn't do any good to put a new label on the bottle if the wine is bad. We had hoped we might have seen the last of the muppet press secretaries at the White House. But no. The latest one, Karoline Leavitt, has defended Trump's tariffs as a "tax cut for Americans". Up is down. War is peace. And a tax increase is now a tax cut. This is sour wine indeed.

No matter. This isn't science or maths. It's politics. And tawdry politics is what we're talking about this week. An economy either produces what the people want, or the elites use politics to get what they want. Typically, there's a tolerable and fairly reliable middle ground, where the masses tolerate being ripped off in exchange for a stable ruling class.

In a free, honest economy, people make money by trading with each other, with exact outcomes largely unforeseeable. In a politicised economy, on the other hand, hustlers make money by gaming government policies. They know exactly who will get the loot. If they are big steel companies, with big steel-workers' unions, located in swing states, for example, they might ask for tariffs so they can raise their prices.

> *"Much of what Trump is doing is a pleasure to watch"*

And in a declining empire, such as the Soviet Union in 1991, the opportunities for grift and self-dealing multiply. The old Soviet Union had resources. They were administered by civil servants – the apparatchiks and nomenklatura. Then, when the system imploded, these insiders were able to pick up the pieces and become fabulously rich "oligarchs". Broadly, the more politics, the less real freedom and prosperity. That's why, when politics is on the rise, the Primary Political Trend is down.

But none of the victims of Trump's trade war seems ready to roll over. Canada is hitting back after tariffs of 25% on steel and aluminium imports came into effect. It is to impose more than $20bn in retaliatory tariffs. Canada is the biggest foreign supplier of steel and aluminium to the US. The EU says it will strike back with countermeasures on $28bn worth of US goods, with tariffs on everything from bourbon to motorbikes. And China, too, says it will take "all measures necessary" to protect its interests.

Antagonising allies as well as enemies? What is the point? Whatever the aim, the result will probably weaken the old empire, turning it into a friendless pariah – raising consumer prices while making domestic industries less competitive and more in need of political protection.

And as the empire declines so does the real value of its capital assets. Look for a continued, long-term drift downward in both the Primary Political Trend (more politics) – and the Primary Market Trend (lower asset prices, measured in gold).

For more from Bill, see bonnerprivateresearch.com

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Subscription costs: £155.99 a year (credit card/cheque/direct debit), £175.99 in Europe and ROW £197.99.

MoneyWeek
121-141 Westbourne Terrace, London, W2 6JR
Email: editor@moneyweek.com

MoneyWeek is published by Future Publishing Limited
121-141 Westbourne Terrace, London, W2 6JR

IISSN: 1472-2062