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MoneyWeek

MAKE IT, KEEP IT, SPEND IT

16 JULY 2021 | ISSUE 1060 | £4.50

The new space race

What it means for investors

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STOWER

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INVESTMENT
TRUST

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We call it investing in progress.

Look at our portfolio and you will discover that we seek out companies revolutionising everything from how we all shop, eat and travel to how we bank and look after our health. By using our skills as actual investors in this way, we believe we can deliver exceptional growth for your portfolio. Join us and invest in progress. Over the last five years the **Scottish Mortgage Investment Trust** has delivered a total return of 347.9% compared to 98.5% for the index*. And **Scottish Mortgage** is low-cost with an ongoing charges figure of just 0.36%**.

Standardised past performance to 31 March*	2017	2018	2019	2020	2021
SCOTTISH MORTGAGE	40.9%	21.6%	16.5%	12.7%	99.0%
FTSE ALL-WORLD INDEX	33.1%	2.9%	10.7%	-6.2%	39.6%

Past performance is not a guide to future returns. Please remember that changing stock market conditions and currency exchange rates will affect the value of the investment in the fund and any income from it. Investors may not get back the amount invested.

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A Key Information Document is available. Call 0800 917 2112.

Actual Investors

*Source: Morningstar, share price, total return in sterling as at 31.03.21. **Ongoing charges as at 31.03.21 calculated in accordance with AIC recommendations. Details of other costs can be found in the Key Information Document. Your call may be recorded for training or monitoring purposes. Issued and approved by Baillie Gifford & Co Limited, whose registered address is at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN, United Kingdom. Baillie Gifford & Co Limited is the authorised Alternative Investment Fund Manager and Company Secretary of the Trust. Baillie Gifford & Co Limited is authorised and regulated by the Financial Conduct Authority (FCA). The investment trusts managed by Baillie Gifford & Co Limited are listed UK companies and are not authorised and regulated by the Financial Conduct Authority.

MoneyWeek

16 July 2021 | Issue 1060

Britain's best-selling financial magazine

From the editor-in-chief...

In May, annual inflation in the UK as measured by the CPI (consumer price index) rose to 2.5%. This doesn't sound very much, and it shouldn't be much of a shock to regular readers: we've been worrying about inflation for some time. But that doesn't mean it isn't a big deal. It's higher than most analysts expected for the third consecutive month (the consensus forecast was 2.2%) and the highest since 2018. It is 25% higher than the Bank of England's target (2%) and six times higher than it was in February. Note also that our old measure of inflation, the RPI (retail price index), is 3.9%. The problem is not confined to the UK: in the US, CPI is rising at 5.4% a year.

The London Olympics: still expensive, but much cheaper than Tokyo's

©Getty Images

"After years of being a financial-assets problem, inflation is now a 'things' problem"

This matters. Central banks still insist it is transitory – the base effects of last year's falling prices working their way out of the system. But it could easily be more: as Capital Economics notes, in the UK "the rises are bigger than the base arithmetic would suggest which means that genuine price inflation is happening too". How much? The Bank of England reckons it will top out at 3%. Capital says 4%. Both look low to us, given how much inflation you can see around you. You can see it in labour shortages (next week's podcast guest Brian Pellegrini says that workers have "repriced their leisure", so employers have to reprice their work). You can see it in the art market (see page 35 for the £8.9m just paid for a Leonardo da Vinci sketch and the near-£3m for a 1970 Patek Philippe watch). You can see it in house prices (see page 5). You can see it in equity prices – the S&P 500 hit yet another record on Wednesday.

But most importantly of all, after years of inflation being a financial-assets problem (a problem because it exacerbates wealth inequality) it is now an "ordinary things" problem too – for example, in the US, used car prices are up by 45%. In any normal world, interest rates would already be rising. But not in this world. After years of terrible post-financial crisis policy making, the authorities are stuck, as Bill Blain of Shard Capital puts it, between the Scylla of inflation and the Charybdis of a market and house price collapse. They are terrified of the latter so feel they must put up with the former. They won't act in time to head it off.

You can't ignore this "monetary disease" (see page 19 for what can happen if you do). We've looked at many ways to deal with it over the last few years (see page 4). But this week's podcast with Russell Napier (moneyweek.com/podcasts) is well worth a listen: despite the extraordinary house price boom, he'd still buy residential property. Another hedge might be commodities – see page 18 for David's view on a new fund that might do the trick.

We might also think about what else societies have mentally repriced along with their leisure time. I wonder if it might not be our health. Private GPs and hospitals have seen demand surge. Given the state of the NHS at the moment, there will be many more surges to come, and private healthcare will look increasingly like a good investment. There's a US idea on this on page 20, but we will look at ways in to the sector in the UK in a future issue.

Finally, for yet another Covid-19 casualty, see page 36 where we look at the insane amount of money floating around the Olympics. The London Olympics cost about £10bn (admittedly small change next to the £14bn-a-month peak furlough cost). But the Tokyo Olympics are coming to more like £19bn. How's that for inflation?

Merryn Somerset Webb
editor@moneyweek.com

The long virtual arm of the law

©iStockphotos

The Metropolitan police seized nearly £180m-worth of bitcoin as part of an international money laundering investigation, says The Guardian. The seizure follows the confiscation of £114m-worth of bitcoin in June. Cash "remains king in the criminal world" but the development of digital platforms has seen a growing shift towards criminals' use of cryptocurrency to launder dirty money. The "complex and wide-ranging" investigation has yet to determine the crimes the bitcoin might be linked to, but a 39-year-old woman was arrested on suspicion of money laundering after the "first haul" was discovered. Bitcoin now trades at around £23,500, down from a high of £47,126 in April, meaning the coins confiscated would have been worth nearly double their present value three months ago.

Good week for:

Novak Djokovic (pictured) became the first tennis player in history to earn over $150m in prize money after winning his sixth Wimbledon title, says Scroll news website. With 20 Grand Slam tournament wins under his belt, he has now equalled his rivals Roger Federer and Rafael Nadal.

Tie manufacturers have seen sales of navy polka dot ties rise thanks to England manager Gareth Southgate's "lucky tie", says Lauren Cochrane in The Guardian. Southgate wore the same knitted polka dot tie at most matches during the Euros, notably forgoing it when England drew 0-0 against Scotland. John Lewis and T.M.Lewin both saw sales of their versions of the tie more than double after the semi-final, while Matalan sold out of £4 polka dot ties after the semi-final.

Bad week for:

Angela Gulbenkian, who married into one of Europe's most prominent art-collecting families, faces a jail sentence after admitting to a £1.1m fraud involving a missing giant pumpkin sculpture by Japanese artist Yayoi Kusama, writes Wallace Ludel in The Art Newspaper. The art dealer, 39, has been accused of using her "distinguished surname" to trick dealers. She also faces trial in Germany for selling an Andy Warhol portrait of the Queen for £115,000 – despite not owning it.

One million UK households have stopped paying for the **BBC** in the last two years, reports David Sanderson in The Times. The slump comes as the broadcaster faces a further drop-off amid a "revolt" from 260,000 pensioners who have no plans to pay the £159 licence fee after free licenses ended for older viewers.

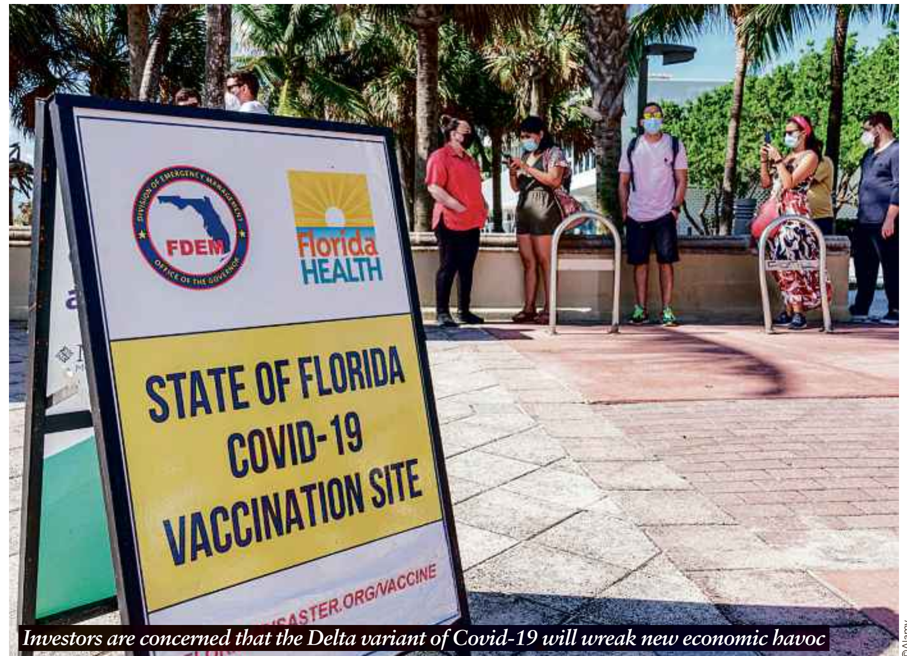
©Getty Images

Cover illustration: Adam Stower. Photos: Christie's; iStockphotos; Wise

Get set for the next inflation scare

Alex Rankine
Markets editor

The world's governments have crossed "the Rubicon of fiscal rectitude to a reach a new land", says Albert Edwards of Société Générale – "one where their existing monetary profligacy can now be coupled with fiscal debauchery". There is no "turning back now the sweet fruits of monetary-funded fiscal largesse have been plucked and tasted". So why are bond yields – the borrowing costs of those governments – falling again?



Investors are concerned that the Delta variant of Covid-19 will wreak new economic havoc

©Alamy

Reflation trade in reverse

Investors have spent much of this year piling into assets that stand to gain from a broad global recovery. Reopening plus continued fiscal and monetary stimulus is especially good for cyclical shares such as banks, industrial companies and commodity producers. Big technology shares, which did very well in 2020, have underperformed.

But this "reflation trade" is coming under pressure. Soaring US inflation had caused bond yields to rise – expectations of higher future inflation and interest rates cause investors to demand a higher yield as compensation. The yield on the benchmark ten-year US Treasury bond rose from below 1% at the start of the year to nearly 1.75% in March. But it has since retreated, briefly falling below 1.3% last week. That suggests markets see weaker growth ahead.

The same pattern can be seen in stocks, says William Watts for MarketWatch. The small-cap Russell 2000 index, which contains many cyclical businesses, has fallen for two weeks straight even as the tech-dominated Nasdaq 100 has climbed. Tech stocks proved their resilience in the face of the economic turmoil last year, making them a preferred pick if the economy is slowing.

A mere growth scare

"Fears of runaway inflation" have dominated markets for much of this year, says Watts. But the focus is now on "worries about a rapid slowdown in global economic growth". The fastest phase of the US recovery is over, while a slowdown in Asia could prove a drag on global growth (see below). Investors are also concerned that the Delta variant will wreak new economic havoc. As "the old aphorism" has it, markets "do not react, they overreact", says the Financial Times. Bond markets arguably overdid the inflation panic earlier this year. Slightly more hawkish language from the US Federal Reserve has since calmed those nerves. Instead, investors have started overreacting to the slightest hint of slower growth.

Politicians' ongoing fiscal splurge means that reflation will come eventually, says Edwards. "The problem is the markets have been too early in betting on the reflation trade and are now set up for a huge disappointment." Not so fast, says Ambrose Evans-Pritchard in The Daily Telegraph. Annual US inflation hit 5.4% last month, the highest reading since August 2008 (see page 10). A $3trn US budget deficit and "a 32% rise in the total M2 money supply" since the pandemic began means we are heading for durably higher inflation. That could force central bankers to "hit the brakes sooner and harder" than expected. Fasten your seatbelt.

Asia's tigers have stopped growling

Asia is "the epicentre" of global growth fears, says Eric Lam on Bloomberg. Long a "poster child" for pandemic management, the region's low vaccination rates mean that the next few months will be bumpy. Seoul has imposed the strictest lockdown since the pandemic began to combat a spike in cases.

Tokyo has declared a state of emergency less than a fortnight before the Olympic Games begin. Less than 15% of the population in Taiwan, Indonesia and Thailand have received a first vaccine dose, while the roll-out in South Korea and Japan has lagged behind other developed economies.

Asian shares had their worst week since February last week, says Swati Pandey on Reuters. Last Friday, the MSCI Asia Pacific index briefly lost all of its gains so far this year before recovering slightly.

Indonesia's growth has disappointed over the past decade

©Getty Images

China grew at a record annual rate of 18.3% in the first quarter of the year, but the economy is "widely expected to lose steam in the next six months amid sluggish demand, softer export momentum... and higher commodity prices", say Orange Wang and Frank Tang in the South China Morning Post. The People's Bank of China, the central bank, has announced that it will cut the reserve requirement ratio for banks, a measure that will inject about one trillion yuan (£112bn) of extra liquidity into the economy.

China's rapid growth has obscured long-term trouble in some other parts of the region, says Jayati Ghosh for Project Syndicate. "This was supposed to be the Asian century".

Yet growth in India, Indonesia, Malaysia and Thailand has disappointed over the past decade. India's investment rate tumbled from 40% of GDP in 2010 to 30% in 2019, a worrying sign for the future. "Where have all the Asian tigers gone?"

Will UK house prices stay high?

UK house prices dipped by 0.5% in June, according to Halifax. A looming stamp-duty cliff-edge at the end of the month has cooled demand. Stamp-duty relief is now being tapered until it ends on 30 September. Still, Halifax says prices are up by 8.8% on the year. Nationwide reported last month that its house-price index has surged by 13.4% in a year, the biggest annual leap since November 2004.

The housing market has soared on a cocktail of low interest rates, government furlough help and the stamp-duty holiday. Yet property is now heading into uncertain territory, says Geoff Meen for theconversation.com.

The end of the stamp-duty holiday comes as the furlough scheme is also winding down, which could have an effect on incomes: "as an approximation, a 1% reduction in real income has historically led to about a 2% reduction in house prices". Prices, stretched by a mammoth rally, are also more vulnerable to economic shocks.

The market will shrug off the end of state support, says Isabelle Fraser in The Daily Telegraph. Demand might fall back, but supply is even tighter. "The ratio of sold to available properties is at its lowest level since July 2002."

After the buying frenzy of the past year, property "resembles a supermarket in the early days of lockdown: the shelves are bare and only the dregs remain". Expect prices to remain "buoyant".

Spacs come under attack

Special purpose acquisition companies (Spacs) "are falling short of their promises", says Rana Foroohar in the Financial Times. They are billed as a "cheaper, more efficient… way to bring new companies public" than the traditional initial public offering (IPO). Last year the vehicles "raised as much cash as they had done over the entire preceding decade". This year "there have been 30% more Spac issuances than traditional IPOs". Yet returns for investors often disappoint.

©Getty Images

There is ample cash available to fund pie-in-the-sky technologies such as flying robotic taxis

The new IPO

Spacs are shell firms that list on the stockmarket in order to raise cash. They then use the money to buy an existing company, providing an alternative route for the target firm to secure a listing on public markets.

Traditional IPOs are burdensome, says Charles Duhigg in The New Yorker. There are strict rules about how much a company can communicate with the public during the pre-flotation "quiet period". Spacs offer a simpler route to a listing. Some have dubbed Spacs the "second coming of the IPO", says Daniele D'Alvia for theconversation.com. Another drawback of traditional flotations is that they are usually underpriced. This is to drum up interest by guaranteeing early buyers a quick profit, but from a company founder's perspective they are leaving money "on the table". The bubble may already have burst: "only 30 Spac flotations took place in April and May" compared with 299 in the first quarter of 2021.

The slowdown in Spac issuance was "a direct result" of "increased regulatory scrutiny", says Therese Poletti for MarketWatch. The IPO process is designed to weed out dodgy claims about a company's prospects, but the lack of rules for Spacs opens the way to fraud. Still, we probably haven't seen the end of the frenzy yet. After flotation a Spac usually has a two-year time limit to find a company to merge with. If it fails to do so the vehicle is wound up. There are "more than 400 already public Spacs searching for targets to find deals", says Nicholas Jasinski in Barron's. So there could be a rush of "risky deals" as Spac managers race to beat the deadline, says Poletti. There is a lot of cash ready to fund "pie-in-the-sky technologies [such as] flying robotic taxis".

A study by the European Corporate Governance Institute found that "Spac share prices tend to fall by about a third of their value within a year of their mergers", says Foroohar. Another paper found that "fewer than a third of Spacs end up making money for investors", says Duhigg. Where does the money go? Sponsors, the people who created the Spac, often receive "20% of a Spac's stock… Such paydays can be worth hundreds of millions of dollars". As Michael Klausner of Stanford Law School puts it, "The real reason Spacs are so popular right now… is mostly because sponsors are making so much money" from them.

Viewpoint

"[People say] you must buy stocks because Tina [there is no alternative]... buying and holding stocks isn't guaranteed to work... There have been periods where stockmarket returns were less than zero for 20 years. Starting in 1966, it took 16 years for the [Dow Jones] to recover to its original level... The first decade of this century was essentially flat... However, there is nothing like a roaring bull market to make everybody forget the past... Tina advocates know stocks go down sometimes [but] they've convinced themselves any losses are temporary. That may be true, especially for the last 12 years, but also irrelevant if the losses occur right when you need the money... it makes a [big] difference when you start your retirement. If you start at a time of high valuations (like now) the chance that your money will run out before 30 years is... quite high."

John Mauldin, Thoughts from the Frontline newsletter

■ A "meme" stock's enduring rally

This January, struggling video-game retailer GameStop became an unlikely stockmarket star, says Avi Salzman in Barron's. The "collective efforts of millions of retail traders" coordinating on internet forum Reddit dealt a blow to Wall Street short-sellers who had been betting against the stock. It seemed only a matter of time before the price slumped. Yet half a year on GameStop and similar "meme" stocks such as cinema chain AMC Entertainment are still going strong. In June more AMC stock changed hands than shares in Apple. GameStop and AMC enjoy "the most determined fan bases", but not all meme stocks have done so well: shares in retailer Bed Bath & Beyond "spiked twice" this year, but have since retreated.

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

Five to buy

CareTech
Shares
A successful acquisition and reduced leverage mean social care-services provider CareTech is "well positioned to continue growing its share of a fragmented market". Its "significant" freehold property portfolio, valued at £774m in 2018, will be revalued at the end of August, which could give the stock a fillip. Profits have increased tenfold over the past 15 years, and in its latest half-year results the company confirmed that it had several new sites, along with improvements in its existing portfolio, in the pipeline. It is also hoping to become a tech-enabled care-management business thanks to the acquisition of assistive technology firm Smartbox, a side of the business "expected to make up a sizeable chunk of revenues" over the next five years. *619p*

Dunelm
The Sunday Telegraph
Home-furnishings retailer Dunelm has been a beneficiary of the pandemic. Pent-up demand has boosted revenue as people seek to redecorate their

homes. Sales were 59% higher for the seven weeks from the end of March 2021 compared with the same period in 2019, "the most recent 'normal' year". It launched its online platform in December 2019, which allowed it to make money in the lockdowns. The company has net cash and produced a return on capital, a key gauge of profitability, of over 20% for 2020, "high for a retailer". The shares have doubled in two years but remain a good investment. *1,421p*

Porvair
Investors' Chronicle
Filtration and environmental-technology firm Porvair's laboratory-instruments sales grew by a third in the six months to 31 May thanks to higher demand for Covid-19-related diagnostic products. Adjusted operating profit rose by 4% to £9.1m. The company managed to offset the cost inflation brought on by supply-chain disruption by passing price increases on to its customers. The aerospace and industrial businesses have suffered in the pandemic but should recover as the aerospace sector begins to rebound. The "appetite" for molten metal filters and water-quality products is also rebounding. The firm's momentum "should continue to improve". *578p*

Signet Jewelers
Forbes
Signet, the world's biggest diamond jewellery retailer, suffered large losses under its previous leadership, which "neglected" to update the group's merchandise, marketing and e-commerce strategy. But new management is undoing the damage "as

it overhauls every aspect" of the firm. It is expanding the company's marketing to reach new customers, offering "products that customers want" and simplifying the buying process. Increased spending by customers thanks to "generous" government stimulus cheques and tax refunds has helped too. A post-virus increase in weddings has also led to unexpectedly high profits and a 50% rise in full-year profit guidance in the latest quarter. The firm is becoming "much more relevant, profitable and valuable". *$75.67*

Prudential
The Motley Fool
Prudential is a "well known and trusted" insurance company. It focuses mainly on Asia, where the middle classes' wealth is growing. The number of people with life-insurance and pensions is also "relatively low" compared with Western markets, which "presents a considerable opportunity". Prudential is also "one of only a few" Asia-focused equities in the FTSE 100, and "considering the region's growing economic importance" it's a good one to buy into. *1,371p*

...and the rest

The Daily Telegraph
Spirits company **Diageo** boasts high returns on capital and strong cash generation. It looks well placed to benefit from the global post-pandemic recovery. Though consumers worldwide are drinking less alcohol by volume, they are choosing more expensive drinks, such as the ones made by Diageo. Buy *(3,434p)*. **Spirax Sarco** is a specialist in steam engineering with a reputation for quality and reliability. Buy *(13,391p)*.

The Times
Clinigen's latest "shock profit warning" wiped 25% off the shares. The firm was affected after Covid-19 "kept cancer patients away from hospitals" and demand for its drugs fell. But investors were most spooked by the firm's "apparent failure to see this coming". Analysts think the firm is "the most vulnerable among its peers to a bid from private equity". The challenge now is "whether to take a bet on a bidder emerging". Hold *(625p)*.

Investors' Chronicle
Global foreign-exchange services group **Argentex** saw a 30% dip in operating profits to £8.7m for the year to March, but it also revealed record client activity throughout the second half. Sales for the first quarter of its current year are up by 34% year-on-year, and opportunities are growing as banks exit the market. Buy *(125p)*.

Shares
BlackRock North American Income's new sustainability strategy is "likely to be welcomed by the market". It is also expanding into mid-cap firms to add to the large caps that dominate its portfolio now, and looking outside the US to other parts of North America. Buy *(183p)*.

An American view

US powerboat sales jumped by 21% last year to $19.5bn, says Daren Fonda in Barron's. Families "flocked to the waters as vacation getaways dried up in the pandemic". Sales might slow as travel resumes, but Malibu Boats "is still looking healthy, with orders going strong well into 2022". The company has presold over 80% of the boats it plans to manufacture by June 2022, "well above its 50%-rate in normal times". Even if sales slow, Malibu should be able to sustain growth thanks to its market-leading brands, lean manufacturing and innovative technologies. Earnings before interest, taxes, depreciation and amortisation (Ebitda) for 2022 is expected to reach $222m and grow to $243m in 2023, which would lift earnings per share by 18% .

IPO watch

Bukalapak, the Indonesian e-commerce company, is hoping to raise up to $1.5bn in what is set to become the country's biggest initial public offering (IPO) in over ten years. The online market place boasts Microsoft and Ant Group, the owner of China's largest digital payment platform Alipay, as investors. It could be worth as much as $6bn. The country's online economy has grown quickly over the last few years as internet usage has increased. The company caters to Indonesia's millions of small shops, helping them sell their products online. The firm has 104.9 million users and posted sales of $95.8m in 2020. It is not yet profitable but halved its losses to $89.5m last year.

©Diageo; Dunelm; Signet Jewellery

City talk

©Getty Images

● Elon Musk (pictured) has "embodied Tesla" for years, says Sujeet Indap in the Financial Times. But that hasn't stopped him arguing that he "does not control the company" when it comes to acquisitions such as Tesla's purchase of SolarCity, Musk's start-up that was "teetering" before Tesla "swooped in to buy it in 2016 for $2.6bn in Tesla shares". Shareholders are arguing in court that Musk should be held liable for the decision, which wiped $3bn off Tesla's value when it was announced. Musk says he only owns 22% of Tesla, while the board and 90% of shareholders approved the merger, so he isn't liable for any losses incurred from it.

Musk's insistence that the directors "had the best interests of all shareholders at heart" when they approved the SolarCity deal "rings hollow", says Antony Currie on Breakingviews. His behaviour should also give investors "pause", especially as his agreement with the Securities and Exchange Commission that saw him give up his role as Tesla's chairman is due to expire soon, allowing him to resume his dual role of CEO and chairman.

● Thanks to fees from CEOs "chasing deals" and "fund managers swallowing anything capital-markets bankers throw at them", says John Foley on Breakingviews, JPMorgan reported earnings that were nearly 20% above consensus forecasts and "far above the pre-pandemic norm" for the second quarter of 2021. Still, investors should beware: JPMorgan's loans "didn't grow at all over the past year", while "bank lending overall has shrunk", according to the US Federal Reserve. CEO Jamie Dimon says banking "is the most competitive it has been in 75 years". Should the stock really be on "twice its estimated book value"?

A spoonful of sweetener...

...has proved an enticing morsel for private-equity group KPS Capital Partners, which is buying part of Tate & Lyle. Matthew Partridge reports

In the "latest swoop by private equity on a British company", Tate & Lyle (T&L) has agreed to sell 50% of its "primary products" division to private-equity group KPS Capital Partners for $1.3bn (£940m), says Hannah Boland in The Daily Telegraph.

The division makes corn-based sweeteners and industrial starches, and currently accounts for most of Tate & Lyle's £2.9bn annual sales. While Tate & Lyle will own half of the equity in the new company, KPS will have board and operational control of the venture.

This is a tasty deal for the buyer
©iStockphotos

The deal may look like a typical buyout firm "slash and burn", but in reality it is a "creative carve-out", says Lex in the Financial Times. This is because it allows Tate & Lyle to separate out a part of its business that has consistently delivered lower margins than the two other parts of the firm.

In fact, there is some evidence that the division is the reason why Tate & Lyle trades at a lower multiple of earnings than its rivals. At the same time, Tate & Lyle will "maintain some connection" with its primary products unit through its 50% stake, allowing it to make more money if a full sale follows.

Potential ignored by public markets

Still, it is hard to escape the conclusion that once again a buyout firm has been able to spot the type of value that "is often ignored in public markets", says Ashley Armstrong in The Times. While Tate & Lyle's primary-products division might have delivered "sluggish growth", the board really should have been able to get a better price given that it "still has £1.3bn of assets, is profitable and generated £1.7bn of sales last year".

It looks as though KPS will emerge from the deal with a hefty profit once it applies some "ruthless cost-cutting", followed by a relisting "with a new name and valuation". There's no denying that KPS seem to be getting a "tasty deal", says Dasha Afanasieva on Breakingviews. The transaction values the Tate & Lyle unit at five times its trailing Ebitda, "well below rival Ingredion, which trades closer to nine times".

Nonetheless, the deal could prove good news for Tate & Lyle too, as the newly debt-free group will now be in "a strong position to boost growth through mergers and acquisitions". Ultimately, the success of the restructuring will depend on whether CEO Nick Hampton can boost margins in the remaining ingredients business.

While Tate & Lyle plans to return £500m of the money raised from the deal to shareholders through a special dividend, the rest of the money will be used to "strengthen the balance sheet and invest to accelerate growth", says Deirdre Hipwell on Bloomberg.

Hampton is particularly keen for Tate & Lyle to harness growing demand from consumers "for food and drinks that are lower in sugar, calories and fat, and contain added fibre". He believes that such investment is urgent as the pandemic has greatly accelerated demand for healthier food and drink.

Pandemic plunderers target Daily Mail

Shares in the Daily Mail and General Trust (DMGT) jumped by 10% this week after the group said that the Rothermere family, which owns 36% of it, "may take the... newspaper business private if the sale of its insurance-risk unit and online car seller Cazoo goes through", says Ed Cropley on Breakingviews. If this happens, shareholders will get 251p a share as well as a "special dividend" of 610p and DMGT's stake in the insurance company Cazoo. This amounts to "nearly £12.70 per share", a sizeable premium over the £10.60 the stock traded at before the news was announced. DMGT's decision to take itself private is ironic, given the Daily Mail's

©Getty Images

"crusade" against "pandemic plundering" – the takeover spree "that has seen more than 100 UK companies disappear from the stockmarket", says Ben Marlow in The Daily Telegraph. But with the attractions of being a listed entity "not what they once were", it's hard to understand why DMGT has remained public for so long. It "hasn't raised any capital from shareholders in the... 90 years since floating". And its shares are on a discount thanks to an "unusual governance set-up": the owner has 36% of the stock, but all the voting rights.

The family's voting rights mean that any attempts to stop the deal may be "futile", says Nils Pratley in The Guardian. But shareholders should ask some "awkward questions". The 251p a share they are being offered for the paper and related businesses "does not look generous" when you consider that earnings at the Daily Mail's titles and the exhibitions business are in "recovery mode from the pandemic".

Boris Johnson's latest reverse ferret

The PM loses his nerve and bounds Freedom Day within nannying limits. Emily Hohler reports

Boris Johnson has "lost his nerve," says Sherelle Jacobs in The Daily Telegraph. Instead of being liberated on "Freedom Day" next Monday, Britons "will merely be out on parole". It took just a week of rising cases – a 35% jump – and "scientific outrage" over the "premature" lifting of restrictions for him to "wobble". Masks, limiting contact, working from home: these may no longer be legal requirements, but we are being asked to take these precautions anyway, says Chris Smyth in The Times. Some UK leaders have broken with the government, notes Harry Dempsey in the Financial Times. The London mayor is insisting on continued use of masks on public transport. Nicola Sturgeon says masks will remain mandatory for the foreseeable future in Scotland, along with pub curfews, limits on outdoor gatherings and restrictions on office working.

Johnson: just a week of rising cases and he wobbles

©Shutterstock

The trepidation felt by Downing Street is understandable. The easing of restrictions may prove a "career-defining" gamble for Johnson, says Sebastian Payne in the Financial Times. It is predicated on the assumption that we have reached "hybrid herd immunity through mixing injections and infections". This will be the first time we see a peak in infections that hasn't been controlled. The government's chief scientific modeller, Graham Medley, told *Today* on BBC Radio 4 that, as a result, the surge may last for up to six weeks, lead to 200,000 new infections a day and up to 2,000 daily hospital admissions.

Yet more sacrifice needed for "our NHS"

The hope remains that by encouraging people to not exercise their freedoms (Medley says more than 70% of people need to wear masks for it to do any good), the surge can be minimised, says Smyth. Whatever happens, it won't be until April 2022 that we can finally "relax". Advisers say a fourth wave in autumn and winter is almost inevitable. This, combined with a surge in flu and other respiratory illnesses, could put "huge pressure" on the NHS, with the current backlog of 5.3 million expected to reach nine million by the end of the year. Another NHS bailout is expected, but amid widespread staff shortages, there is a risk that the service will remain "terrible". Officials also fear "vaccine fatigue", as the reality dawns that booster jabs are required "every year for a long time".

Johnson's arguments for permitting this surge is that well over 90% of the most at-risk are fully vaccinated, greatly weakening the link between infection and hospitalisation, and that it is better to have "mass infection" now than over the winter, says Christina Pagel in The Guardian. I disagree, says Pagel. The NHS is already under huge strain, infections come with a "high burden of long Covid" (the Office for National Statistics estimates around a million Britons are now living with it). Every new infection is an opportunity for a new mutation and any that can better infect the vaccinated will have a selection advantage. Finally, there are around 3.8 million people living with health conditions that make them vulnerable. For these, Freedom Day is more aptly described as Fear Day.

Should our liberties be "tethered to ICU capacity indefinitely"? asks Jacobs. The effectiveness of lockdowns is limited by widespread low-level non-compliance and inadequate infection control in care homes and hospitals. Contrastingly, the damage they cause – to mental health, education, the economy – is "limitless". If the NHS is still in danger of being overwhelmed, then the solution is obvious: make it fit for purpose. Germany has four times as many critical care beds per capita than Britain. Yet its hold over the country is such that even a supposedly libertarian Tory PM has decided to "risk sacrificing our ordinary freedoms rather than dare to reform it".

Covid-19 cases spike in Europe

The number of Covid-19 cases in the Netherlands increased by more than 500% to 51,000 last week – the highest level all year – after restrictions on night-clubs and the hospitality sector were lifted a fortnight ago, says George Steer in the Financial Times. On Monday, prime minister Mark Rutte apologised for his "error of judgement" and reintroduced social-distancing rules and midnight curfews as well as cancelling all festivals and events with crowds for the next month. The Dutch Outbreak Management Team said that most of the cases were among young people, specifically aged 18-25, and although hospital admissions are still in single figures (2.7 per million, down from a peak of more than 100 in early April), more than a quarter of young people report symptoms of "long Covid", says Senay Boztas in The Daily Telegraph. So far, 65% of Dutch citizens have had one jab and nearly 40% have had two.

Other countries, including Europe's most popular holiday destinations such as Greece, Portugal and Spain, are reporting rapid spikes in infections. In France, where infections have jumped 65% in a week, President Emmanuel Macron has "unveiled a raft of new measures", including making health certificates a legal requirement in cafes, bars and restaurants, and on planes and long-distance trains from next month, says The Guardian. Health and care-home workers who have not had both jabs will be barred from working and have their pay stopped from 15 September, and PCR tests will also have to be paid for as part of a "concerted drive" to encourage vaccination, says Adam Sage in The Times. So far 53% of the population has had one dose and 39% are fully vaccinated. If resistance continues, Macron signalled that vaccination may become compulsory. His statement appeared to have an "immediate effect" with Doctolib, the online vaccination portal, receiving 17,000 clicks a minute after the address.

It will soon be interdit *not to in France*

©Getty Images

Taliban surges as US pulls out

Withdrawing troops from Afghanistan is a risk for Biden. Matthew Partridge reports

President Joe Biden's determination to pull American troops out of Afghanistan over the next few weeks is a big gamble – "swathes of the country" have already fallen to the Taliban and "thousands of soldiers have fled the country or surrendered to the militants, handing over their equipment and weapons", says Emma Graham-Harrison in The Guardian. Indeed, the scale and speed of the Taliban's advance has been so rapid that intelligence agencies have "ripped up their assessments of the strength of the Afghan military" and now fear that Kabul "could fall within months". The central government is so desperate it has turned to militias and local warlords for help.

America lowers the flag in Afghanistan after 20 years

©Shutterstock

All is not yet lost

Things are not, however, completely lost for the government in Kabul and its "capitulation is not a given", says The Daily Telegraph. Despite the loss of territory, including symbolically important areas such as border crossings with Pakistan, no provincial capital has fallen and government forces are "consolidating their positions". There is also a chance that, rather than try and take control by force, the Taliban "may yet feel that their best chance of holding what they now have is to talk to the Kabul authorities". Still, "no one should be under any illusion about the consequences of this withdrawal" – the Taliban's power is likely to grow.

The withdrawal of US forces has removed America's main source of leverage, but there are still a number of things it could do to give the Afghan government the best chance of clinging on, says Leon Panetta on CNN. It should, for example, continue to fund the Afghan forces for as long as they are fighting. The US also needs to maintain its capacity to hit terrorist targets in the area with missiles and raids by special forces.

A grim prospect

If the Taliban does regain power, the consequences for ordinary Afghans, especially women, are likely to be grim, says Fawzia Koofi in the Financial Times. Already levels of violence and the number of targeted killings of anyone perceived as a challenge to the extremist group, including even healthcare workers, have increased. What's more, the Taliban's influence is unlikely to remain within its borders – the country risks once again becoming a "breeding ground" for regional rivalries and violent extremist groups.

By abandoning Afghanistan to the Taliban, America and Britain are developing a reputation as "unreliable allies", which raises the question of "whether US promises to protect Taiwan and the South China Sea from Beijing are anymore real", says Richard Spencer in The Times. The least that Washington can do is help Afghanistan's neighbours deal with the consequences of a resurgent Taliban. One possible partner is India, which has "most to lose" due to its "diplomatic support for the Afghan government and its rivalry with Pakistan", which has (along with Russia and China) covertly supported the Taliban. "US presidents – not just Biden, but Obama and Trump too – have justified their neglect of Iraq pre-2014 and Afghanistan now by promising a 'pivot to Asia'. For the sake of America's future, and by inference Britain's own, Biden must act on that promise."

Haiti teeters on the verge of collapse

Moïse's killing left chaos in its wake

©Getty Images

With around half its population already "facing acute hunger", Haiti is now mired "in its worst crisis in a generation" after last week's assassination of President Jovenel Moïse in an attack blamed on "two dozen foreign mercenaries", says Kejal Vyas in The Wall Street Journal. Several people now claim they are the lawful interim president, and the US has refused to intervene. The nation is now "teetering on the verge of collapse" and has "no functioning parliament".

The US is right not to get involved directly, says Tyler Cowen on Bloomberg. Previous interventions have, after all, failed to "spur a Haitian political renaissance", or even "fix basic problems". But the difficulties the country faces are severe. Foreign flows of money, whether from the drug trade or Venezuelan foreign aid, have "overwhelmed the domestic incentives to play by the rules", with the result that Haiti risks becoming one of a group of countries that "are simply not viable in their current form".

Aid agencies and the US "have despaired of breaking the cycle" of poverty, crime and bloodshed, says The Times. But the scale of the humanitarian crisis, as well as the fact that its "corruption and gangsterism" has started to spread to its Caribbean neighbours, Florida and the South American mainland, means the international community can't just ignore the crisis. At a bare minimum, drug gangs "must be denied Haiti as a base" and interdiction "spread from Florida across the Caribbean", and peacekeepers sent "to deter the looting of international aid". Such efforts would not be a solution, but could provide a "glimmer of hope".

Betting on politics

Australian politics has been through a period of unprecedented turmoil. The country got through five prime ministers (Julia Gillard, Kevin Rudd, Tony Abbott, Malcom Turnbull and Scott Morrison) between 2013 and 2018. According to one apocryphal story, the constant change prompted doctors to stop using the identity of the prime minister as a way of checking patients' mental state. But while Scott Morrison's tenure as PM was expected to be short, his unexpected victory in the 2019 election seemed to have secured his future.

Despite this, Morrison (pictured) is now under renewed pressure. Earlier this year his government was hit by a scandal involving allegations of assault and harassment. More recently, his handling of the Covid-19 crisis has been called into question. Australia's approach of lockdowns and strict border controls seemed to have worked, keeping deaths low and allowing most restrictions to be eased, but a renewed outbreak in New South Wales has forced a partial lockdown. Australia's government has also been criticised for the delayed rollout of the vaccine.

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As a result, with £8,690 matched on Betfair, the odds on Morrison being the Liberal leader at the next election have lengthened to 1.22 (81.96%). I think this is an overreaction. The actual case numbers remain low, the election is next year (at the latest) and there isn't any alternative candidate who poses a serious risk to him. I suggest betting on him to lead the Liberals into the next election.

Washington DC

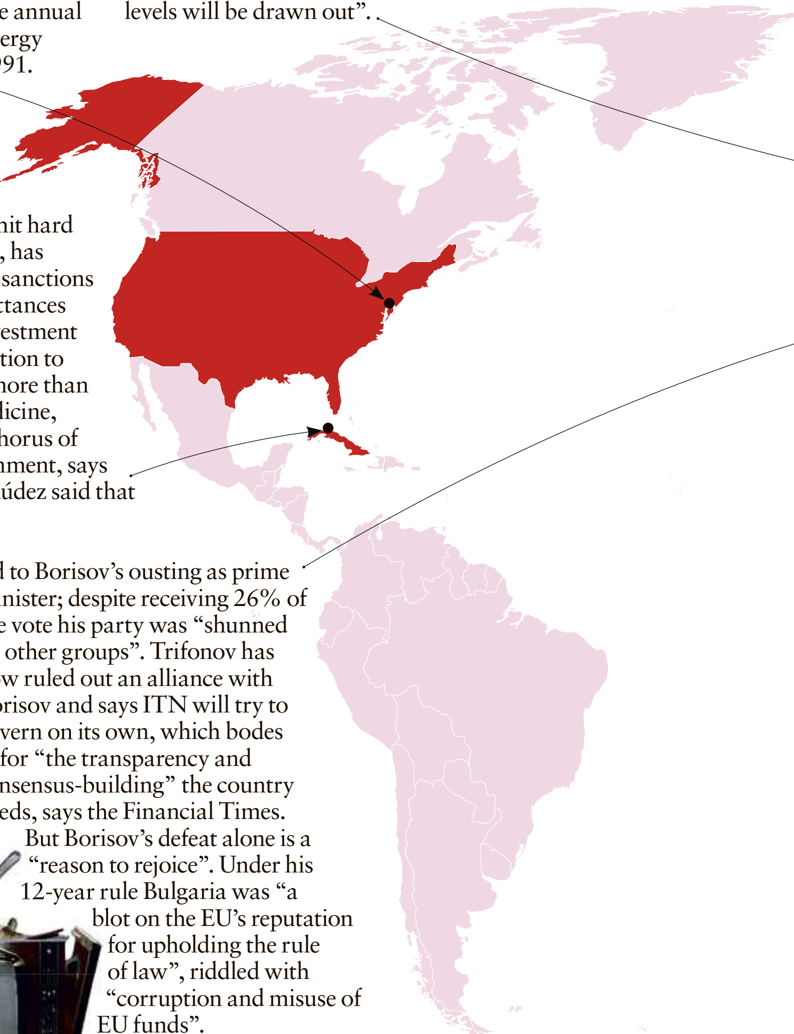
Democrats agree healthcare spending: Democrats on the Senate Budget Committee have agreed to $3.5trn in spending for their healthcare and anti-poverty plan while the party controls Congress and the White House, say Andrew Duehren and Kristina Peterson in The Wall Street Journal. The party now hopes to push the bill through the Senate without Republican support using a process designed to expedite budgetary legislation called "reconciliation". The plan is also expected to include tax increases on corporations and wealthy Americans. The US Federal Reserve, meanwhile, is finding it "increasingly difficult" to claim that higher inflation is "transitory" due to "another blowout" reading for June, says James Knightley of bank ING. Annual headline inflation is now running at 5.4%, "just below the 2008 oil-price spike induced peak of 5.6%". The annual rate of core inflation, which strips out volatile food and energy prices, is now 4.5%, the highest figure since November 1991.

London

Inflation takes off: "The Bank of England has removed restrictions on bank dividends and share buybacks imposed during the pandemic, judging the sector to be resilient enough to absorb any further Covid-19 shocks," says Stephen Morris in the Financial Times. Recent stress tests have proved positive and loan losses have so far been lower than expected. Meanwhile, consumer prices have risen again, from 2.1% year-on-year in May to 2.5% last month, the fastest pace in almost three years. "Inflation… is now firmly above the Bank of England's target [of 2%]," says AJ Bell's Laith Khalaf. Whether that is a blip or "a more concerning and permanent feature of the global economic recovery" remains to be seen. Headline inflation now looks set to peak slightly above 3% at the end of the year, thanks mainly to higher food and energy prices, reckons Samuel Tombs of Pantheon Macroeconomics. GDP rose by a disappointing 0.8% month-on-month in May, from 2% the previous month. That suggests "the recovery to its pre-Covid-19 levels will be drawn out".

Havana

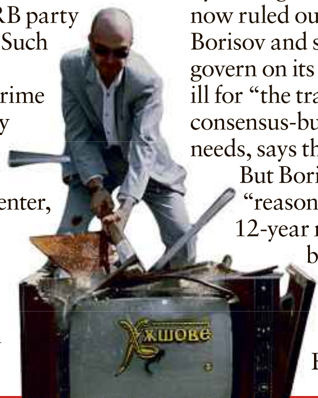
Cuban government faces uprising: Thousands of Cubans have risked prison by taking part in the biggest protests for decades against the island's Communist government. Tourism, one of Cuba's most important sectors, has been hit hard by the pandemic and sugar, another key source of revenue, has suffered a poor harvest. The island has been subject to US sanctions since 1962. Donald Trump reduced access to "vital" remittances from abroad, adds The Tampa Bay Times, and foreign investment has "plunged". Recent currency reforms have caused inflation to soar. The upshot is the "worst economic contraction" in more than 30 years and Cubans, who face shortages of food and medicine, are angry and desperate. The protests have prompted a "chorus of support" from US politicians and fury from Cuba's government, says The New York Times. President Míguel Diaz-Canel Bermúdez said that protesters would have to "walk over our dead bodies".



Sofia

Bulgarian election ends in a draw: Bulgaria is set to remain in political deadlock after its second election in three months produced a neck-and-neck finish between the centre-right GERB party and the anti-establishment There Is Such a People Party (ITN), says Boryana Dzhambazova in Politico. Former prime minister Boyko Borisov's Gerb party received 23.69% of the vote, while ITN, headed by Slavi Trifonov (pictured), a popular television presenter, claimed 23.91%. Around 99% of the votes have been counted after the snap vote, which was called after an election in April when no party managed to gather enough support to form a coalition. That led to Borisov's ousting as prime minister; despite receiving 26% of the vote his party was "shunned by other groups". Trifonov has now ruled out an alliance with Borisov and says ITN will try to govern on its own, which bodes ill for "the transparency and consensus-building" the country needs, says the Financial Times.

But Borisov's defeat alone is a "reason to rejoice". Under his 12-year rule Bulgaria was "a blot on the EU's reputation for upholding the rule of law", riddled with "corruption and misuse of EU funds".



The way we live now: paying through the nose for "ethically sourced cocaine"

Wealthy middle-class drug users are "shelling out a fortune" on "ethically sourced" cocaine, say Antonia Paget and Emer Scully in the Daily Mail. British users have reportedly been behind the rise in demand for "woke coke", which costs around £200 per gram and is marketed as "environmentally friendly" and "produced by well-paid farmers". Drug dealers are pushing the upmarket drug as it fits users' "vegan, organic lifestyles". People in England and Wales spend around £9.4bn on illicit drugs annually and the cocaine market alone is worth £2bn. But experts have pointed out that there is "no way to produce environmentally friendly or ethically sourced cocaine". Instead, it's just a "very clever marketing ploy". Reports of violent tactics by drug cartels to control the supply and distribution of cocaine are rife in Colombia, the world's largest producer of cocaine. The cocaine trade also results in forests being destroyed and water supplies being contaminated as the hazardous chemicals used to produce it are dumped into them.

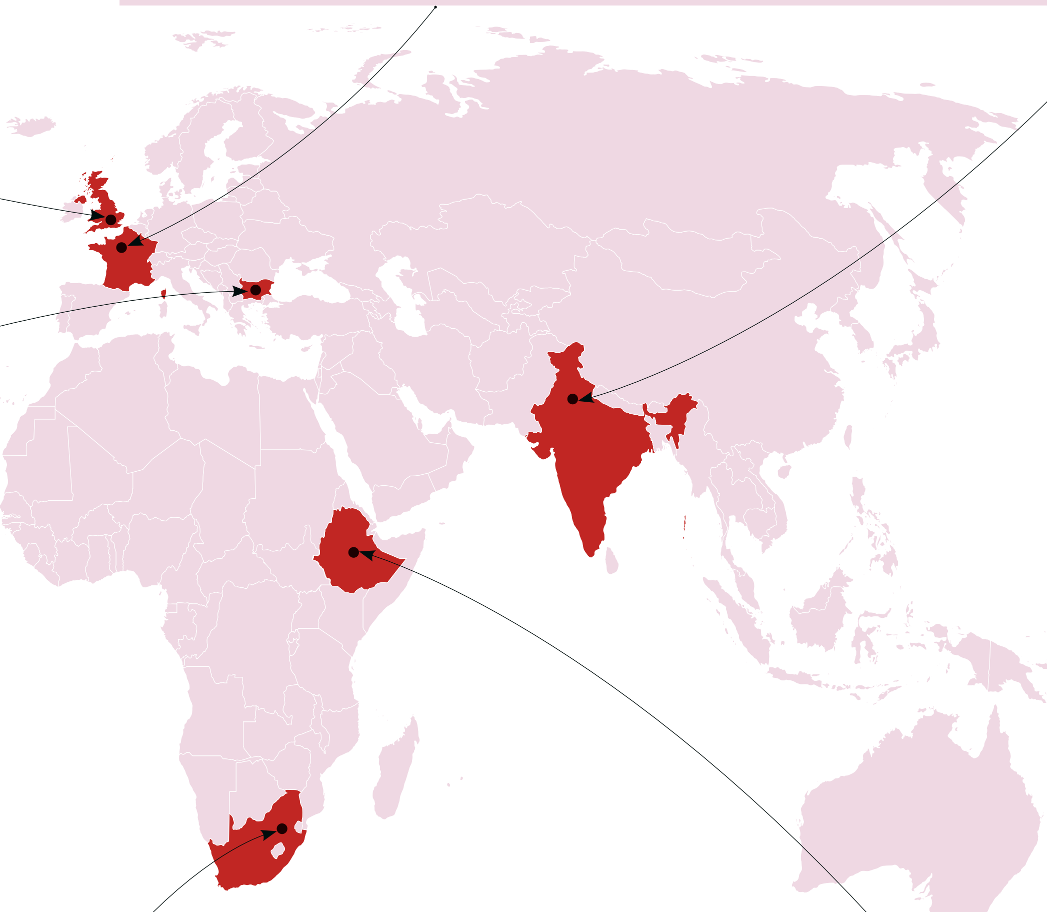
The cocaine trade is far from environmentally friendly

©Alamy; Getty Images

Paris

French get jabbed: Almost a million people in France scrambled to book their first Covid-19 jab on Monday after President Emmanuel Macron declared that anyone wanting to visit a restaurant, shopping centre or cinema, or take a long-distance train, will need to show their "health pass" – proof of having been vaccinated or a negative test, says Andrew Hilliar on France 24. Vaccinations for those working with vulnerable people will also be mandatory from September as France tries to stem the spread of the Delta variant. Across the EU, over half of adults have now been vaccinated. In the eurozone, the global shortage of semiconductors has hit car manufacturing, says Jack Allen-Reynolds of Capital Economics. Industrial production fell by 1% month-on-month in May, a weaker result than expected that reversed April's 0.6% gain. Supply disruptions look likely to drag on, hampering the sector's recovery. The good news, however, is that business surveys point to strong underlying demand.

President Emmanuel Macron is making life harder for the unvaccinated



New Delhi

India's inflation problem: The rising cost of food and fuel in India propelled retail-price inflation to 6.3% in June, above the central bank's 6% target, say Benjamin Parkin and Andrea Rodrigues in the Financial Times. Wholesale inflation dipped back to 12.07% from a record high of 12.94% in May, but economists are concerned that the country could return to a cycle of "runaway price increases" that has hindered its growth for years. A delayed monsoon season is also threatening the country's agricultural sector and putting the post-pandemic economic recovery in peril. GDP shrank by 7.3% in 2020, and the International Monetary Fund predicted in April that it would expand by 12.5% this year. But that was before the country began struggling with another wave of Covid-19 and the delayed rainfall. India is also struggling with a faltering vaccine rollout owing to supply shortages and vaccine hesitancy, says Hannah Ellis-Petersen in The Guardian, which is endangering the government's promise to vaccinate the entire population by December. Only around 5% of the country is vaccinated, and around 20% have had their first dose.

Johannesburg

Worst violence since apartheid: Dozens of people have died in South Africa as security forces struggle to contain "spreading unrest", says Joseph Cotterill in the Financial Times. The worst looting and rioting since the end of apartheid has killed around 75 people. It began last week when former president Jacob Zuma (pictured), who still has many supporters within the ruling party, was jailed for contempt of court after he refused to attend a corruption inquiry and denied all wrongdoing, calling the charges "politically motivated". There are also rumours of orchestrated violence in Zuma's home state, KwaZulu Natal. Zuma's arrest was the catalyst, but the unrest has also been fuelled by high youth unemployment and the economic hardship brought on by the pandemic. Stark inequality has been exacerbated by the coronavirus crisis, which pushed more people below the poverty line. Medical centres have been forced to close due to the pandemic, which is hampering an "already slow pace" of immunisations. The economy, which shrank by 7% last year and is expected to bounce by 4% in 2021, will suffer further damage if the unrest endures. The rand has slipped to a three-month low of 14.6 to the US dollar.

Addis Ababa

Ethiopia and Egypt clash over Nile dam: Egypt and Ethiopia are in dispute over Ethiopia's efforts to begin operating a $4.8bn dam on a major tributary of the Nile, say Amira El-Fekki and Andrew James in The Wall Street Journal. Ethiopia hopes that the project will "power a social and economic transformation of the country". Egypt, which has controlled access to the Nile since colonial times, insists that the dam would threaten nearly all key sources of water for its expanding population. Water scarcity has raised geopolitical, economic and business concerns around the world and the dispute over the Nile is one of the world's "major flashpoints" over water rights. Ethiopia informed Cairo it had started filling a giant reservoir behind the dam before agreeing on a deal with Egypt and Sudan over how much water each country would be allocated once the dam was filled. The move prompted Sudan and Egypt to lobby the United Nations and the US to stop Ethiopia from filling the dam before an agreement was reached between all three. But Ethiopia sees the dam as a "catalyst" that will quicken its transition "from an agrarian to an industrial economy".

The dawn of a new space age

Jostling to be the first billionaire in space might seem to be a daft ego trip, but it is all part of a broader space industry with important real-world applications. Simon Wilson reports

Richard Branson beat his fellow plutocrats into space

©Virgin Galactic

What's happened?

The race to create a viable space tourism model is hotting up – and so is the race to attract investment funds into the space sector as a whole. Last Sunday Richard Branson became the first commercial spaceflight pioneer to take a test drive to space and experience zero gravity in his own spaceship, beating Jeff Bezos (who is due to leave Earth next week) and Elon Musk. Together with two pilots and three other colleagues, Virgin Galactic's Unity 22 rocket plane blasted off from Spaceport America in the New Mexico desert, reaching a height of 86km, and safely returning an hour later. That is suborbital "space" by the definition of the US Air Force – above 80km – though it's short of the Kármán line, at 100km, often cited as the boundary between the Earth's atmosphere and "outer space". But it's still a significant milestone in the development of commercial space travel. Branson said he was honoured to "test the customer experience" and declared: "Welcome to the dawn of a new space age."

What happens next?

Virgin Galactic aims for two more test flights before taking paying customers next year. Meanwhile Amazon's recently retired boss Jeff Bezos aims to go slightly higher next Tuesday in a vertical-launch vehicle built by his own space firm, Blue Origin. Commercial space tourism is a big step closer (for those who have $250,000 to spend on a ticket). But such tourism is only a small part of the broader space economy "that has boomed over the past decade thanks to advances in rocketry and satellite technology", says The Economist. Blue Origin's long-term strategy is not about thrill-seeking: it wants to develop a large new rocket for satellite launches, sell rocket engines and bid for Nasa contracts, such as for a system for landing humans on the Moon. In short, it wants to become more like Elon Musk's SpaceX, whose reusable Falcon 9 rocket has helped revolutionise the economics of space, with the potential to drive down launch costs by as much as 90%.

"Musk's SpaceX has driven down launch costs by as much as 90%"

What is Musk's strategy?

If Bezos and Branson look like "dabblers in zero-gravity tourism", then Musk is more of an "emergent space monopolist", says Richard Waters in the Financial Times. Musk's SpaceX has brilliantly followed a "time-tested" Silicon Valley strategy of riding on the back of government-funded research, while also using government – in this case Nasa – as the "anchor customer to fund the development of a new market". It is now using another familiar route with the launch of its own broadband satellite service, Starlink. "This echoes a strategy used by Microsoft to dominate PC software, and Apple to cash in on its iPhone," says Waters. First, build a dominant new tech platform (a low-cost way to get to space), then create the "killer apps" that the new platform makes possible (the space-borne broadband network). One day, Musk dreams of humans colonising Mars. For now, it seems like he's ruthlessly focused on exploiting real opportunities.

How big is the sector?

Morgan Stanley predicts the global space industry could be worth more than $1trn in annual revenue by 2040, up from $350bn in 2020. Bank of America predicts a $2.7trn sector by 2040. Either way, the wave of innovation in space technology has caught the attention of investors. Total venture-capital investment in the field rose by 95% to $8.7bn in the 12 months to the end of March, according to the Seraphim SpaceTech index, a tracker of funding deals in the sector. That figure includes a combined $4.2bn raised by SpaceX and OneWeb, a firm that aims to use satellites in low Earth orbit to improve broadband speeds and access that was rescued by the UK government and India's Bharti last November. But even stripping these out, and excluding deals for drones and flying taxis, private funding for commercial space ventures jumped by 52% to $4.1bn. "We believe we are at a watershed moment," says James Bruegger of Seraphim Capital, whose firm achieved lift-off this week.

How so?

By launching a retail investment trust giving exposure to smaller, space-related businesses. Seraphim Capital's listing of its Seraphim Space Investment Trust on the London Stock Exchange was oversubscribed, raising £180m. Seraphim's backers include the British Business Bank, Airbus and Branson (the trust is chaired by ex-Virgin Galactic president Will Whitehorn). Space is now "open for business" and no longer just the preserve of billionaires, says Mark Boggett, Seraphim's chief executive. But the "space" category is broadly defined, as the rapid decline in the cost of satellites brings a surge in the number of orbiters collecting data about the Earth – useful for everything from predicting the weather to facilitating insurance claims. "Space is not about rockets and satellites. It's actually about a digital play," says Boggett. "The companies that we are investing in don't see themselves as space infrastructure companies. They see themselves as data companies."

How else can investors get access?

There are a handful of exchange-traded funds (ETFs) that specialise in the sector. Virgin Galactic is the largest holding (4.9%) in the Procure Space Ucits ETF, an Ireland-domiciled, London-listed ETF with the cute ticker YODA, which launched last month. It's a sister fund of the Nasdaq-listed Procure Space ETF, launched in 2019 with the ticker UFO. The make-up of the space ETFs reflects the current dominance of satellite launches and the potential for satellite broadband, says James Phillipps on Citywire. YODA's top-ten holdings include satellite firms Globalstar, Maxar Technologies (a key supplier to Google Earth and Maps) and MDA. Two other ETFs worth investigating are the SPDR S&P Kensho Final Frontiers (ROKT) and the ARK Space Exploration & Innovation (ARKX), but note that their holdings include big name aeronautic and defence giants who stand to gain from the space race, as well as more straight space plays.

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Build your own ultimate index

Efforts to build the "ultimate" tracker fund reveal how easy it is to over-complicate your asset allocation

John Stepek
Executive editor

Passive investing – where an investor aims to match the return on an underlying market rather than beat it – has grown relentlessly in popularity over the last two decades. Little wonder. Passive funds cost far less than actively managed ones and mostly deliver better performance, because only a minority of active funds beat the market over time. Now index provider MSCI is working on the "ultimate index" – a project that "could mark the culmination of half a century of academic theory and practical financial engineering", writes Robin Wigglesworth in the Financial Times. It aims to benchmark not just equities or bonds, but also "commodities and even private assets that do not trade on an exchange".

A tracker fund that offers exposure to every major asset class sounds a convenient way to take the headaches out of asset allocation (see below). But as the man behind it, former theoretical physicist Peter Shepard at MSCI, points out, "one size will not fit all investors". Asset allocation has to fit each individual's circumstances: risk appetite and time horizon being the two main variables.

"It's very easy to tie yourself in knots over asset allocation"

Another issue is complexity. It's easy to tie yourself in knots given the range of apparently different asset classes out there. What role should currencies play? Hedge funds? Private equity? Faced with these questions, Shepard says, "simplicity and transparency are key. I could come up with a great black box, but if you don't understand it, you won't trust it and you won't use it". So keep your asset allocation simple. We'd suggest building your portfolio around five basic asset classes: equities, bonds, property, gold and cash, with the lion's share in the first two.

Gold: good in financial disasters

The point is for each asset to bring something different to the mix. Equities are a good play on long-term growth. Bonds are good in periods of deflation and weak growth. Property is basically a form of equity (an ownership stake rather than a loan), but with an element of inflation protection. Gold works as a disaster hedge and cash affords flexibility ("optionality").

Any other asset class you can think of slots into one of these boxes. If you decide private equity is something you want to own (perhaps via listed private-equity funds or investment trusts), it just sits in your equity allocation. It's the same for commodities – while you can get direct exposure (see page 18), the reality is that mining stocks are a good enough approximation for most of us. As for currencies, they aren't a separate asset class – they are better thought of as a potential cost you should be aware of when investing in non-sterling assets. Meanwhile, if MSCI or another index provider ever does come up with the "ultimate index", you could always use it as a benchmark with which to compare your own portfolio's performance.

I wish I knew what asset allocation was, but I'm too embarrassed to ask

Asset allocation is the process of dividing your portfolio between different asset classes, such as shares, bonds, property, cash and gold. Each of these asset classes should behave in different ways in different scenarios and have different potential risks and returns. The aim of asset allocation is to blend these together in a way that produces a combined level of risk and return that best suits an investor's needs.

To take some extreme examples, a young investor saving for retirement a long way in the future and prioritising maximum growth above everything else might have 100% in shares, while a retiree who only cares about achieving a steady income might have 100% in bonds.

More commonly, somebody who wants to achieve a combination of income and growth while also protecting their wealth from bear markets would typically have a portfolio split between different assets classes in a more balanced way.

Asset allocation is often divided into strategic asset allocation and tactical asset allocation. Strategic asset allocation is essentially what we've already described – how you allocate your money for the long term to fit your investment goals. Over time, the amount in each investment may drift away from your strategic asset allocation because some asset classes have performed better than others. So on a regular basis – maybe once per year – you will rebalance your portfolio to take it back to your original strategic asset allocation.

Tactical asset allocation is any temporary changes that you make to a strategic asset allocation as a result of current market conditions. If shares sell off a long way and now look cheap, you might choose to reduce the amount of cash you hold and increase your investment in shares. Profiting from tactical asset allocation is harder than it sounds and doing it too much can easily lead to higher costs and lower returns.

Guru watch

Duncan MacInnes, investment director, Ruffer Investment Company

"The best investments are often the least comfortable ones," Duncan MacInness, co-manager of the **Ruffer Investment Company (LSE: RICA)** trust, tells Citywire, discussing the company's decision late last year to put 2.5% of its assets under management into bitcoin.

The firm bought the cryptocurrency in November last year, then sold out by the end of April. The trade was controversial, but highly profitable – bitcoin was about $15,000 in November, and peaked at above $60,000 in April – and it is thought to have made Ruffer over £1bn.

Bitcoin enthusiasts have described the cryptocurrency as a digital version of gold. As a result, Ruffer saw the trade "as an option on an emerging store of value with a highly skewed and attractive risk/reward profile" and a useful diversifier for the portfolio, alongside exposure to physical gold. However, the rocketing bitcoin price prompted the "sell" decision as it had become too much of "a risky, speculative asset".

The trade was driven by Ruffer's view that "real" assets will increasingly find favour with investors. "A once in a generation transition into a world of higher inflation and inflation volatility is under way," argued MacInness in Campden FB last month, noting that "the percentage of businesses raising prices in the US is at a 35-year high". If inflation proves not to be "transitory", as the US central bank, the Federal Reserve, keeps insisting, then this would be very damaging to the 60/40 mix of bonds and equities that constitutes a "balanced" portfolio today.

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The perils of being a landlord

Companies looking to muscle in on the home rental market should think twice

Matthew Lynn
City columnist

The rental market is suddenly very fashionable among some of the UK's largest companies. Last week, Lloyds made its formal debut in the market, buying a block of 45 flats in Peterborough set to be made available to tenants. The bank has plans to make 400 homes available by the end of the year, with that number potentially doubling by the end of 2022. It is not alone. John Lewis, the retail chain that also owns Waitrose, plans to build 10,000 homes over the next decade, with the majority of those set to be made available for renting.

A potentially huge new market

You can make a case for that as a diversification strategy for both companies. Renting out residential property is a vast industry in the UK. There are 4.5 million private rented homes in this country, up from 2.7 million in 1997, according to the Office for National Statistics. Few other industries have grown as fast as that. And with a median national rent of £700 a month (rising to £1,425 in London), it is generating a huge amount of cash.

The industry could do with some professionalism too. The vast majority of rented properties are supplied by part-time buy-to-let landlords with no real expertise. Most of them are simply supplementing their pension, and don't even think of themselves as running a business. For many tenants, the standards are not very high. Repairs are not carried out and deposits don't get returned properly. Big companies could bring some expertise to the industry.

At the same time, it is a potentially huge new market, especially for a company like Lloyds, where the margins on financial products are getting squeezed, or for John Lewis, stuck with department stores that are in decline. And with the right planning permission, it could be a great way to redevelop commercial space. Lots of old high street bank branches that no one visits anymore could be converted into two or three flats; plenty of department stores have already looked at turning one or two floors into places where people can live.

John Lewis needs a better bet than department stores

©John Lewis

There are, though, three big problems. First, rental yields, despite the hype about landlords ripping off tenants, are mostly pitiful. The average rental yield in the UK is just 3.5%. In London they are even worse at just 2.58%. Even in the best-performing regions, such as north west England, they climb no higher than 4.5%. The cost of capital would have to be very low to make any kind of return if that is the potential yield.

Second, the only real profits come from capital appreciation. In the buy-to-let market, not many private investors manage to make much from the rental yield. Where they do make money is from essentially making a highly leveraged bet on the property market. As it happens, the returns on that have been spectacular over the last 20 years. The catch is, it ties the owner to a very volatile housing market. With immigration likely to fall now we are out of the EU, and with planning regulations being loosened, prices may well not rise nearly as much over the next 20 years, and even if they do it is likely to be a very bumpy ride.

Beware the backlash

Finally, it will create a political backlash. Home ownership is a very controversial issue in the UK. The percentage of people who own their own home has been falling steadily for a decade. Prices are sky-high, many people struggle to get onto the property ladder and, despite the miserable yields, the price of housing means that rents can still consume far too high a percentage of people's disposable incomes. Private buy-to-let landlords ended up getting so much flak for distorting the market that the chancellor ended up changing the tax rules to drive them out of the market. Why wouldn't the same happen to corporate landlords? If big companies start making huge profits from renting out homes there will be campaigns for one-off taxes, rent controls, or even nationalisation. The market might look a tempting diversification for some big companies, but it is full of risks that could blow up at any moment. Shareholders should be very cautious about backing that strategy.

Who's getting what

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● Shareholders of electric lorry manufacturer Nikola have rejected the pay report in a non-binding vote over executive pay. **Mark A. Russell**, the president and chief executive officer, was awarded $159.2m, of which just $173,077 was in salary, says Reuters. Founder and former executive chairman **Trevor R. Milton** (pictured) had been due to receive the same amount, but his pay was reduced to $16.5m under the terms of his resignation agreement last September. Nikola's shares have fallen by 80% from their peak.

● Almost a fifth of Sainsbury's shareholders have rejected the supermarket's remuneration report a month after it was revealed that **Simon Roberts**, the chief executive, took home a £583,000 bonus in his first nine months in the job, says City AM. That payout came despite the company falling to a £261m full-year loss in April. Advisory groups had urged investors to reject the pay committee's decision "to apply some upward discretion to payouts" for 2020.

● Last week, **Ian Barlow** announced he would retire from his role as chairman at estate agency Foxtons by the end of the year, says The Times. He earned £158,000 for 2020. The board has come under pressure from shareholders angered at the pay report, which handed CEO **Nic Budden** a cash bonus of £389,000 and shares worth £569,000, taking his total pay to £1.6m in 2020, despite Foxtons receiving £6.9m in government support last year.

Nice work if you can get it

Three Morrisons directors stand to rake in up to £35m from the proposed sale of the supermarket to a consortium led by Fortress Investments, which values the Bradford-based business at £6.3bn, say Sam Chambers and Robert Watts in The Sunday Times. Chief executive David Potts would stand to make £19.6m from the sale if the supermarket's board were to decide to honour share awards granted to executives under long-term incentive plans. He is already guaranteed a £9.2m payout from the deal on the shares he already owns. Trevor Strain, the chief operating officer, would be in line for a £3.6m payout, which could rise to £11.5m. And finance director Michael Gleeson will get £804,565, possibly rising to £3.7m. The potential payouts raise "questions over whether bumper executive share awards are contributing to the wave of private-equity buyouts sweeping the UK".

Spread the boffins thinner

Emma Duncan
The Times

Our top universities are "pretty extraordinary", says Emma Duncan. Britain has 1% of the global population, but two of its top ten universities. Cambridge alone has 121 Nobel laureates, more than Germany or France. But if we have plenty of top universities, we're short of second-rank ones, the kind that produce high-quality research and skilled, well-educated young people who boost productivity – and therefore prosperity. Part of the problem is that our "intellectual firepower" is concentrated in the "golden triangle" of Oxford, Cambridge and London, which receives almost 50% of government research funding. As economic policy, this is "daft". As academics Richard Jones and Tom Forth argue in their paper, *The Missing £4 Billion*, we're boosting productivity in the most productive part of the country. We should copy Germany, which uses research funding as a "tool of development as well as of discovery" and has seen regional inequality decrease as a result. That £4bn (the sum needed to raise regional research funding up to the level of the southeast) should be used to create a few well-funded institutes. Fewer Nobel laureates in return for a "healthier spread of the funding that fertilises economic growth" would surely be worthwhile.

How it all went wrong for Malaysia

Daniel Moss
Bloomberg

Malaysia "lost its status as a role model for the developing world some time ago", says Daniel Moss. The "endless misery" of the pandemic – rolling lockdowns, "galloping" infections and a low vaccination rate – has "come to epitomise the descent" of a once-proud nation. The country's leaders, despite their authoritarian traits, were once given "grudging credit". During Mahathir Mohamad's premiership from 1981 to 2003, the country grew rapidly with low inflation and stable budgets. Mahathir opened markets; imposing capital controls and fixing the exchange rate during the Asian crisis proved to be a smart move. But then things "started to go wrong". Expensive "boondoggles" suggested waste; corruption and cronyism crept in. During the pandemic, lawmakers have shown themselves to be incapable of uniting around a figure or programme and the country is now "beset" by social, economic and political crises. The IMF forecast growth of 6.5% this year looks unlikely given that GDP "plummeted" by more than 5% last year. "Further interest rate cuts and fiscal outlays are almost assured." Whatever the numbers say, many Malaysians are close to despair. It may only an exaggeration to "invoke the dreaded label of a failed state".

Business kowtows to Beijing

John Collingridge
The Sunday Times

Last week, pro-China lobby group the China-Britain Business Council organised a "staged video call" between the bosses of some of Britain's biggest companies and China's premier, Li Keqiang, says John Collingridge. Each boss, from the likes of HSBC, AstraZeneca and Diageo, was given a 90-second slot to "discuss" their business in China. Subjects such as the repression of Uighur Muslims were not on the agenda. Afterwards, China's Ministry of Foreign Affairs issued a press release, but the "picture that told a thousand words" was the screenshot that it plastered on its website of those bosses "making something between a wave and a pledge of allegiance". It was a reminder of who "holds the power", and the "prizes and penalties" at stake for businesses which have China's "booming middle class" as their market. While US president Joe Biden continues to pressurise Britain to form a united front against China's rising power, Beijing has "spotted a crack in [the] alliance: business". It knows that post-Brexit Britain "needs all the help it can get". Distasteful though British CEOs may find it to be "told to grin and wave", the chances of them taking a "principled stance" and "risk offending their fastest-growing market are negligible".

Paralysis afflicts California

Miriam Pawel
The New York Times

California, the world's fifth largest economy, "has long been a land of firsts, and this year is no exception", says Miriam Pawel. Water levels are so low the state's hydropower plant could shut down; California is to lose a congressional seat; the population shrank for the first time since 1850. These are "not the kinds of firsts" the state is used to, and they have sapped its "zealous optimism". But California is facing limits. "Learning to live within them will test its leaders and redefine the state." Environmentalists were calling for action on the same problems 50 years ago: housing shortages, loss of natural resources, lack of economic stability for workers, inadequate public transport, poor air quality and unregulated growth. There has been some progress since – for example, its adoption of landmark energy-independence and climate-change policies – but many problems have got worse. Now, despite being "awash in billions of dollars in surpluses", there is a "sense of paralysis". Elected officials are "notorious" for avoiding difficult decisions or planning beyond the next election, but they should see this crisis as an opportunity. Historically, the state has influenced policies across the US. "What happens in California matters, and not just here."

Money talks

"I love aesthetically pleasing No. 10s. They're the reason we pay money to watch football. Some would argue I've got a team of 10s."
Chelsea Women's manager Emma Hayes on attacking midfielders in football (pictured), quoted in the Evening Standard

"Some people may have become complacent, liking this new style of working. Well, those folk will never work for me."
Business magnate Alan Sugar on staff reluctant to return to offices, quoted in The Mail on Sunday

"I have nothing against football. It just seems very wasteful losing two hours of my life to watch 22 millionaires on TV chasing a bag of wind in their underwear."
Former motorbike racer and TV presenter Guy Martin, quoted on Facebook

"A worrying situation has now developed where, faced with any problem, the Bank [and] other policymakers have a default answer – let's do more QE [quantitative easing]. This cannot be right."
A member of the House of Lords Economic Affairs Committee talking to columnist Liam Halligan in The Sunday Telegraph

"You need to stand aside and be dispassionate about it, you mustn't be caught up with all the trends and fashions of the market. I'm a reasonably unemotional person and that's quite important. If you're a very emotional person generally you don't make a good investor."
Former star fund manager Anthony Bolton, quoted in The Sunday Times

"People are buying my art like crazy… I've lived on very little money for a very long time, which I no longer have to now thanks to these idiots. It's been life-changing."
Artist Jess de Wahls on the result of being "cancelled" following complaints her work was "transphobic", quoted in The Times

©Getty Images

Commodities are on a roll

Profiting from raw materials isn't as easy as you might think. A new ETF, however, is worth a look

David Stevenson
Investment columnist

BlackRock's World Mining Trust has gained 53% in a year

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Commodities are on fire. But for private investors, gaining access to a notoriously fickle and unpredictable asset class through a straightforward fund structure is easier said than done. The most popular route for private investors has hitherto been through commodity-equity funds, with the resources team at BlackRock dominating most lists. Their World Mining Trust has gained 53% over the last 12 months.

But commodity equities do not necessarily move in line with the underlying raw-material market. The share price of, say, Glencore or BHP moves for many different reasons, not least underlying cash flows and managers' decisions.

Investors seeking more direct exposure to commodities tend to focus on funds that track a major commodities index, such as those offered by Bloomberg or S&P Dow Jones. The main vehicles here are either exchange-traded funds (ETFs) or exchange-traded products (ETPs). The most popular version of the ETFs tend to be broad commodity index trackers offered by the likes of WisdomTree or iShares. These broad trackers use a composite index comprising subsectors ranging from oil to agricultural commodities, such as hogs or wheat.

"Mining stocks may not track the underlying metal"

A technical problem

Underlying these broad indices are futures contracts: promises to buy a specified commodity at some point in the future (one to 12 months is a normal range). The funds have no intention of taking physical ownership of the commodities, however. The idea is to "roll over" the so-called front-month futures each month. The fund manager sells futures contracts as they approach expiry and then buys the next month's contract.

This is normal practice, but it can lead to a technical problem that reduces returns: negative roll yield. Just as bonds have a yield curve, with the interest rates on various durations forming an upward or downward slope, there is a commodities-futures curve: the futures price often diverges from the actual, physical spot price. If the futures curve slopes upwards (in other words, futures are pricier than the spot price), the market is in "contango"; if downwards, it is in "backwardation".

If the market is in contango, then, as it usually is, next month's contract is more expensive than the one just ending and the fund manager essentially pays a fee for buying a new contract. The cumulative impact of this negative roll yield can be substantial: most classic one-month rollover commodity-futures strategies tend to underperform spot prices over sustained periods of time.

This has forced the ETF issuers to experiment with complicated tweaks of the futures-based strategy. WisdomTree, for instance, has a successful range of enhanced funds that track one of the broadest commodity indices – the S&P GSCI – using a dynamic roll strategy. The aim is "to minimise the potentially negative effect of rolling future contract by determining the most efficient roll on the future curve for each commodity". iShares has a similar fund called the Bloomberg Roll Select Commodity Swap, while XTrackers has something called the Commodity Optimum Yield Swap.

Incomplete coverage

There are other problems with these widely followed commodity indices. Some end up becoming dominated by energy prices, while others tend to exclude agricultural sub indices because they can be too volatile. ETF firms have responded with ideas such as ascribing equal weighting to various subsectors (Lyxor, for instance, has a Bloomberg Equal-Weight Commodity ex-Agriculture).

Currency movements are also a risk, with the core commodity markets transacting in dollars even though British investors are concerned with sterling returns. WisdomTree, among others, offers a full range of currency-hedged commodity trackers.

Weather is another potential risk. In natural gas, oil and agricultural markets, prices are affected by the season, while raw-materials markets can be susceptible to surges and dips as investors chase big themes.

Add up all these complexities and eccentricities and one can see why many institutional investors tend to avoid index trackers and opt instead for specialist commodity funds with active managers. They are experts at playing all these trends – the roll yield, seasonality, momentum – but they tend to charge for the privilege. The funds are also almost all inaccessible to private investors.

A cheaper option

Interestingly, however, Legal and General's ETF arm – LGIM ETFs – has taken many of these ideas and incorporated them into a new listed ETF: the **L&G Enhanced Commodities UCITS ETF (LSE: ENCG)**. The charges are much more private investor-friendly at 0.3% per annum.

The ETF takes various observed market processes and then builds a systematic series of strategies that aim to enhance returns. So with regard to the roll-over problem, the underlying index – from Barclays – uses a range of futures optimisation techniques. This might mean using a combination of one-month, three-month and one-year contracts.

The strategy also looks at the futures curve and then "allocates along the curves with the aim of optimising the roll yield characteristics". In simple terms, instead of paying an active manager to stare at the curve, the quantitative system automatically allocates money to where the opportunity might be largest.

In addition, there is what's called a "momentum alpha" strategy for agriculture and livestock sectors, which aims dynamically "to allocate to points of the curve that have historically outperformed". The fund also aims to reproduce the market's returns in the precious metals sector.

Add it all up and with luck you should get an optimised return on commodity markets at a relatively low cost. The ETF issuers have run a back test on the strategy, which suggests that the underlying index (the Barclays Backwardation Tilt Multi-Strategy Capped Total Return index) would have outperformed every year since 2009. All the fund lacks now is a currency hedge for sterling investors.

The costs of "net zero"

©Getty Images
On the one hand, wind and solar costs are falling. What's on the other?

capx.co

Not since Winston Churchill promised victory over Germany in his "blood, toil, tears and sweat" speech of May 1940 has the UK set itself a more expensive or ambitious policy goal, says Karl Williams. Official cost estimates for getting to the point where Britain produces "net zero" greenhouse gases by 2050 – a binding legal commitment – range from £1.5trn to £2.1trn. That's between 69% and 97% of pre-Covid-19 GDP. World War II cost Britain about 84% of its 1939 GDP.

The difference is that, in 1940, MPs at least knew what they were getting into. The same cannot be said about the net zero goal. Theresa May introduced the policy in the dying days of her disastrous premiership so as to leave some kind of prime ministerial legacy. It came into law in June 2019 with minimal parliamentary scrutiny and Boris Johnson has embraced it for political reasons. But there is still "no real sense… of how to get there, how to pay for it or who will have to make what sacrifices". When Chancellor Rishi Sunak was interviewed on the topic recently, he was unclear, for example, about who was going to have to pay for residential gas boilers being replaced with heat pumps at £10,000 a pop.

Having thus put the cart before the horse, the Treasury now plans to publish a detailed cost-benefit analysis. Doubtless this will emphasise jobs and trade opportunities, such as Nissan's electric battery factory in Sunderland. But whatever it says, there will be a "high degree of uncertainty around underlying assumptions". On the one hand, the costs of solar and wind are falling. On the other, the costs of government infrastructure projects "tend to balloon". The costs of HS2, for example, have tripled in ten years. If the Treasury forecasts a net zero cost of £1.8trn, would it really be surprising if that rose to £5.4trn, 250% of 2019 GDP?

The energy transition will ultimately rely on rapidly scaling up technologies that either don't exist yet or are in their infancy. The risk here is that government will try to pick winners. That's why "it's more important than ever" to avoid going down the central-planning route and embrace market-based solutions. The success or failure of net zero is likely to depend in the end on how far and fast renewable energy prices fall. Free markets will be key. They act as discovery mechanisms, driving innovation as entrepreneurs and engineers try to bring down prices to undercut competitors. The technologies needed to make net zero affordable are "far more likely to emerge through these decentralised processes than by government design".

Living with a monetary disease

conversableeconomist.wpcomstaging.com

What happens in times of high inflation? Lebanon is a warning, says Timothy Taylor. A recent World Bank report ranked the economic crisis there as one of the most severe in the world since the mid-19th century. Its GDP per capita measured in US dollars has fallen by around 40%. Price rises averaged 84.3% in 2020 as the stock of currency in circulation rose by 197%. As V.S. Naipaul wrote in 1992, on the situation then prevailing in Argentina, inflation is a "monetary disease". Your money "disintegrates", you cease to plan and you live day-to-day. Productivity gains, "the secret of all progress", halt because it's more important to think about protecting your working capital than about long-term investments in technology. Long queues form for necessities like food; prescription drugs demand a backpack full of cash. The key point is that when inflation arrives, "people and firms do need to worry about it" – whether their pay cheque is keeping up, about price rises from suppliers and passing on rises to consumers. Borrowing money becomes fraught. "The energy going into keeping pace with inflation is energy diverted from actual productive pursuits: education and learning skills, investing, cutting costs, research, and more."

Beware: left turn ahead

iea.org.uk

The Millennial generation had been deemed apathetic. No longer, says Kristian Niemietz. The rise of Black Lives Matter, Extinction Rebellion, Greta Thunberg, Jeremy Corbyn and the campus culture wars have revealed a "hyper-politicised generation". The first cohorts of the generation coming up behind them seem to share their views too. An extensive survey of attitudes by the Institute of Economic Affairs shows that the youth really are "consistently hostile" to capitalism. Around 40% have a favourable opinion of socialism and agree that communism could have worked if it had been done better; 67% say they would like to live in a socialist system. Capitalism is predominantly associated with terms such as "exploitative" and 75% of young people agree that climate change is a specifically capitalist problem.

©Getty Images
The youth are revolting

Many will say that they'll grow out of it. But this is not borne out by the data. There are no detectable differences between the economic attitudes of people in their late teens and people in their early 40s. Supporters of capitalism need to "take 'Millennial Socialism' far more seriously than they currently do".

Lockdown zealots crushed the economy

mises.org

Lockdowns may cause economic turmoil, but it would have been even worse without them. That was the view of experts arguing for draconian restrictions to prevent the spread of Covid-19, says Ryan McMaken. The evidence suggests the opposite. States in the US that abandoned restrictions early have fared better economically, with less unemployment and more economic growth than those that kept strict rules.

If the doomsayers were right, we should expect to see the result in states like Florida, Utah, Georgia and South Dakota, which ended lockdowns early. Yet in 2020 and into early 2021, GDP growth was better in Georgia and Florida than in New York and California. GDP growth in Utah, where lockdowns were "sparse and weak", was better than every other state. South Dakota, which never imposed lockdowns at all, did better than California and nearly as well as New York. As for the dire health consequences, these never materialised. The data shows lockdowns don't make much of a difference in terms of deaths.

The doctor will see you now

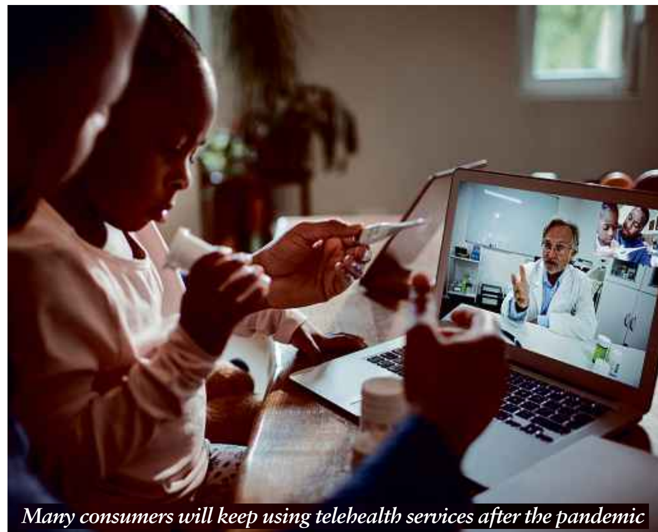
The pandemic has vastly accelerated the shift towards telehealth, making Cigna a long-term buy

Stephen Connolly
Investment columnist

A major problem during Covid-19 has been how to treat patients without having face-to-face meetings in surgeries. Enter telehealth: using technology and the internet to create online health centres.

Although not discussed as much as other pandemic boom sectors such as film streaming, food delivery or virtual offices, telehealth is potentially huge. Annual growth forecasts for the US range from 25% to 35% a year for the next five years, implying an industry worth \$200bn-\$400bn. McKinsey, a consultancy, estimates that \$250bn of US healthcare spend could go virtual if conditions are right – an almost 100-fold leap from the \$3bn of annual sales for US telehealth before the virus.

Health-services and insurance companies such as **Cigna** (**NYSE: CI**), UnitedHealthcare, Doctor on Demand and Hims & Hers have been responding by investing in the sector, raising money and reporting strong growth that supports the impressive outlook. Cigna's current deal to buy privately-held telehealth business MDLive, in which it already held a stake, certainly looks astute. It gets one of the biggest US telehealth businesses, which is virtually looking after 60 million people round-the-clock every day and dispensing services ranging from urgent care to psychiatry. Buying the business not only brings Cigna millions more users, but also gives it a platform on which to integrate the purchase with its existing health offerings to provide more comprehensive services. These in turn should attract even more individuals and corporate employees.



Many consumers will keep using telehealth services after the pandemic

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Treating patients remotely is not entirely new. Telephone consultations, for example, have been around for years. But it's always been a small part of medical interaction. Covid-19, as in other areas, has changed this. In the year before the pandemic, telehealth facilitated one in ten medical encounters in the US, according to a survey by researchers at McKinsey. Last year the number had soared to around half. And after a peak in April it has stabilised well above pre-Covid-19 levels.

After the virus

After Covid-19 the extreme circumstances that have had so many people working from home, ordering home deliveries and endlessly streaming television are unlikely to return. But none of these activities has gone away and they are likely to be more common than before the pandemic because habits have changed.

People want more, but not all, of their time working from home, for example; similarly, online shopping isn't going into reverse but people will still want to visit exciting shops.

It's the same with health. Patients will want (and need) to see GPs in person again, but others will prefer quick online consultations and immediate prescriptions. In a recent McKinsey survey of consumers, 40% said they'd keep using telehealth – only 11% were using it before Covid-19.

As for clinicians, 58% now take a more favourable view of it. The pandemic's acceleration of telehealth adoption has given a glimpse of a more efficient healthcare model that answers some of the policy and funding challenges governments worldwide are struggling with.

Telehealth is here to stay and will become more appealing as technology keeps advancing. It's not just about online surgeries and consultations, but also the proliferation of devices and gadgets to monitor and analyse patients from afar for immediate diagnoses, alerts and surgical interventions.

Health services are set to struggle with backlogs and growing user volumes for years. The enduring need to get costs down, increase medical access and treat patients faster should also underpin the growth of telehealth well beyond Covid-19.

Stephen Connolly heads a family investment office, and has worked in investment banking and asset management for nearly 30 years (sc@plainmoney.co.uk)

An absurdly cheap healthcare winner

There are two reasons for buying Cigna. First, it is valued at just ten times next year's earnings – half the valuation of the overall market and far cheaper than leading peers in its sector.

This is despite double-digit earnings growth: in March the company told analysts that it could keep growing earnings by an annual 10%-13% a year over the long term, and next year profit growth would reach the top of that range.

The company also boosted its dividend, which could keep outpacing inflation. The share price does not, therefore, reflect the performance outlook of the core business.

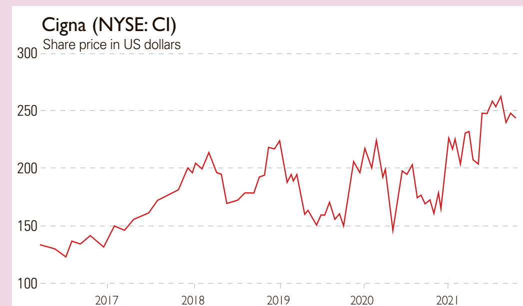
The second reason to add this stock to your portfolio is that Cigna's effort to build its business in telehealth increases exposure to a high-growth technology sector. The group's acquisition of MDLive accelerates progress and provides integration and cross-selling opportunities.

At least some of the potential excitement about telehealth should feed through to Cigna's financial returns and valuation but, again, this is not yet appreciated by the stockmarket.

So far this year the shares have lagged the S&P 500, America's benchmark index.

However, almost all the two dozen or so analysts following Cigna are positive about its future and their consensus expectation is for the shares to rise by 25% from current levels to \$295.

This healthcare conglomerate broadly covers three areas: health insurance for employers and government bodies; health services for individuals; and an overseas operation.



Cigna's first quarter results in May beat expectations with quarterly sales of \$41bn. Not only are the industry dynamics working in its favour while Wall Street is taking a positive view, the management's own tone is upbeat and confident. This is a cheap, well-run business facing a bright future.

A broker set to bounce

TP ICAP is cheap, expanding steadily and restoring its dividend

Matthew Partridge
Senior writer

Interdealer brokers make up one of the less glamorous subsectors of financial services; you will rarely see them appear in the news. They provide the electronic infrastructure to allow big financial institutions to trade with each other in cases where there is no centralised exchange, such as a stockmarket.

This usually means bonds or complex products, such as financial swaps and some commodities (notably energy). One such broker is **TP ICAP (LSE: TCAP)**, which has seen it shares fall by nearly 50% over the past year thanks to a dividend cut, the fall in trading volumes induced by the pandemic and the disruption caused by the UK leaving the EU's single market.

TP ICAP had hoped that the UK would agree a deal with the EU that would allow it to keep serving EU clients, possibly in the legal context of "equivalence" (a rule meaning the UK could gain limited access to EU markets as long as its regulation was deemed equivalent).

The broker's back-up plan was to get around the rules by relocating some of its staff to a hub in Paris. However, it looks as though a deal between the UK and EU on financial services is unlikely, while restrictions on travel between the two countries have caused the reopening of the Paris office to be delayed.

New revenue streams

Nevertheless, TP ICAP still managed to increase its revenues in 2020 and is expected to keep growing sales over the next few years. Profits are also expected to return to pre-pandemic levels by 2022. TP ICAP is also developing a number of interesting projects to diversify its revenue streams.

Chief among them is a platform, launched earlier this year, allowing institutions to trade cryptocurrencies such as bitcoin and ether. While digital currencies may be overvalued at present, there is no doubt that they will become an important asset in the long run, especially if central banks devise their own digital currencies. Perhaps the most compelling reason for being bullish on TP ICAP, however, is its valuation. Even though its sales doubled between 2016 and 2020 and are expected to keep expanding by around 7% a year over the next few years, the stock still only trades at 6.8 times 2022 earnings.

TP ICAP provides financial companies with the electronic infrastructure to trade with each other

©iStockphotos

> *"A new platform allows institutions to trade cryptocurrencies"*

It is also on a discount of around 7% to its book value. Finally, the company has started to rebuild its dividend, giving it a very generous yield of 7%, which should be covered by earnings.

I recommend that you go long on TP ICAP at £18 per 1p. But because the shares have fallen so much over the past year, it may be a good idea to wait until they rise above 220p so it's clear that market sentiment has turned on the company. I would set a stop loss at 165p, which would give you a total downside of £990.

How my tips have fared

The last four weeks have been mixed for my long tips, with two rising and the other three depreciating. Construction firm Morgan Sindall rose from 2,235p to 2,275p and US Housebuilder DR Horton climbed from $87.98 to $89.03.

However, media group ITV fell from 129p to 125p, cruise-ship operator Norwegian Cruise Line went down from $31 to $27.28, and spread-betting firm Plus500 declined from 1,442 to 1,407p. The impact of the losers has outweighed those of the gainers, with net profits on my long tips falling to £4,022, down from £4,405 four weeks ago.

It has been a similar story with my short tips. Electric-lorry manufacturer Nikola fell from $17.71 to $15.05 and hydrogen fuel-cell electric-vehicle maker Plug Power declined from $30.57 to $29.02. Cinema chain AMC also fell below $45 (the level at which I said you should short it), and is now at $42.61.

Bitcoin declined from $39,601 to $33,233. However, online grocer Ocado increased from 1,917p to 1,922p, cloud-computing specialist Snowflake increased from $244 to $267, while electric-car company Tesla rose from $618 to $685. Overall, my shorts are making a total net profit of £2,308, compared with £2,236 a month ago.

I now have five long tips (Morgan Sindall, DR Horton, ITV, Norwegian Cruise Line and Plus500) and seven shorts (Nikola, Plug Power, bitcoin, Ocado, Snowflake, AMC and Tesla). This is not only unwieldy, but also unbalanced. Although all my shorts (apart from Tesla) are in the black, Nikola and Ocado are the oldest, with Nikola more than a year old. So I suggest you close both, taking profits of £1,099 on Nikola and £337 on Ocado. I would also cut the point at which you cover Snowflake from $400 to $390.

Trading techniques... beware the death cross

A few weeks ago, bitcoin crashed through the dreaded "death cross". This is a chart formation whereby the 50-day moving average (an asset's mean closing price over the past 50 days) falls through the 200-day moving average.

The rationale behind a death cross is that since the 50-day moving average is based on more recent price information than the 200-day one, a "death cross" indicates negative price momentum. A "golden cross", which is generally seen as bullish, is the opposite, with the 50-day moving average climbing above the 200-day one.

There is some evidence from the stockmarket to support the idea that death crosses are a signal to sell, at least in the short run. Research by Sundial Capital Research found that between 1928 and March 2020 the S&P 500 fell by a median of 2.9% in the month after a death cross.

However, the study also notes that its power as a trading signal in the longer run is much less powerful. In the year after a death cross was formed, the median annual return was 9.7%, only slightly lower than the median return since 1928.

The evidence that golden crosses are a buy signal is similarly weak. Research by Georg Vrba of Advisor Perspectives compared a strategy of moving from the S&P 500 into US government bonds after a death cross and vice versa after a golden cross with a simple buy-and-hold strategy between March 1966 and the end of January 2020.

He found that the approach involving golden and death crosses would have returned an annual average of 9.99% compared with 9.14% for a buy-and-hold strategy. What's more, between January 1990 and January 2020, buy and hold actually outperformed the other strategy.

A great leap forward in the war against Alzheimer's disease

The approval of the first drug to treat the neurodegenerative disease in 18 years will galvanise research in the entire subsector, says Dr Mike Tubbs. That bodes well for Huntingdon's and Parkinson's sufferers too

On 7 June shares in Biogen, a US biotechnology company, soared by 64%. America's Food and Drug Administration (FDA) had just approved Biogen's Aducanumab, the first drug for Alzheimer's disease to be admitted to the market for 18 years. The US Alzheimer's Association noted that the "historic approval of Aducanumab ushers in an exciting new era in Alzheimer's and dementia treatment and research". Aducanumab, to be marketed as Aduhelm, was submitted for approval in the EU and Japan in 2020 and FDA approval makes the other regions more likely to follow suit.

A global scourge

More and more people are being diagnosed with serious neurodegenerative diseases such as Alzheimer's and Parkinson's; people are living longer and we have become better at diagnosing them. In this article we concentrate on the main neurodegenerative diseases, Alzheimer's, Parkinson's and Huntingdon's. The good news is that the FDA's approval of Aducanumab will galvanise research in this subsector and bring forward successful treatments.

Alzheimer's is the most serious neurodegenerative condition. There are 6.2 million people in the US with the disease and this number will rise to at least 14 million by 2050. The World Health Organisation (WHO) estimates that 50 million people worldwide are suffering from dementias (Alzheimer's accounts for two-thirds of them), with ten million new cases being diagnosed each year. These are probably substantial underestimates because of poor diagnosis in many countries. The prognosis for Alzheimer's sufferers is grim. The few drugs previously available merely alleviated certain symptoms.

But the Alzheimer's Association says that "Aducanumab addresses the disease in a way that has never been done before. This therapy slows progression of the disease rather than just addressing symptoms". Biogen's two 18-month long double-blind phase-III trials (the last stage of clinical trials before approval) involved 3,285 volunteers in 20 countries. (In a double-blind trial neither the patient nor the researchers know which patients are given drugs and which placebos.)

Results showed that there were both dose-dependent and time-dependent reductions in amyloid plaques and tau tangles in the brain when Aducanumab was dispensed. Amyloid plaques and tau tangles are both key signs of Alzheimer's. The plaques are clumps of protein that gather between neurons and disrupt cell function.

"There are 6.2 million Americans with Alzheimer's, a figure set to reach at least 14 million by 2050"

The tangles are abnormal collections of protein inside neurons that spread through the brain once the level of amyloid plaques reaches a tipping point. The highest doses of the drug showed reductions in clinical decline by about a quarter, measured both by cognitive tests and clinical assessment of daily function and behavioural abilities.

Bear in mind that Aducanumab's approval was accelerated, or fast-tracked; the regulator occasionally speeds through the approval process if a drug can address a serious unmet medical need. The FDA's approval is primarily based on the drug's ability to reduce amyloid plaques in the brain. Approval could be revoked, however, if new studies do not affirm the promise shown in the first trials. The FDA is requiring Biogen to conduct a new trial to verify the drug's clinical benefit (reduced cognitive decline); if benefit is not verified, the FDA could start proceedings to withdraw approval.

A big boost for Biogen

Aducanumab is expected to be most effective if patients are started on it during the very early stages of Alzheimer's disease. However, even if only early-stage patients are treated, the drug is still likely to provide a large new revenue stream for Biogen, which says it can supply over one million patients a year. The price is $56,000 per year, although there will be discounts for bulk purchases.

Around 500,000 new Alzheimer's cases are diagnosed in the US each year, so giving Aducanumab to, say, 30% of newly diagnosed US patients (those with confirmed amyloid plaques) could raise up to $8.4bn in the first year, rising to $16.8bn in the second. Compare these figures with Biogen's 2020 revenue of $13.4bn. Sales in Europe, Japan and other advanced economies could double these sums.

Improved early diagnosis of Alzheimer's could increase the estimate of 500,000 new cases per year since many cases of mild cognitive impairment are really cases of early-stage Alzheimer's. In the short term some doctors may want to await the results of Biogen's further trial.

But doctors taking this view may find that their patients are very unhappy. Jeff Borghoff, now a spokesman for the Alzheimer's Association, has been lobbying hard. He was enrolled on Biogen's clinical trial and credits Aducanumab with giving him extra time. He was diagnosed with Alzheimer's at age 51 and has been on Aducanumab for six years. He initially feared steep mental decline, but says that "to date that has not been the case".

A strong Alzheimer's drugs pipeline

But Aducanumab is only one of Biogen's potential Alzheimer's drugs. It also has BAN2401 in phase-III trials, BIIB092 in phase-II trials with BIIB076 and BIIB080 in phase-I trials. In April 2021 Biogen's encouraging phase-II clinical trial results on Lecanemab (BAN2401) showed consistent reductions in both amyloid plaques and clinical decline at the highest doses. The FDA deems it a "breakthrough therapy" and phase-III trials are under way.

Among the other large companies, America's Eli Lilly stands out with Solanezumab in phase-III trials, Donanemab (which shows evidence of reducing clinical decline) and Zagotenemab in phase II, and two others in phase I.

German biopharma group MorphoSys has Swiss giant Roche as a partner in developing Gantenerumab, now in phase-III trials for early Alzheimer's with the expectation of an FDA filing for approval in

©Biogen

Biogen looks likely to enjoy a sales bonanza thanks to its discovery of Aducanumab

2022. AstraZeneca has a treatment in phase-I trials. There are also several small biotechs working on Alzheimer's treatments. One small, unlisted biotech – Atalanta Therapeutics – is partnering with Biogen and Genentech (a division of Roche) on its proprietary gene-based therapies for Alzheimer's, Parkinson's and Huntingdon's diseases.

The Alzheimer's Association reports that of 121 experimental drugs in trials designed to change, slow, or delay the progress of Alzheimer's, 29 are in phase III. A combination of two or more drugs may well prove to be the most effective treatment.

Finding an effective blood test

Alzheimer's disease is often diagnosed rather late through observations of memory loss and cognitive impairment. However, drugs such as Aducanumab are most effective when given early, since the amyloid plaques and tau tangles that develop in the brain during the early stages can be more easily reversed if caught quickly. Positron emission tomography (PET) scans can reveal if amyloid plaques or tau tangles have formed and successive scans can show if they have grown.

However, PET scans are expensive and thus not very useful for widespread testing. An alternative is cerebrospinal fluid (CSF) testing. CSF is the watery fluid that surrounds the brain and spinal cord. A sample of CSF is taken from the spine and tested for the presence of amyloid and tau proteins. But the goal of the research and development (R&D) department in Roche's diagnostics division (and other testing companies) is to develop a blood test to detect amyloid and tau proteins so that doctors can determine whether symptoms of mild cognitive impairment are due to early-stage Alzheimer's.

Another possible approach pioneered by a team at London's Queen Mary University is a cheap, sensitive smell test using an aromatic oil. This could provide early identification of Alzheimer's and Parkinson's disease. For example, more than 90% of Parkinson's patients suffer from loss of smell, so a sensitive smell test could identify the disease up to ten years before symptoms appear. Of course, loss of smell is also a feature of Covid-19, so other causes of losing a sense of smell must be eliminated first.

A promising pipeline for Parkinson's

Parkinson's disease is less prevalent than Alzheimer's, but there are still over one million cases in the US and over six million worldwide. Parkinson's is progressive, with the main symptoms being tremors, rigidity and slowness of movement followed by mild memory and cognitive problems. My father died of Parkinson's so I have seen at first-hand how serious it is in the later stages.

The main treatment is Levodopa, introduced in the 1970s. It controls symptoms to some extent, but neither halts nor cures the disease. Several other drugs have been approved for use in combination with Levodopa. US biopharma AbbVie is carrying out a phase-III trial of a Levodopa/Carbidopa combination.

Continued on page 24

"More than 90% of Parkinson's patients lose their sense of smell; Queen Mary University is developing a test based on aromatic oil"

Continued from page 23

Biogen is developing new treatments for Parkinson's too, with Cinpanemab in phase-II clinical trials and BIIB092 and BIIB122 in phase-I trials.

AbbVie has ABBV0805 in phase-I trials for Parkinson's, while Roche has Prasinezumab in phase-II trials. Eli Lilly's PR001 gene therapy and AstraZeneca's MEDI1341 are both in phase I trials for Parkinson's.

Huntingdon's disease (HD) is much rarer than Parkinson's, but there are still 30,000 cases in the US with another 200,000 people at risk of developing it. It is a genetic disease characterised by uncontrollable muscle movements, loss of cognitive ability, personality changes and depression. In 2008, Tetrabenazine, made by a firm called Lundbeck, was the first drug for HD to be approved by the FDA. It helped control the involuntary movements characteristic of HD.

Deutetrabenazine, made by Israel's Teva Pharmaceuticals, a similar but longer-acting drug, was subsequently approved for HD. Roche has a phase-III clinical trial of Tominersen for HD.

However, the independent data-monitoring panel recommended ceasing the dosing of clinical trial patients with Tominersen on 30 March 2021, based on its assessment of the drug's benefit-risk profile. This is a blow for HD patients who were hoping to see a new treatment approved.

The core-and-satellite investment strategy

Investors wishing to gain exposure to biopharma companies likely to be launching new drugs for neurodegenerative diseases should adopt a core-and-satellite strategy.

The core companies will be large, low-risk biopharmas with a diverse range of approved and pipeline treatments that include several promising pipeline drugs for Alzheimer's and Parkinson's diseases. The satellites will be smaller biotech companies that offer higher risks, but higher rewards.

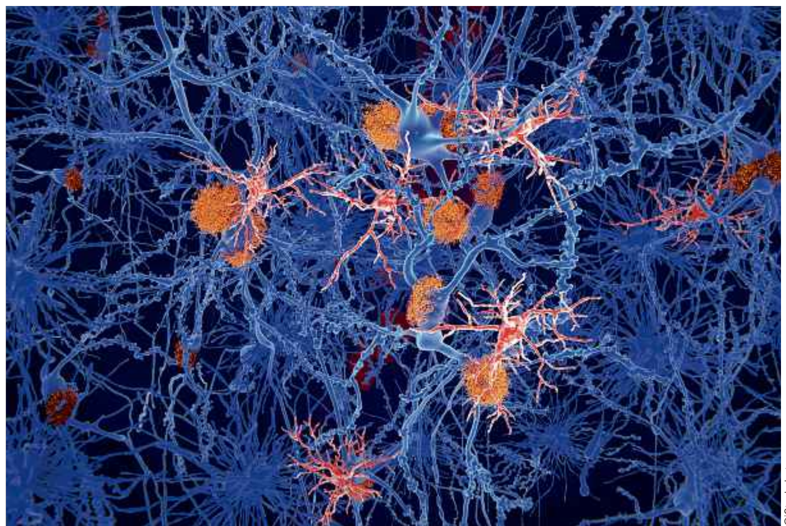
They have only a few products on the market, together with smaller pipelines of promising neurodegenerative drugs, preferably in phase II or III clinical trials. The core companies are likely to offer reasonable dividend yields, whereas the satellite companies rarely pay dividends. There are no investment trusts skewed towards this subsector so the core-and-satellite approach is best.

Biogen, Roche, Eli Lilly and AbbVie stand out as core companies each with several pipeline candidates for Alzheimer's and Parkinson's diseases. Biogen has five for Alzheimer's and three for Parkinson's, while Eli Lilly has five and one respectively; Roche and AbbVie three and one respectively.

Investments in Biogen and Roche automatically add a satellite company through their partnerships with Atalanta Therapeutics on gene therapy for Alzheimer's, Parkinson's and Huntingdon's. Roche Diagnostics is the world's largest diagnostics company and would benefit if it is successful in developing new blood tests that detect Alzheimer's in its very early stages.

Options for satellite companies include AC Immune, which focuses exclusively on neurodegenerative diseases and has a worthwhile pipeline of potential drugs, many of which are developed in partnership with large biopharma companies. ACI's robust pipeline has four phase-II clinical trials of Alzheimer's drugs.

The first two are Semorinemab, an anti-tau antibody, and Crenezumab, an anti-amyloid antibody. Both are joint ventures with Roche. Then there is an anti-tau vaccine, made with Johnson & Johnson, and an anti-amyloid vaccine, on which it is working alone.



Amyloid plaques are a key sign of Alzheimer's disease

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Another important small biotech is Neurimmune. Its pipeline has Cinpanemab for Parkinson's in phase-II clinical trials and BIIB076 for Alzheimer's in phase-I trials. In both cases it is partnering with Biogen. Neurimmune is unlisted, but investment in Biogen covers all its clinical-stage drug candidates for Alzheimer's and Parkinson's.

The stocks to buy now

Core investment options include **Biogen (Nasdaq: BIIB)**, **Roche (Zurich: RO)**, **Eli Lilly (NYSE: LLY)** and **AbbVie (NYSE: ABBV)**. Biogen specialises in neurodegenerative diseases and stands out for its investment in new treatments since its pipeline contains eight clinical trials for Alzheimer's and Parkinson's and it has a market-leading position in multiple sclerosis. Investing in Biogen also provides access to Neurimmune and Atalanta.

Roche focuses mainly on oncology, but has reasonable positions in immunology and neuroscience and a market-leading diagnostics division; investment in Roche also allows investors to tap growth at Atalanta. Eli Lilly's pipeline is strongest in immunology and diabetes, followed by neurodegeneration and cancer.

AbbVie majors in immunology and oncology, with a modest pipeline for neuroscience (five candidates for Alzheimer's and Parkinson's). Roche, Eli Lilly and AbbVie therefore offer some exposure to neuroscience, but with diversification through other major diseases.

Satellites could include a few smaller biotechs such as **MorphoSys (Frankfurt: MOR)**; it has a market value of €2.3bn and is partnered with Roche on Gantenerumab. Consider also **Cassava Sciences (Nasdaq: SAVA**; $2bn); **Alector (Nasdaq: ALEC**; $1.1bn); **Prothena (Nasdaq: PRTA**;$1bn); **Anavex Life Sciences (Nasdaq: AVXL**; $764m); and **AC Immune (Nasdaq: ACIU**; $460m). The last five of these firms are loss-making with zero or negligible turnover. Those with Alzheimer's or Parkinson's drugs in phase II are Cassava (one), Alector (one), Prothena (one) and AC Immune (three: J&J, Eli Lilly and Roche are partners). Anavex has one in phase III.

The larger biotechs and biopharmas have reasonable valuations, with Biogen on a 2022 price/earnings (p/e) ratio of 17.4, falling to 14.1 for 2023. It pays no dividend. Roche is on a 2022 p/e of 17.6 and yields 2.6%; Eli Lilly, with a 2022 p/e of 28, yields 1.4%. AbbVie sells for 8.4 times 2022 profits and offers 4.5%.

"The first treatment for Huntingdon's disease was approved in the US in 2008, but since then progress has been slow"

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Expect pricier premiums

Car and home insurance will be more expensive post-reopening

Alex Rankine
Markets editor

The final stage of unlocking is just around the corner. But more socialising and freer travel will also bring more road accidents and burglaries. Lockdowns have been a boon for the insurance industry. Motor insurers enjoyed a windfall last year as empty roads saw claims plummet.

They have even been passing some of those savings onto drivers: Compare the Market reports that the average car-insurance premium fell to £629 between April and June this year. That is the lowest quarterly level since 2015 and £126 cheaper than before the first lockdown.

Yet the era of falling premiums "is about to come to a screeching halt", says Emma Dunkley in The Mail on Sunday. Claudio Gienal, the boss of insurer AXA UK, says traffic levels are already back to pre-pandemic levels. "He predicts the number of cars on the road is going to accelerate rapidly" after 19 July.

Meanwhile, Churchill Home Insurance says that there were 100,000 fewer reported UK burglaries in 2020, a 27% fall, as people were trapped at home. Nonetheless, the average cost of home cover rose by 5% last year to £177.29, reports Compare the Market. The industry says that "although we may no longer be being robbed… we are breaking or setting fire to more things", says David Byers in The Sunday Times. It's a dubious excuse.

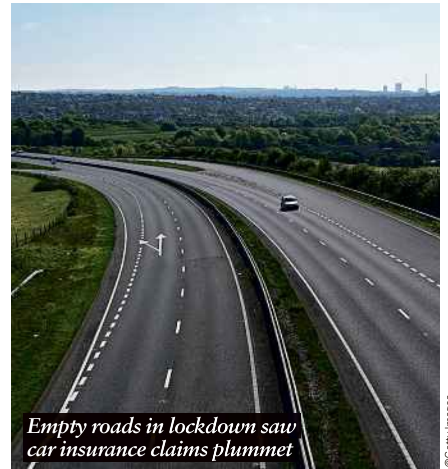
As James Daley of Fairer Finance points out, "accidental damage is not included as standard in most home-insurance policies". Using the rise in self-inflicted combustion to justify baseline premium hikes looks unreasonable.

Burglaries will bounce

These are hard times for criminals. Ed Magnus on This is Money reports that the average burglar is thought to have lost £12,954 last year as robbing and thieving became less lucrative. A "burglary bounce" is expected as we spend more time out of doors, so it's time to "turn your home into a fortress".

Install reliable door locks – "cylinder locks", commonly found on UPVC doors, can be snapped in seconds. Basic Yale locks are also not much of a challenge for a thief. New property owners should change all the locks: you have no idea how many keys are in circulation for the current ones. Think about putting a few lights on a timer if you are going away, and don't post your holiday snaps on social media until you get back home.

New technology offers extra ways to keep your house safe, says Colin Baker in The Sunday Times. A keyless door lock is not too expensive and will convince opportunists that "you've got the place wired like Nasa". Video doorbells are even better. When someone rings, a smartphone app alerts you and begins to record: "You can talk to the caller as though you're just busy out the back or upstairs, no matter where you are in the world".



Empty roads in lockdown saw car insurance claims plummet

©Getty Images

There are downsides to being too tech-heavy, though, says James Max in the Financial Times, who was burgled last year. Remembering "all the codes and keeping track of the keys and fobs" can be a "kerfuffle".

Electric security gates are said to add 5% to a property's value, yet "they have been nothing but trouble. The remotes use batteries that are impossible to find in most high-street shops… And you will need a PhD in computer science if you want to 'pair' them with your car". A slug found its way into the circuit board, frazzling both itself and the gates.

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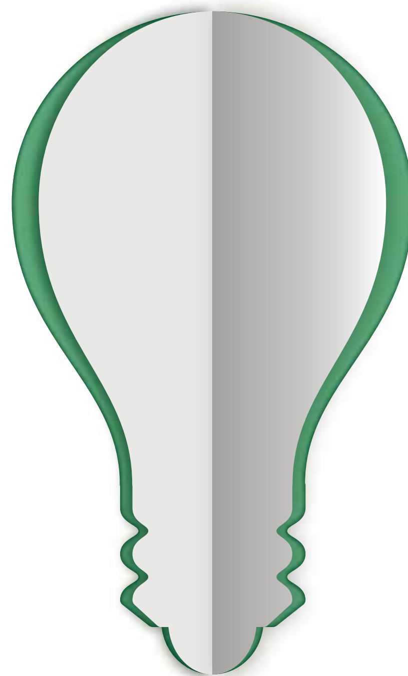

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Regulator targets transfers

The FCA wants to make it harder for people to leave final-salary schemes

David Prosser
Business columnist

Beware: fraudsters often approach savers considering moving their pension out of a final-salary scheme

©Getty Images

Do pension savers need protecting from themselves? New proposals from the government would give trustees in charge of final-salary pension schemes the power to reject requests from members to transfer their savings elsewhere if they think the new arrangement could be a poor deal.

The plans, which could come into force later this year, reflect regulators' ongoing frustration about the large numbers of people moving money out of pension schemes where retirement income is guaranteed into arrangements offering less attractive benefits. In some of these cases, savers have received poor advice from intermediaries or new pension providers; in others, the new pension has turned out to be an outright scam.

The default position of the Financial Conduct Authority (FCA), the City regulator, on transfers out of final-salary schemes is that these do not make sense for the vast majority of savers. Industry data suggests more than half of transfer cases show at least one "red flag", indicating the saver may have been scammed into making the switch.

Still, while such warnings have reduced the number of savers transferring, the problem endures. The upheaval of the pandemic has also prompted fraudsters to target pension savers. In many cases, final-salary pension scheme trustees are aware that their members are being targeted, or simply being given poor advice. But they are usually powerless to stop members moving their money if they insist on doing so.

Creating a "safe list"

Ministers now want to change the law to give trustees more powers to intervene. The government suggests that where a transfer request is for money to be moved to a firm considered anything but low-risk, trustees should be able to refuse the instruction. Low-risk pension providers would include certain other occupational-pension schemes and regulated insurers offering products such as stakeholder and personal pensions. The effect would be to create a safe list of recipients, to which trustees could approve transfers without further action, confident that members are at least moving their money to a reputable provider. Pension providers not on this safe list could be rejected altogether, or trustees might seek to ensure savers had received independent financial advice from a regulated intermediary.

The proposals are not without controversy. For one thing, judgements over whether a particular transfer is the best course of action are often subjective. For example, savers may be prepared to risk receiving a lower income in retirement in return for other advantages of a different type of pension arrangement, such as increased inheritance-tax planning flexibility. Moreover, some financial-services companies are concerned that they may be excluded from the safe list – investment platforms, for example, through which many people organise their pensions, may miss out.

Nevertheless, regulators are determined to crack down on transfer scams. Last month, the FCA wrote to almost 3,000 savers who have already transferred pension savings urging them to take legal action against the intermediaries who advised them. The watchdog is convinced stronger protections are needed.

More savers hit by annual allowance

■ The number of savers required to pay tax charges after contributing more than the yearly limit to their private pensions continues to grow, official statistics show. New HM Revenue & Customs data shows that some 34,220 savers made contributions that exceeded their annual allowance in the 2018-2019 tax year, the latest for which data is available. That was a 14% increase on 2017-2018, which had seen a 60% increase in such breaches.

Under the current pensions system, most savers are entitled to make annual contributions of £40,000 or their yearly income – whichever is lower – to a tax-efficient private pension. Lower limits apply for higher earners. While the rules do not prevent savers paying in more than this annual allowance, they must declare that they have done so on their tax return. HMRC then applies an annual allowance charge at their marginal rate of income tax to the additional contributions.

HMRC's data suggests that it raised around £330m in annual allowance charges in the 2018-2019 tax year, with the number of taxpayers hit by the charge increasing by 4,300. These numbers may diminish over time, with new rules from 2020-2021 enabling more high earners to retain the standard annual allowances, but this standard threshold remains static at £40,000.

Savers failing to spot pension scams

● Savers have lost more than £2.2m to pension scammers since the beginning of the year, new data from Action Fraud suggests. The Financial Conduct Authority (FCA) is so concerned by the problem that it has launched a new campaign to raise awareness of scams.

The city regulator points to research suggesting that savers are nine times more likely to accept advice from someone online than from a stranger offering face-to-face advice. Its new "flip the context" campaign urges savers to ask themselves more questions about the motivations of advisers. While 68% of consumers believe they could spot a scam, many do not recognise the most common signs of cons, such as the offer of a free pension review, the FCA warns.

Regular holidays in retirement won't come cheap

©iStockphotos

● Pension savers could benefit from a price war, experts believe, courtesy of a new low-cost retirement planning service launched by Vanguard. The world's second-largest asset-management company is offering personalised advice for an annual fee of just 0.79%, including fund fees, transaction charges and platform costs. That substantially undercuts services on offer from financial advisers and rival investment platforms.

● Savers wanting a retirement encompassing regular foreign holidays, home refurbishments and frequently purchasing a new car will need a pension fund of at least £970,000, according to the Pension Policy Institute. This is what one person would need to amass to enjoy a very comfortable old age; £440,000 is required for a basic standard of living.

Companies reaping the rewards of investment

A professional investor tells us where he'd put his money. This week: Edward Wielechowski of the Odyssean Investment Trust highlights three favourites

As we head into the summer investors' most common concern is the outlook for inflation. The unprecedented release of pent-up demand emerging from the pandemic, alongside ongoing fiscal and monetary support, is crashing into a supply chain facing ongoing disruption. The US Consumer Price Index (CPI) hit 5% in May, the highest level since 2008, and UK inflation has also risen above the Bank of England's 2% target.

Whether or not these conditions prove temporary (as central bankers hope) is uncertain, but identifying businesses well-placed to benefit from rising prices should be on the agenda of all investors. To find them, we have focused on backing market leaders enjoying pricing power and the ability to recover rising input costs. We have also sought out businesses that have invested well – especially where the capital required for growth has already been spent.

Printing profits

An example of a market leader poised to benefit from historic investment is **Xaar (LSE: XAR)**, a designer and manufacturer of industrial inkjet print heads. The group enjoys world-leading intellectual property, with a competitive advantage in jetting high-viscosity fluids. After a period of commercial missteps, Xaar is now led by a new team, which has rapidly addressed the errors of the past.

Many years of expensed but under-exploited research and development is being monetised, accelerating sales; this growth can be readily served by the group's well-invested Huntingdon manufacturing facility, which can support a doubling of revenue with minimum further spending. Despite a strong run, the shares currently trade on an enterprise value-to-sales (EV/sales) ratio of around two, which feels too low for a well-invested technology leader with a full new product pipeline.

Embedded value in Elementis

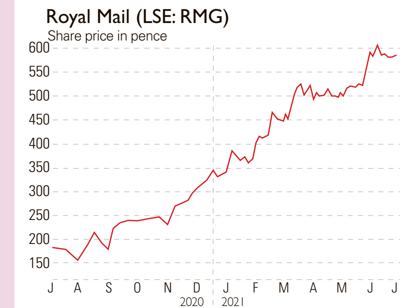
Another way to be well invested against inflation is to own your raw materials. **Elementis (LSE: ELM)** is one such fortunate firm. It is a speciality-chemicals company serving the industrial and personal-care markets, where it enjoys market-leading positions and unique products. Unusually, Elementis owns a number of mines, from which it sources significant amounts of material. In addition, it has recently completed a significant investment programme, building a new factory in India.

This, combined with ongoing investment in new product areas, should deliver a meaningful step-up in margins to support a strong recovery in revenue emerging from Covid-19. The market continues to undervalue the group's potential.

"Devro is the world's biggest manufacturer of collagen sausage skins"

Devro (LSE: DVO) is the leading manufacturer of collagen sausage skins, with strong market positions across Europe and the US, and growing positions in Asia and Latin America. The group went through a major capital investment programme before 2017, expanding its manufacturing footprint. The focus in recent years has been on driving efficiency from operations and ramping up the commercial effort to grow sales. With much of this heavy lifting done, Devro is well-placed to emerge from the pandemic and reap the rewards of its investment. It trades on a prospective free cash-flow yield of 7%-8% and a price/earnings ratio some 40% below its key listed peers.

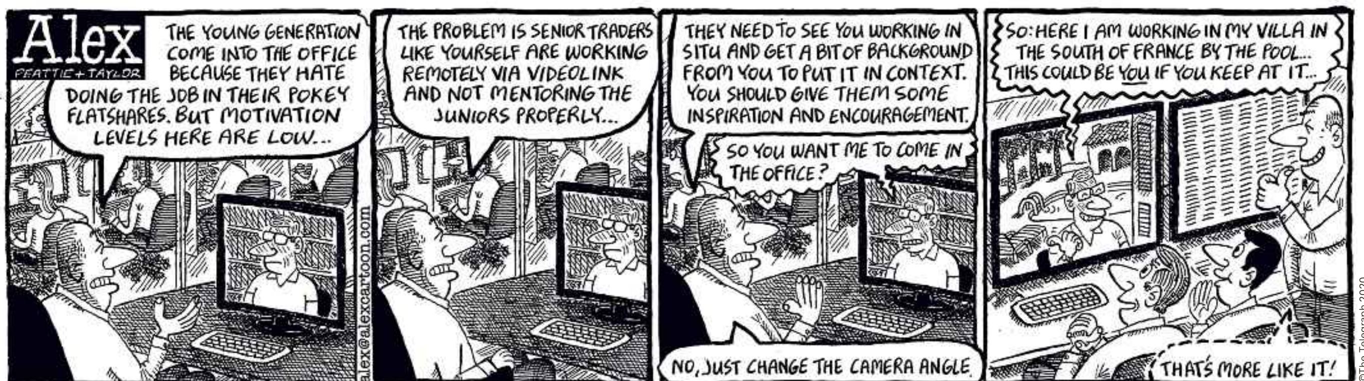
If only you'd invested in...



A decrease in the volume of letters being sent over the last few years has forced **Royal Mail (LSE: RMG)** to diversify and it has now become a leading player in the parcel business, says InvestingCube. The boom in online shopping, which looks likely to endure beyond the pandemic, helped produce profits of more than £700m last year. The stock has wobbled recently as investors worry about the company returning to "its old days of underperformance", especially as competition intensifies, but the shares have nonetheless risen by 250% in 12 months.

Be glad you didn't buy...

Blue Prism (Aim: PRSM) is a robotics and automation-software group, says Investors' Chronicle. Despite positive interim results, which showed a 24% rise in sales to £80.4m in the six months to 30 April, investors "still have not made their minds up" about the company. But it has a "historically low" spending record when it comes to research and development, which has prompted concerns about the long-term prospects of its products. Competition is intensifying and rival UiPath has become the sector's leader. The stock has declined by 32% over the past year.



A multi-billion fintech started by accident

If you grow up in a situation where a whole country has to be made from scratch, creating a game-changing financial technology start-up doesn't seem so outlandish. Jane Lewis reports

For a fintech company, Wise – which has just completed London's blockbuster float of the year – "had a refreshingly analogue birth", says The Economist. It all began when co-founders Kristo Käärmann and Taavet Hinrikus, two Estonians living in London, met at a party in 2007 and discovered they had a gripe in common: rip-off currency exchange rates when moving cash to and from their home country. They hatched a plan to fix the problem.

Wise co-founder Kristo Käärmann: "Neither of us wanted to start a company"

©Wise

"Wise's explosive debut, valued at £8.75bn ($11bn), saw Käärmann scoop $2bn"

A simple idea and a big break

Hinrikus, an early Skype employee, was being paid in Estonian kroon that he exchanged for pounds each month; Käärmann, then working as a finance consultant for Deloitte, was converting his sterling salary into Estonian kroon to pay his mortgage back home. The "workaround" they devised was simple but ingenious. "Every month, Käärmann topped up Hinrikus's British account and Hinrikus did the same for Käärmann's Estonian one, setting the amounts according to the mid-market exchange rate – naturally fee-free."

"Neither of us wanted to start a company, that wasn't the goal," says Käärmann. But the idea quickly spread to other Estonian expats (via Skype chat) who also made big savings. In 2011, the money-exchange forum morphed into TransferWise. Käärmann says he realised the fledgling business would fly after an article appeared on TechCrunch explaining it. Within 15 minutes of publication, a customer had started using the service to send money to France from the UK. "That was cool," he told The Sunday Times. "It was a dozen in the first couple of days and it didn't stop."

The pair quit their jobs and self-funded for a year before landing a seed funding round of $1.3m, says Forbes. Their big break came a year later when the godfather of disruptors, billionaire Peter Thiel, led Wise's $6m series C funding round. That triggered interest from other big guns, including Richard Branson who invested in a $26m round in 2014 for an undisclosed stake. "Today, Wise processes $6bn in cross-border payments every month for ten million customers, claiming to save users around $1.5bn a year in bank fees."

Growing up in Estonia as it regained independence from Russia influenced Käärmann's entrepreneurialism, says The Mail on Sunday. He was 11 when the Soviet Union crumbled, prompting a "national awakening" in the tiny Baltic state. "I saw a country being built from scratch. We didn't have any companies, we didn't have banks – there was no structure in the economy." Most of the jobs vanished. It meant, he told The Sunday Times, that "all of a sudden, if you needed your car fixed, you had to find someone who could do it – and it's probably your neighbour. This week he will have opened a little garage … the next thing you know, he is probably going to be buying used cars from Finland, and then he's the BMW representative for Estonia. That's kind of what happened to everyone." Käärmann himself cut his business teeth early, planting spruce trees for his forester uncle.

Black swans are an omen

Wise's explosive debut, valued at £8.75bn ($11bn), saw Käärmann scoop $2bn for his nearly 18.8% stake. He has already become a good deal richer on paper. The shares surged by a solid 10% on the first day of trading last week, notes Motley Fool, and haven't lost their momentum – by Monday of this week, Wise was valued at closer to £13.5bn. Some are sceptical about the investment case. But others, such as the Danish fintech entrepreneur Jeppe Rindom laud a business that has always "challenged boundaries" – so far, "without making enemies". The timing of the initial public offering (IPO), he told Forbes, has a kind of resonance. Wise was born during a "black-swan event": the financial crisis. "It feels fitting that it would IPO following a second."

Great frauds in history… *a scheme for milking athletes*

Peggy Ann Fulford née Barard was born in New Orleans in 1958 and went on to study at Spelman College in Atlanta. She later set up King Management Group and set out to befriend successful sports stars, most notably basketball legend Dennis Rodman. She claimed to have graduated from Harvard and attained her wealth from successful business dealings. She offered to help manage the stars' investments for free to help them build wealth and protect them from scammers.

What was the scam?

Her clients gave Fulford complete control of their finances to allow her to spend and invest money on their behalf. She would then typically set up two bank accounts, a joint account for living expenses and a separate bank account for investment, which she alone controlled. Much of the money from the investment account would be diverted, via a web of shell companies, to her. She also looted money from the joint account to fund her lifestyle, which was often more lavish than those of her clients.

What happened next?

Fulford blamed shortfalls in her clients' accounts on administrative errors, or even on their own spending habits. But over time the shortfalls got bigger – clients ended up being sued for child support payments and unpaid tax, and even had their electricity cut off. In 2012 several disgruntled clients began talking about their financial problems, prompting one to start investigating Fulford. It was revealed that not only had she not attended Harvard, but the brokerage in which she had supposedly been putting the clients' money didn't know anything about her. Eventually she was arrested by the FBI, convicted and sentenced to ten years in jail.

Lessons for investors

At least $5.8m was stolen from Fulford's clients' accounts, though only a few of her victims pressed charges as there was little chance of any money being recovered. Her victims were not alone: Ernest & Young believes that, between 2004 and 2018, professional athletes lost nearly $600m in fraud. Giving anyone, no matter how well-intentioned, complete control over your own finances, without rigorous checks, is very dangerous. It also pays to be suspicious of "free" services. As the saying has it, if you're not paying, you're the product – or, in these cases, the cash cow.

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Matthew Jukes

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2019 Klumpp, Auxerrois, Baden, Germany

The Auxerrois grape, a rare variety in Germany with only 180 hectares planted, sits midway between Pinot Blanc and Chardonnay in pretty much all departments and this means that it can be a very attractive proposition in the right hands. The Klumpp family makes top-flight wines and this energetic white is no exception. Polished and smooth on the palate and crisp and spritzy on the finish this is an elite aperitif style for those of you who want to broaden your vinous horizons.

CASE PRICE: £210

~~£19.75~~ **£18.75**

2018 Aus Rhodt, Chardonnay, Stefan Meyer, Pfalz, Germany

This wine is a huge discovery for me, as I have not tasted Meyer's wines before and German Chardonnay is hardly commonplace. I have to admit to being completely gobsmacked by the swagger and class in this glass. I would not hesitate to guess that this was a lusty, well-established white Burgundy if I were poured this wine blind but, no, it is a thrilling, keenly priced, pioneering German Chardy! Wow – this is a massive treat and a wine you will not forget in a hurry.

CASE PRICE: £225

~~£9.95~~ **£8.95**

2020 Argiles Rosé, Domaine Saint Gayan, IGP Méditeranée, France

Saint Gayan is a legendary Gigondas producer. Who'd have dreamt that this pagan wine hero would turn its hand to a cheeky, bright as a button, summery rosé? There are no prizes for finding out that this is a beautiful wine and it is also a screaming bargain! It just goes to show that if you are an expert at handling Grenache, Mourvèdre and Cinsault, it doesn't matter what colour the resulting wine is! This is one of the finest budget rosés of the year.

CASE PRICE: £107.40

~~£12.25~~ **£11.25**

2020 Garriguette Rosé, Domaine Girard, Pays d'Oc, France

You could not come up with a more different style of rosé wine than the Argiles if you tried. While they both hail from the South of France, Garriguette is made from Cabernet Franc and it is delicate, highly perfumed and scintillatingly sexy. This is a more delicate, enchanting style of wine, that leans towards seafood, crustacea and summery tarts, by comparison to the barbecue fiend Argiles. Don't pick one over the other, grab both – you will find that they fulfil their distinctly differing vinous roles perfectly.

CASE PRICE: £135

~~£12.75~~ **£11.75**

2018 Beaujolais-Villages, Vieilles Vignes, Arnaud Aucoeur, France

Aucoeur's old vine Beaujolais is drop-dead delicious and you can drink it lightly chilled or indeed room temperature and you will find it has two completely different personalities. Epic with spicy dishes and rich marinades when cool, and able to step up to a roast chicken when decanted, this is a ridiculously easy wine to drink, so do make sure you have enough stock because it will disappear fast when your friends come calling!

CASE PRICE: £141

~~£24.95~~ **£23.95**

2017 Côtes de Nuits-Villages, Croix-Violette, Frédéric Magnien, Burgundy, France

This is an astounding wine, made by one of the great Burgundy personalities and crafted from fruit grown just north of the village of Gevrey-Chambertin, on limestone-clay soil. Finding great value Pinot Noir from the most famous wine region on earth is fast becoming a fruitless task, but Yapp has done it with Croix-Violette. With a heavenly perfume, a silky-smooth palate and a wild cherry-soaked finish, this is a tremendous find.

CASE PRICE: £287.40

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Three Caribbean islands on the green list

Barbados, Antigua and Anguilla have all been given the go-ahead by the government. Chris Carter reports

The Belmond at Cap Juluca: the most-coveted rooms in Anguilla

"In a crowded field of Caribbean islands to make the green watch list, Barbados is a stand-out option for a summer getaway," says Hugh Morris in The Daily Telegraph. It has long been popular with British visitors. That will probably be more true than ever this year given the limited options presented by the government's traffic-light system – green means you can now travel there without having to quarantine on your return.

The beaches are one of the main draws. Mullins beach is ideal for safe swimming. Gibbes, a "300-yard arc of pristine golden sand, backed by soaring trees", just to the south of Mullins, is a "strong contender for the west coast's most beautiful beach [and is] entirely uncommercialised", rivalled only by Paynes Bay, with its long beach of fine white sand and safe swimming.

Sandals Resorts offers an ultra-high level of luxury on the island, says Jim Wyss on Bloomberg. When its Royal Barbados hotel (sandals.com) reopened in mid-May, "elite guests", paying up to $6,000 a night to stay in the top-tier suites, were met at the airport by Rolls-Royce Ghosts. The rooms come with personal infinity pools, butler service and balconies with soaking tubs for two. Prices drop with multi-day stays. Even so, the suites offer exclusivity in the Caribbean with a price tag to match.

Laid-back luxury on Antigua

Antigua's new Hammock Cove hotel (around £810, hammockcoveantigua.com) is pure gold, says Katy Winter for the Mail Online. Each of the 42 villas at the property is "light and spacious" and comes with a large private deck and infinity pool overlooking a calm sea – the benefits of being situated on the less busy, Atlantic side of the island. "As well as the sugar-sand beach, postcard-worthy sea and some seriously plush cushioned beach loungers, [the hotel also has] a fully equipped and deliciously cool gym, luxurious spa, and a range of water sports on offer just yards from your room."

> *"In a crowded field, Barbados is a stand-out option for a summer getaway"*

Britishness with sunshine

Anguilla is a well-run British Overseas Territory with British overtones, such as driving on the left, a day off for the Queen's birthday and a mahogany-lined avenue planted in 1937 to honour King George VI's coronation, says Nigel Tisdall in The Daily Telegraph. It has 33 warm, white sandy beaches, among them Meads Bay, which is one of the finest anywhere in the Caribbean.

Visitors from Britain usually connect to the island via Antigua, a 50-minute flight away. But once you are here, "it's all about the dream beach and dazzling ocean… backed up with a vibrant foodie scene that runs from starry hotel restaurants to funky food trucks – expect to dine on superb local fish and lobster".

Over in Meads Bay, on the west side, "the buzz is back", says Nicola Chilton in The Times. Diners at French restaurant Jacala come not just for the "fabulous lunch, but also the beachside location". And just up the hill, hidden from view, is quite possibly "the greenest garden on the island, filled with palms, frangipani and bougainvillea". Welcome to Quintessence Hotel (around £430, qhotelanguilla.com), a self-styled "tropical grand mansion" with nine suites and the largest collection of Haitian art outside Haiti. Alternatively, on the curve of Maundays Bay, sit the Moroccan-style pool villas at Belmond's Cap Juluca (around £835, belmond.com). They are some of the most-coveted rooms on Anguilla.

The Quintessence Hotel in Anguilla: a tropical grand mansion

Sandals Barbados: exclusive luxury with prices to match

This week: properties with tennis courts – from a Grade II-listed Arts & Crafts house in Winchester, Hampshire, to

Sparsholt Manor, Winchester, Hampshire. A Grade II-listed Arts & Crafts house and gardens designed by Harry Inigo Triggs. The gardens include a tennis court, a sunken garden, matching loggias and a circular pool. 7 beds, 4 baths, 4 receps, kitchen, 1-bed cottage, 2 fenced fields, 12.89 acres. £5.75m+ Knight Frank 01962-677234.

Deddington Manor, Deddington, Oxfordshire. An 18th-century manor house set in large gardens that include a tennis court and a walled garden with a period glasshouse. It has oak floors, open fireplaces and a breakfast kitchen with an Aga. 6 beds, 2 baths, 3 receps, 2-bed annexe, 14.63 acres. £2.95m Knight Frank 01865-264851.

Queens House, Monk Sherborne, Tadley, Hampshire. An extended Victorian house set in grounds that include a hard tennis court with a pavilion, and woodland with a zip wire. The house has a large kitchen with an Aga and French doors leading onto a terrace, and comes with a coach house that include a spa with a swimming pool and gym. 7 beds, 4 baths, 2 receps, 1-bed flat, 3-bed flat, stables, paddocks, 13.23 acres. £8.5m Savills 01635-277705.

a Victorian house set in large grounds that include a hard tennis court with a pavilion

◀ **Newlands, Bury, Pulborough, West Sussex.** A period property in the South Downs National Park surrounded by formal gardens that include a hard tennis court and an outdoor heated swimming pool. The house has been extended to include a fitted kitchen with an Aga and has a drawing room with a feature stone fireplace. 6 beds, 3 baths, 2 receps, study, conservatory, home office, double garage, separate games room, 3.4 acres. £1.75m Jackson-Stops 01243-786316.

▶ **Eastbrook House, Upwey, Dorset.** A Grade II-listed, mid-19th century Italianate villa set in 6.24 acres of landscaped gardens that include a resurfaced tennis court with a covered viewing area. The villa has moulded stone fireplaces. 8 beds, 4 baths, 3 receps, two cottages available separately. £2.25m Fine & Country 01305-835300.

▲ **The Old Vicarage, Farnham, Suffolk.** A former vicarage accessed by a long, private drive and set in formal gardens with a hard tennis court, a heated swimming pool and a studio. The house has open fireplaces, a wood-burning stove, a kitchen with an Aga and double doors in the drawing room and sitting room that open onto a terrace. 7 beds, 3 baths, 2 receps, study, games room, woodland, 8 acres. £2m+ Jackson-Stops 01473-218218.

◀ **Eccleston Square, Pimlico, London, SW1V.** A refurbished, light and airy third-floor apartment in a period building overlooking one of Pimlico's premier private garden squares. The flat comes with access to the gardens, which include a tennis court, and is close to Victoria mainline and underground stations. It has lift access, a fitted kitchen and large sash windows overlooking the gardens. 2 beds, bath, recep, £870,000 Hamptons 0203-369 4386.

▶ **St Katherines, Forge Lane, Shorne, Gravesend, Kent.** A period property overlooking the Thames set in mature gardens that include a tennis court. The house has wood floors, period fireplaces, exposed beams, a sitting room with a bar area and a kitchen that opens onto a conservatory with views over the garden. 6 beds, 2 baths, 2 receps, bar area, office, breakfast kitchen, second kitchen, media room, gym, wine store, garage, hot tub. 1.2 acres £1.75m Strutt & Parker 01732-459900.

Aston's much-loved car just got better

A special-edition V8 Vantage is a fitting celebration of a new era for the brand. Nicole Garcia Merida reports

At first glance the latest Aston Martin Vantage "might appear to be little more than an extreme and expensive new version of a car we already know and mostly love", says Steve Sutcliffe in AutoExpress magazine. "But in reality, it is a sign of things to come under the new regime at Aston Martin, and it's a good sign."

The luxury car brand re-entered Formula One just over a year ago as a manufacturer in its own right, having taken a break from 1960. It has also appointed Tobias Moers as its new boss. It felt right, then, to "launch a new version of an existing road car" to commemorate both events. The Vantage F1 has been made "sharper, quicker and more focused than the V8 Vantage on which it's based".

And it's far from just a "stripes and fancy paint special edition", says Adam Towler on Evo. A myriad of structural improvements have delivered a new "calmness and precision" to the way the F1 changes direction "that simply wasn't there before". Drivers can feel "genuinely connected to the car now", accurately placing it on the road thanks to its stable steering, "which in turn makes you... enthusiastic about dispatching a sequence of curves with gusto". Although "barely different on paper", the engine "certainly feels more energetic" and gear shifts have become more sophisticated. This upgrade has made it "a lot less intimidating, while simultaneously being much more effective and enjoyable at the same time".

It is "a thorough dynamic revision of a car that was already pretty well sorted", says Matt Bird on Piston Heads. Anyone who "feels a modern sports car lacks a sense of occasion owes it to themselves to drive an F1".

Price: from £142,000.
Engine: 3,982cc, twin turbocharged V8.
Power: 535bhp at 6,000rpm.
Torque: 505 lb ft at 2,000-5,000rpm.
Top speed: 195mph; 0-62mph: 3.6 seconds.

"If you feel modern cars lack a sense of occasion, you owe it to yourself to drive this one"

Wine of the week: a simply majestic Australian cabernet sauvignon

2018 Wynns Coonawarra Estate, Limited Release John Riddoch Cabernet Sauvignon, Coonawarra, South Australia

About £100 from all great fine-wine merchants from 1 September 2021

Matthew Jukes
Wine columnist

This is the most incredible Wynns Cabernet I can remember. This is a fairly heavy statement because I have been drinking these wines for 35 years and on my website you will find vertical tastings of Wynns epic reds going back to 1957. Wynns is Coonawarra's most famous and historic wine estate and John Riddoch is its flagship wine. This is one of only a handful of Australian wines sold via La Place de Bordeaux, the elite distribution system for top Bordeaux châteaux and a limited number of top-class *vins étrangers*.

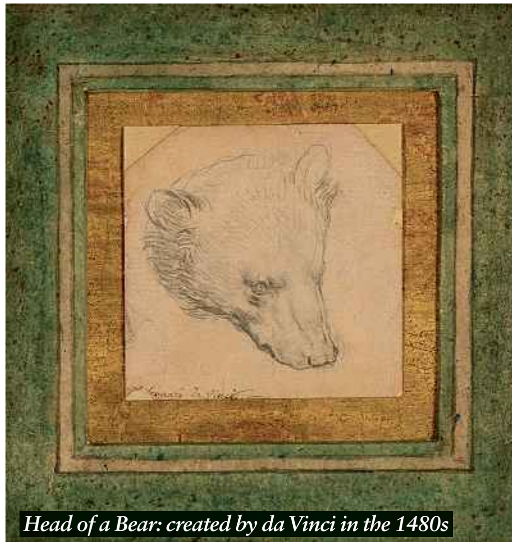
I am convinced this wine will be one of the most sought-after non-French wines since La Place opened up its portfolio to wines like Opus One. With only 35% new French oak barriques and hogsheads involved, the sensational Coonawarra Cabernet is allowed to sing at its purest and most melodic in this spectacular vintage. What amazes me is the extraordinary complexity of perfume, flavour, depth and length in this wine. It expands on the palate in all directions without being a heavy or imposing wine. I have awarded the wine a score of 19.5+/20 in my notes, which puts it in the very highest echelons of cabernet sauvignon in the world. The balance is extraordinary, not least because, at only three years old, it can be swallowed and savoured with ease, and yet there must be three or four decades ahead for this majestic wine.

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

Sketch sells for £8.9m

A rare Leonardo da Vinci drawing shows up at auction. Chris Carter reports

Last Thursday, a drawing of a bear's head by Leonardo da Vinci sold for almost £8.9m with Christie's in London, setting a new record price for a drawing by the artist. The previous record of £8.1m, for a drawing of a horse and rider, had been set two decades ago. But that's understandable given that only a handful of drawings by the Renaissance master are still in private hands. They seldom appear at auction. Measuring just 7x7cm, da Vinci drew *Head of a Bear* in the early 1480s using a technique called silverpoint, where a stick of silver, rather like a proto-pencil, is carefully applied to a specially prepared piece of paper. But unlike a pencil, silverpoint doesn't permit mistakes, so it requires a fine, delicate touch. Da Vinci learnt the technique while still in his youth from his mentor, Andrea del Verrocchio, himself a leading artist in Florence at the time. With it, da Vinci was able to undertake his famous detailed anatomical studies of the natural world.



Head of a Bear: created by da Vinci in the 1480s

> *"Authentication can bring riches, but it can also bring headaches for collectors"*

Flemish painter Peter Paul Rubens was another, later, Renaissance artist, who regularly sketched the world around him. While on a tour of Italy in the early 1600s, Rubens filled the pages of what came to be known as his Theoretical Notebook with notes and drawings that served to develop his technique as an artist. The notebook later passed to André-Charles Boulle, cabinet-maker to Louis XIV of France. While in his possession it was lost in a fire in 1720 – all except for, it was believed, a couple of pages. Recently, a pen-and-ink drawing of a satyress reaching for a herm (a bust used as a marker) of the Greek god Pan, bought on a hunch in a small French sale for a few thousand euros, was compared to later copies of drawings from the notebook made before it was destroyed. Experts proclaimed it a missing original, and with that the buyer's hunch paid off handsomely. This third surviving page fetched just over half a million pounds with Sotheby's in London last week.

Authentication can bring riches, but it can also bring headaches for collectors eager to cash in. In 2016, French auction house Tajan valued a drawing depicting the martyrdom of Saint Sebastian, made around the same time as *Head of a Bear*, at up to €30,000. It was one of a box of drawings given to "Jean B" in 1959 as a present from his father for passing his medical exams. Yet one auctioneer, Patrick de Bayser, was intrigued by diagrams and notes written in mirror-writing on the reverse. The drawing had also been executed by a left-handed artist. His suspicions were confirmed by Carmen Bambach, a curator at the Metropolitan Museum of Art in New York and a leading expert on da Vinci. Here was a lost Leonardo, valued at around €15m. At that point, the French government offered the doctor €10m for it. He refused and the culture ministry refused an export licence, claiming it could have been stolen. The drawing is now at the centre of a legal drama soon to be played out in Paris.

Auctions

Going...

A Patek Philippe Ref. 5711/1A-014 Nautilus, with its olive-green dial, is one of the most sought-after watches released this year, and one is heading for auction with Antiquorum in Monaco on Wednesday. The new model is a replacement for the discontinued blue-dial Ref. 5711/1A-010 to "help tamp down the outrageous secondary market for the Nautilus", says Bryan Hood for the Robb Report. "So much for that. Less than three months after its release, the green dial is all but impossible to find and selling for up to ten times its $34,893 retail price." The watch has a pre-sale estimate of between €60,000 and €180,000.

Gone...

A unique 18k gold Patek Philippe Ref. 3448 "Alan Banbery" automatic perpetual calendar wristwatch with English calendar, leap year indication and "no moon" (pictured) was the standout sale from this year's spring watch season, says Christie's. Banbery was one of the most influential figures at Patek Philippe from 1965 and keeper of the watchmaker's private collection. The watch, made in 1970, "can be described, without exaggeration, as one of the most famous wristwatches in the world", the catalogue note enthuses. It sold for almost HK$29.1m (£2.7m) in Hong Kong in May, setting a new record for the 3448 model.

©Christie's 2021; Sotheby's

Art auctions bounce back

It's not just Old Master drawings that have commanded huge sums recently (see left). Modern art has too. Sales of British, impressionist, modern and contemporary art in London with Sotheby's this summer made a combined £156.2m, the strongest results from summer sales with the auction house since 2018 and a sign that collectors' appetites have returned following last year's lockdowns. "After a year like none other, summer in London is firmly back, revitalised, and looking to a bright future," says Sotheby's expert Alex Branczik. *Tensions calmées* by Wassily Kandinsky (1937) led the way this season, selling for £21.2m, while Lucien Freud's portrait of fellow British artist David Hockney (pictured), painted in 2002, fetched £14.9m.

Sales at Christie's, Sotheby's and Phillips, the global "big three" auction houses, in the first half of 2021 hit $5.9bn, a rise of 230% over the same Covid-19-stricken period of last year, but also 3.5% up on the first half of 2019, according to London-based art market analysis firm ArtTactic. The value of online sales rocketed to $670.6m so far this year compared with the first six months of 2020, representing a gain of 70% – an 870% rise over the value of online sales in the first half of 2019. The shift online seems here to stay. Auction houses have "started to embrace digital fully and not just as an ad hoc alternative", ArtTactic's founder and managing director, Anders Petterson, tells Barron's Penta.

Impressionist, modern, post-war, and contemporary art "has emerged as the titan of the auction market", notes ArtTactic's report; jewels and watches have also performed strongly so far this year. Perhaps there has been no greater change, however, than in the rise of digital art, with non-fungible tokens (NFTs) still making waves.

On your marks, get set, self-isolate

The Olympic Games is proving even more of a headache for its hosts than usual

Most Japanese want the games postponed or cancelled outright

©Getty Images

"We can have the Olympics over at our house," sang Tom Paxton after the Soviets and Eastern bloc decided to boycott the 1984 Los Angeles games. "We could run a race or two/Then we'll have some barbecue." That can-do spirit seems sadly missing in Japan. Indeed, it looks like the Tokyo Olympics will have to "take place behind closed doors without spectators in a city under a state of emergency", says Martyn Ziegler in The Times, after restrictions were extended in Tokyo "because of a continuing rise in Covid-19 infections".

The Olympics, postponed from last year, were already taking place against medical advice. A possible ban on spectators would be only the latest in a "series of health, economic and political challenges" that have besieged the games, say Motoko Rich and Hikari Hida in The New York Times. As well as the problem of hosting a possible "superspreader event" while "much of the Japanese public remains unvaccinated", financial hazards have loomed large – the Olympic budget has swollen to a "record $15.4bn, increasing nearly $3bn in the past year alone". The Tokyo organising committee has also been mired in "leadership chaos", with both the president and creative director resigning.

An irrepressible force

The decision to carry on regardless goes against the wishes of much of the Japanese public – some polls suggest that close to 80% say the games should be "postponed again or cancelled outright". But a last-minute cancellation is almost inconceivable – the "rigid Japanese bureaucracy" and the organisers see the games as a symbol of recovery from a "decades-long economic slump" and a "crippling pandemic", say Rich and Hida. There is also the "matter of China" – the Beijing Winter Olympics are less than a year away and Tokyo "wants bragging rights for hosting the first post-pandemic games".

Forget national pride, it's money that's providing the "irrepressible force" driving the Olympics, says Justin McCurry in The Guardian. Billions of dollars stand to be lost if Tokyo 2020 is cancelled. Sponsors would have to be reimbursed – they've invested a record $3.3bn. Under the "lopsided" contract that Tokyo signed with the International Olympic Committee (IOC), the IOC could also sue to recoup the $3.5bn-$4bn in TV rights. It's little wonder that the Japanese PM has admitted that things have reached a stage where "not even the elected government of a sovereign nation" can stop the Olympics going ahead.

"Billions of dollars stand to be lost if Tokyo 2020 is cancelled. Sponsors would have to be reimbursed – they've invested a record $3.3bn"

Ironically, sponsors are finding their association with the Olympics to be something of a poisoned chalice, say Leo Lewis and Kana Inagaki in the Financial Times. With many Japanese hostile to the event, even the organisers now admit that sponsors are "finding it difficult to achieve the marketing benefits they had initially anticipated". Some companies have brought in consultants "to determine whether a direct association with the games would damage their brands". Tom Paxton's front-porch Olympics might yet come to seem like the better option.

Quintus Slide

Tabloid money... a nation of timid mice and tell-tales

● "Frankly, I have had it" with people who want the Covid-19 restrictions to go on forever, says Douglas Murray in The Sun. "We cannot live our lives like timid little mice – and for one reason in particular. Most people do not have the luxury of a silver-plated pension, a fully paid mortgage and nice garden, or a job that allows them to work from home on a full salary." Young people need to go back to normal lives. Accumulating capital, let alone getting on the property ladder, is "one of the biggest looming problems" for them and for Britain. There was even an outcry because the fully vaccinated Duchess of Cambridge (pictured) was snapped without a mask at Wimbledon. "So what?" Have we become a nation of tell-tales too? "Our country, especially our economy, cannot cope with this endless fearfulness. This endless timidity."

● On the BMI index, I am officially obese, says Dominic Lawson in The Mail on Sunday. Discovering this, a friend said he would pay hundreds of pounds to charity for every pound I lost, if I kept the weight off for at least a year, with payments triggered only once the scales were within the healthy weight range. "I uncharitably turned down my friend's proposal." Even if the money were to go into my own pocket, "I still would have baulked" at the challenge. "I get more pleasure than I can put into words from the fattiest meat and the creamiest cheeses. Perhaps it would be different if I were financially hard-pressed; but, as things are, almost no amount of pecuniary inducement would compel me to give up those delights."

● While on a summer break in a flat in Devon, "lent to us by hugely generous friends" for free, I read about how a three-bed cottage in Cornwall was on the market for £10,000 a night, says Tom Utley in the Daily Mail. "You'd have to be seriously deranged to pay £10,000 a night for a cottage – or else so ludicrously rich that money meant nothing to you." Yet my friends could not have charged me for their flat as a clause in their 56-year lease prevents it. "They'd risk bringing the law crashing down on them." You don't have to be a Nobel Prize-winning economist to get that if the rules on letting were relaxed, many more properties would become available and rents would come down to within the reach of many more of us.

©Getty Images

Bridge by Andrew Robson

Embankment issues

You perhaps recall the old saying, "There's many a man walking the embankment because he failed to draw trumps." I reckon that saying does more harm than good. When this deal was played in a teams match, all four declarers were defeated in Four Spades, each for the same reason: premature drawing of trumps.

Dealer South — East-West vulnerable

North:
♠ AQ82
♥ 83
♦ A643
♣ 987

West:
♠ 10
♥ AK1097
♦ 97
♣ J10543

East:
♠ 976
♥ Q54
♦ KJ10852
♣ Q

South:
♠ KJ543
♥ J62
♦ Q
♣ AK62

The bidding

South	West	North	East
1♠	pass	3♠	pass
4♠*	pass	pass	pass

* Close, but 5431 shapes rarely disappoint.

West cashed Ace-King of Hearts and switched to a low Club. Beating the Queen with the King, declarer drew trumps in three rounds, but, with Clubs failing to behave, he could now garner only nine tricks: six Spades, Ace of Diamonds and Ace-King of Clubs.

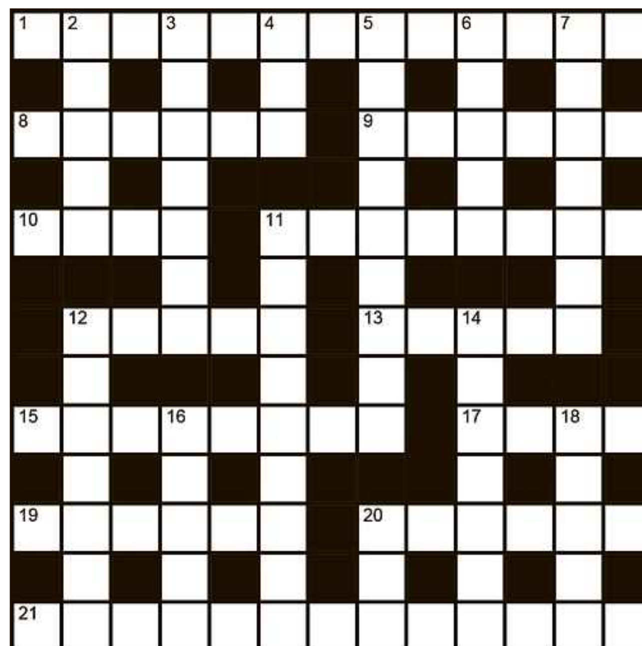
Let us replay. You may need to ruff twice in dummy (the fourth Club, as well as the third Heart). You cannot afford to draw three rounds of trumps.

Best at trick four is to ruff the third Heart (low), cash the Ace of Spades, then, leaving the two remaining Spades outstanding, lead a second Club from dummy. It does East no good to ruff (he will be ruffing a loser), so assume he discards. You win the Ace and lead back a third Club. West wins the ten, but you can win (say) the nine of Diamonds return with dummy's Ace, cross to the Knave of Spades, then ruff your fourth (losing) Club with dummy's Queen. A Diamond ruff back to hand is followed by the King of Spades, finally drawing East's last Spade. Ten tricks and game made.

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

Tim Moorey's Quick Crossword No.1060

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 26 July 2021. Answers to MoneyWeek's Quick Crossword No. 1060, 31-32 Alfred Place, London, WC1E 7DP.



Across clues are mildly cryptic whereas down clues are straight

ACROSS

1 Joker fellow concealing name in English town (13)
8 In Yorkshire the outcome is a piece of paper (6)
9 Quiet remarks made by top teams (6)
10 What C Clay became in part of Africa (4)
11 Strained puddings recalled (8)
12 Miller said to come from Tuscan city (5)
13 Fancy tie of one from Edinburgh? (5)
15 Time and time again Salome dancing for sailors (8)
17 Guinness beer cold (4)
19 Very pleasing to eat around four (6)
20 Drug given by Victoria, perhaps? Nothing's left (6)
21 The new stadium is developed for a soccer club (4, 3, 6)

DOWN

2 Spanish resort (5)
3 Hate (7)
4 Parisian street (3)
5 Overdue (2, 7)
6 Legal actions (5)
7 A contributing factor (7)
11 TV serial (4, 5)
12 Holiday resort (7)
14 Indian bread (7)
16 Decree (5)
18 Expel someone from their own country (5)
20 Former French coin (3)

Name ....

Address ....

Solutions to 1058

Across **1** Tiramisu *anagram* **5** Bull *two definitions* **9** Toast *two definitions* **10** Emotion *e + motion* **11** Newsprint *new sprint* **13** Cue *homophone* **14** Trouble spot *roubles p inside tot* **16** Ass *two definitions* **17** Barcarole *bar Carole* **19** Aspirin *aspirin(g)* **21** Suite *homophone* **22** Deed *de(CID)ed* **23** Chambers *two definitions.*

Down **1** Titan **2** Roadworks **3** Mat **4** Special Branch **6** Uzi **7** Lender **8** North Sea **12** Plumbers **13** Crocodile **15** Canard **18** Evens **20** Pie **21** Sum.

Sudoku 1060

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

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.

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

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The winner of MoneyWeek Quick Crossword No.1058 is: Lilia Prier of London

Tim Moorey is author of How To Crack Cryptic Crosswords, published by HarperCollins, and runs crossword workshops (timmoorey.com)

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

The hornswoggled masses

The working man is being stiffed and he doesn't even know it

Bill Bonner
Columnist

"Raise your glass to the hard-working people/Let's drink to the uncounted heads/Let's think of the wavering millions/Who need leading, but get gamblers instead/Spare a thought for the stay-at-home voter/Empty eyes gaze at strange beauty shows/And a parade of the gray-suited grafters/A choice of cancer or polio."

Today, we raise a glass to the Rolling Stones for those words, from their song *Salt of the Earth*, but also to those hard-working people, robbed by the gamblers and conned by the gray-suited grifters. Yes, we drink to the uncounted heads, the people who till the earth and pay the bills. As we've oft explored on these pages, all wealth comes from work. Sweat. Innovation. From people who save their money and accumulate their knowledge. From people who plant gardens, write songs, and clean the windows.

Typically, the elite plays a valuable role – designing bridges, settling disputes, teaching the young, and healing the sick. Its priests point the way to heaven or hell. Its judges and opinion leaders moderate the savage impulses of the mob and guide the "lower depths" (mostly by example) in all matters aesthetic, moral, and practical. Its politicians should restrain themselves, stealing no more than a few percentage points of the national treasure. Its generals should stay in their barracks, unless called upon to defend the country. And its central bankers should protect the value of its money, no more, no less.

The Rolling Stones: a paean to the "salt of the earth"

©Getty Images

> *"Since 2009 the average one percenter has gained about $1,845 a day"*

But the elite, naturally, have power as well as responsibility. They have guns and laws to boss people around. And the temptation not just to protect money, but also to print infinitely more of it, appears to be irresistible. Left unchecked, the power corrupts, turning them from a helpful service class to a group of self-serving parasites.

That is what America's fake money has wrought. The top 1% has seen its wealth increase by $25trn since 2009. There are 330 million people in America, so the top 1% numbers 3.3 million. Divide that into $25trn, and we see that the average one-percenter has gained about $7.5m – which works out at about $1,845 per day.

But what of the carpenters and used-car salesmen, the factory girls, the people who fix the potholes? The total "wealth" gain since 2009 is about $70trn. If the top 1% got $25trn, the bottom 99% must have gotten $45trn. But of that, almost all was concentrated near the top. Those in the bottom 50% gained only about $13,250 apiece over the last 12 years – or about $3.23 a day!

This is no accident, but a result of Federal Reserve policy. Stocks have hit record after record. The gamblers have never seen the cotton so high. But the foot soldiers? The *hoi polloi*? They've been hornswoggled. And in each election, they're offered the same choice – between cancer and polio.

The bottom line

£23,000 How much more on average and per subject a pupil who sat their GCSEs between 2002 and 2005 is expected to earn over their lifetime than if they had scored one grade lower, according to the Department for Education. Over nine subjects the premium is £207,000.

£4.7m The asking price for what is thought to be Britain's biggest "iceberg" home. Langtry House in Hampstead, north London, is a three-bedroom property that stands just 11 feet above ground, but has a 3,451 sq ft basement, featuring a cinema, a gym and a wine cellar.

$58,000 The cost of restoring a dried-out floodplain in California using a team of beavers, according to newspaper The Sacramento Bee. The animals completed the Doty Ravine project ahead of schedule and well below the $1m to $2m estimated cost for the work.

£8.5bn The cost, met by taxpayers, of keeping the railways running during the pandemic, according to the House of Commons Public Accounts Committee. Passenger numbers during that time fell to 4% of pre-Covid-19 levels, and have since recovered to around 45%.

£100m How much South Downs National Park, across Hampshire and Sussex, is seeking to raise to develop a further 32,000 acres of national habitat for wildlife. Campaigners are hoping to raise the money via donations and carbon-offsetting schemes.

©Getty Images

£1.36m How much Gary Lineker (pictured) earned last year, making the *Match of the Day* host the top earner at the BBC, despite his taking an almost £400,000 pay cut. The wage bill for all "on-air" talent at the broadcaster was cut by 10% to £130m in 2020.

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MoneyWeek, 31-32 Alfred Place, London WC1E 7DP
Tel: 020-3890 4060. Email: editor@moneyweek.com.

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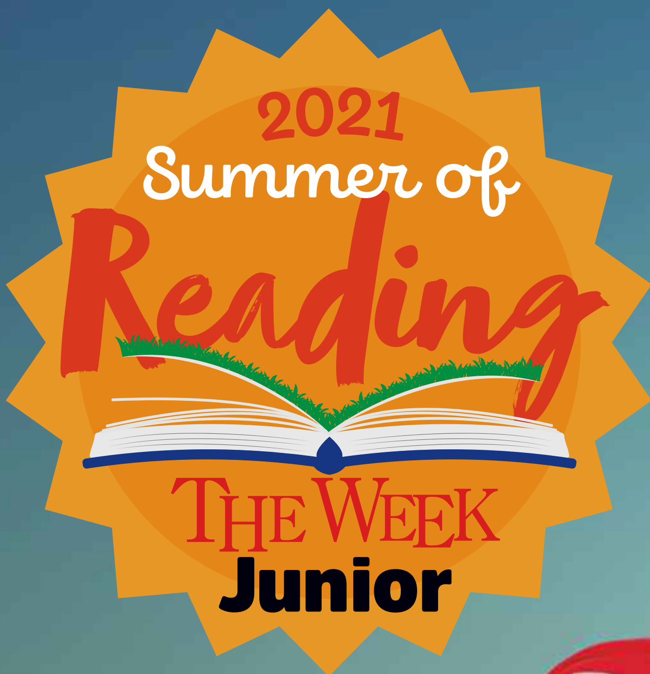

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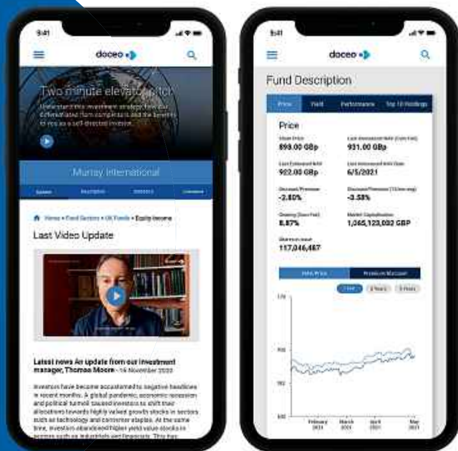

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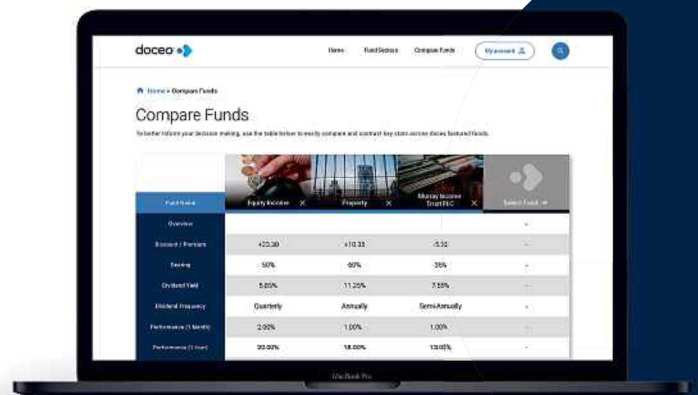

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