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The tycoon saving us from Covid-19

PLUS

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MoneyWeek

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From the editor-in-chief...

When historians write about this year, will they focus on the roll-out of the various Covid-19 vaccines and the end of our pandemic? Or will that excitement be lost in the background of another, bigger story: the great US stockmarket crash of 2021? For market guru Jeremy Grantham of GMO (who has an excellent record in this kind of thing) it is the latter. The post-2009 bull market has, he says, "finally matured into a fully fledged epic bubble". It has all the usual characteristics of the likes of the South Sea bubble; Japan in 1989; the US in 1929; and of course the one most of us had some dealings in – 2000.

©Getty Images

Warren Buffett: proof that compounding works

"Will 2021 be remembered for the Covid-19 vaccines? Or a huge US stockmarket crash?"

There is wild speculation – Tesla's market cap at over \$600bn amounts to over \$1.25m per car sold vs \$9,000 for GM (see page 21 for more on the tech funds that outperformed last year). There are bonkers "big picture" metrics: the Buffett indicator (market capitalisation to GDP) has smashed through its all-time highs. It has huge retail participation: Grantham notes that the volume of small purchases of call options on US equities is up eightfold on 2019 (a year in which the volume was already "well above" long-term averages). It has a "this-time-is-different" explanation: the bulls say that with money printing a go-go everywhere and interest rates stuck at zero, it is entirely rational to assume valuations to infinity (see page 6). Finally it has emotion, in the form of "hostility towards bears," something Grantham has noticed just before all great bulls come to an end. So, if this is a bubble, what pricks it? The answer might be the vaccine itself – as investors look around in relief at their newly immune fellow men, they might also see that the fiscal and monetary stimulus Covid-19 brought will be cut back and that "valuations are absurd".

These are dangerous times for professional investors: get out too soon and their clients will desert them for those still making money. But they aren't so dangerous for ordinary investors: we can get out when we like. At MoneyWeek we still think growth will surprise to the upside in 2021 as will inflation (as pent-up demand meets limited supply – see page 6) so we wouldn't be surprised if the US market kept going a bit longer. But we are also very aware that we don't need to be particularly exposed to its excesses. Instead we can note that value stocks are as cheap in relative terms as they have been since 1999 and that emerging markets equities are as cheap against US equities as they have been for 50 years – and rebalance into both these things (see page 18). Look as well to UK stocks (still cheap – see pages 6 and 19), to the dull but worthy insurance sector (see page 22) and of course to gold (see pages 7 and 21). None of these carry the excitement of Tesla but that doesn't mean there aren't fortunes buried in them.

For more on this turn to page 38 for Bill's view. He is building wealth for the long term – something that means preferring deep value over momentum (value outs, momentum fades). Investing is as much an endurance game as anything else: note that over 90% of Warren Buffett's wealth has been delivered to him via the magic of compounding since he turned 65 (see page 20). The US crash Grantham is convinced is coming might not come this year (the joy of Covid-19 freedom might addle brains for many more months to come) and the UK might not come good this year either. But all indicators tell you that it will happen at some point. Perhaps get that rebalancing done sooner rather than later. Happy new year to all our readers.

Merryn Somerset Webb
editor@moneyweek.com

Loser of the week

Love Island star **Zara Holland** (pictured) rose to fame on the ITV reality show, where contestants looked for love in a villa in Spain. Now she and boyfriend Elliott Love, 30, have been charged with breaking coronavirus quarantine rules in Barbados, says Nick Fagge on MailOnline. Holland, 25, who is now facing up to a year in prison and an £18,000 fine, fled her hotel room after being instructed to quarantine when her boyfriend tested positive for the virus upon arrival. The couple were "intercepted at the airport" after police visited their hotel room to ensure they were quarantining, but found it empty. She issued an apology to Barbados via the local newspaper, but more than 3,500 people have signed a petition calling for the couple's arrest.

©Getty Images

Good week for:

Sales of premium wine in a can rose dramatically this year as Britons took up drinking outdoors in the face of coronavirus restrictions, says Louise Eccles in The Times. Waitrose reported a 40% rise in sales of the tinned tipple compared to the same period in 2019. The surge in the popularity of canned wine was put down to the fact that it can be enjoyed outdoors "without juggling glasses, a corkscrew and a bottle".

Meanwhile, a more traditional festive treat enjoyed a bumper year as **sales of Brussels sprouts** jumped 11% from 2019 to £10m, says Fraser McKevitt on Kantar. The controversial Christmas staple saw its popularity surge despite families cutting back celebrations with "muted spending" on Christmas dinner generally.

Bad week for:

Business for French **escargot farmers** slowed to "a snail's pace" in 2020, says Kim Willsher in The Guardian. The country's 400 snail farmers, who produce specifically for the festive season, usually make around 70% of their sales in November and December. Yet with seasonal festivities all but cancelled in 2020, Christmas markets called off, tourist numbers collapsing and restaurants shut, business for snail farmers has been "desperately sluggish".

Box office revenues in the UK plummeted 76% in 2020, from £1.35bn in 2019 to £322.9m in 2020, says Naman Ramachandran on Variety. Despite a promising start, with revenues up 20% year-on-year at the start of last year, venue closures and delayed releases meant overall, 2020 saw less than one visit per person to cinemas, around one third of the usual frequency.

Cover illustration: Howard McWilliam. Photos: ©Getty Images; iStockphotos; Sotheby's

Will "healthy reflation" end in inflation?

Alex Rankine
Markets editor

Get set for a surge in household spending later this year

Has the stockmarket caught vertigo? US indices ended 2020 on record highs, with the S&P 500 registering a 16.3% gain for the year. The tech-heavy Nasdaq soared by 43.6%, its best annual performance since 2009. The end-of-year cheer was helped by last-minute agreement on a $900bn pandemic stimulus package in Washington. But things reversed on the first trading day of 2021: the S&P 500 fell back 1.5%, its biggest one-day drop since the end of October.

Stocks wobble...

By mid-week traders were digesting the results of two tight elections in Georgia that looked likely to give the Democrats control of the US Senate (see page 13). The prospect of Democrats taking the "trifecta" of the White House and both houses of Congress raises the risk of tech regulation, says Randall Forsyth in Barron's. The "blue wave" is back and with it memories of September when tech stocks tumbled back to earth. Nasdaq futures contracts fell by more than 1% in response to the results.

Equity markets remain generally bullish, but don't expect a smooth ride this year, says Michael Mackenzie in the Financial Times. US valuations are more stretched than they were a year ago – never mind the small matter of a pandemic. In some ways this is a "rational bubble": ultra-loose monetary policy pushes even reluctant investors into the stockmarket in search of returns. The general direction may be up, but at these levels highly strung stock prices are acutely sensitive to bad news. I expect at least one "serious wobble at some point" over the coming 12 months.

The market is "fussing" over the Georgia elections, says Stephen Innes of Axi. Things are likely to settle once Wall Street digests the news. Biden's administration has no intention of raising taxes in the near-term for fear of killing the recovery and spending is set to soar. Before too long resolutely bullish traders will have concluded that this is "close to a best-case scenario".

... but the real action is in bonds

Democratic control of Congress would give Biden "huge scope" to stimulate the economy, writes Liam Halligan in The Sunday Telegraph. He has suggested a "vast infrastructure programme" to renovate roads and airports that could cost about $3trn. The market could end up cheering all the extra cash, but an additional "lather" of stimulus on top of already unprecedented monetary support will leave markets "deep in bubble territory and detached from reality". The likelihood of more US government spending sent ten-year Treasury yields – the benchmark of the US government's borrowing costs – above 1% for the time in nine months.

The key question now is whether all that stimulus means "healthy reflation" for the economy or whether things go too far, triggering inflation, says John Authers on Bloomberg. There are certainly reasons to worry. Commodity prices have spiked. The US savings rate hasn't been this high since the 1970s, which could bring a consumer spending wave later this year that will push up prices. Democrat control of the Senate makes inflation more likely, not less.

Beaten-down British stocks set for a big bounce

"The darkest hour is just before the dawn," says Rupert Thompson of Kingswood. British shares shrugged off this week's new lockdown, with the FTSE 100 gaining almost 2% in the first two days of the year. The short-term news is dire, but investors are concentrating on the vaccine rollout, which should pave the way for a return to normal. Provided the vaccination campaign continues without any serious glitches then traders will remain bullish.

The Brexit deal was met with relief. With no-deal uncertainty finally out of the way another key headwind has been removed for UK shares. The index has plenty of room to rise after turning in an abysmal performance last year, falling by 14.3% for its worst showing since 2008. The FTSE 100 has underperformed for some time, notes Stefan Wagstyl in the Financial Times. Since 2016 it has gained less than 8%, compared with a 44% rise in German markets. British shares finally picked up in October, with the FTSE 250 up by 22% since then. That isn't just vaccine euphoria. It also reflects hope that with the post-Brexit outlook clearer business investment will soar.


Vaccination is paving the way for a return to normal

There are other reasons for cautious optimism about 2021, says David Smith in The Sunday Times. Powered by Asian dynamism, the global economy will provide a benign backdrop this year. British consumers have amassed huge involuntary savings, which are likely to spark a spending boom.

Unemployment should peak at a lower level than during previous downturns thanks to the furlough scheme. A brighter profits outlook could spark new interest in UK equities. As Stephen Innes of Axi points out, valuations are currently "close to 20-year lows" compared with Europe. Our "beaten-down" stocks could be "set for a magnificent recovery".

©Getty Images

Gold's strong start to the new year

Gold has raced off the starting blocks for 2021, hitting a two-month high on Monday. Trading around $1,946/oz earlier this week, the yellow metal remains short of the all-time high achieved last August, when it hit an intra-day high of $2,075/oz.

Despite the dip since then gold investors are sitting on tidy profits. Gold rose by 22% in 2020 and has gained 65% since August 2018. It faces two key issues in 2021. Firstly, the vaccines, which have taken some of the shine off gold, says The Times.

As a safe-haven asset, the metal attracts less attention when the economy is doing well, as is expected this year. Investment bank analysts are cautious, with HSBC predicting gold will finish 2021 at $1,907; Bank of America predicts $2,060.

Secondly, bitcoin has emerged as an alternative hedge against inflation. The cryptocurrency's surge may be diverting funds that would otherwise flow into precious metals, Delano Saporu of New Street Advisors Group told CNBC's Lizzy Gurdus. Investors looking for a hedge against government currency debasement now have more options to choose from.

Still, if 2021 brings the inflationary scare MoneyWeek has been fretting about for some time, then gold is likely to gain new impetus. This week's jump is giving gold bugs hope. A store of wealth for thousands of years, there is still nothing quite like gold.

Europe will bounce back

Investors in Europe are hoping that 2021 proves a duller year than 2020. Last year was one to forget, with the pan-European Stoxx 600 finishing down by 3.8%. The pain was not evenly shared. Spain's IBEX finished the year down almost 15%, with France's CAC falling by 7.1%. More happily, Germany's Dax delivered a positive total return of 3.5%.

The MSCI Europe index, which includes British shares, posted its worst annual performance since the 1980s relative to the world average last year, says Morgan Stanley in a research note. European earnings may have fallen by 33%, more than double the global average of 15%. But a strong cyclical recovery is likely to take hold later this year, triggering a multi-year surge in profits. That should feed into stock prices, which closely track earnings trends – in 2004-2005, the last time the region enjoyed two successive years of 20%+ profit growth, the MSCI Europe index returned 33%.

©iStockphotos

German stocks outperformed with a total return of 3.5% last year

A decent bet

The underperformance of European markets has little to do with geography and almost everything to do with sectoral make-up, says Richard Cookson on Bloomberg. Around 28% of large-cap US stocks are technology firms. In Europe that figure is 7%; in the UK it is just 1.5%. Almost 4% of the European market is made up of beaten-down energy stocks, compared to 2% in America. Indeed, if you correct for sectoral weighting, European and American stocks would have "pretty much the same valuation".

Surging tech stock prices and the rout in the energy sector have "whittled away" at that problem, says Buttonwood in The Economist. Tech firms now account for 14% of the Euro Stoxx 50, an index of eurozone blue-chips, making it the continent's biggest sector.

That said, the case for European shares still rests squarely on the outlook for those hated "old-economy cyclical stocks" (banks, energy and industrials). A post-pandemic reflation trade should help them outperform over the next two years.

My worry is that we will get an inflation spike in major economies later this year, says Cookson. That could scare central bankers into hiking interest rates. If that happens then pricy US stocks would feel most of the pain, but European cyclicals would not be spared.

If interest rates and the dollar do rise, then European equities look better than the alternatives, says Buttonwood. Tighter global monetary policy would be especially painful for emerging markets, leaving Europe the "sounder bet".

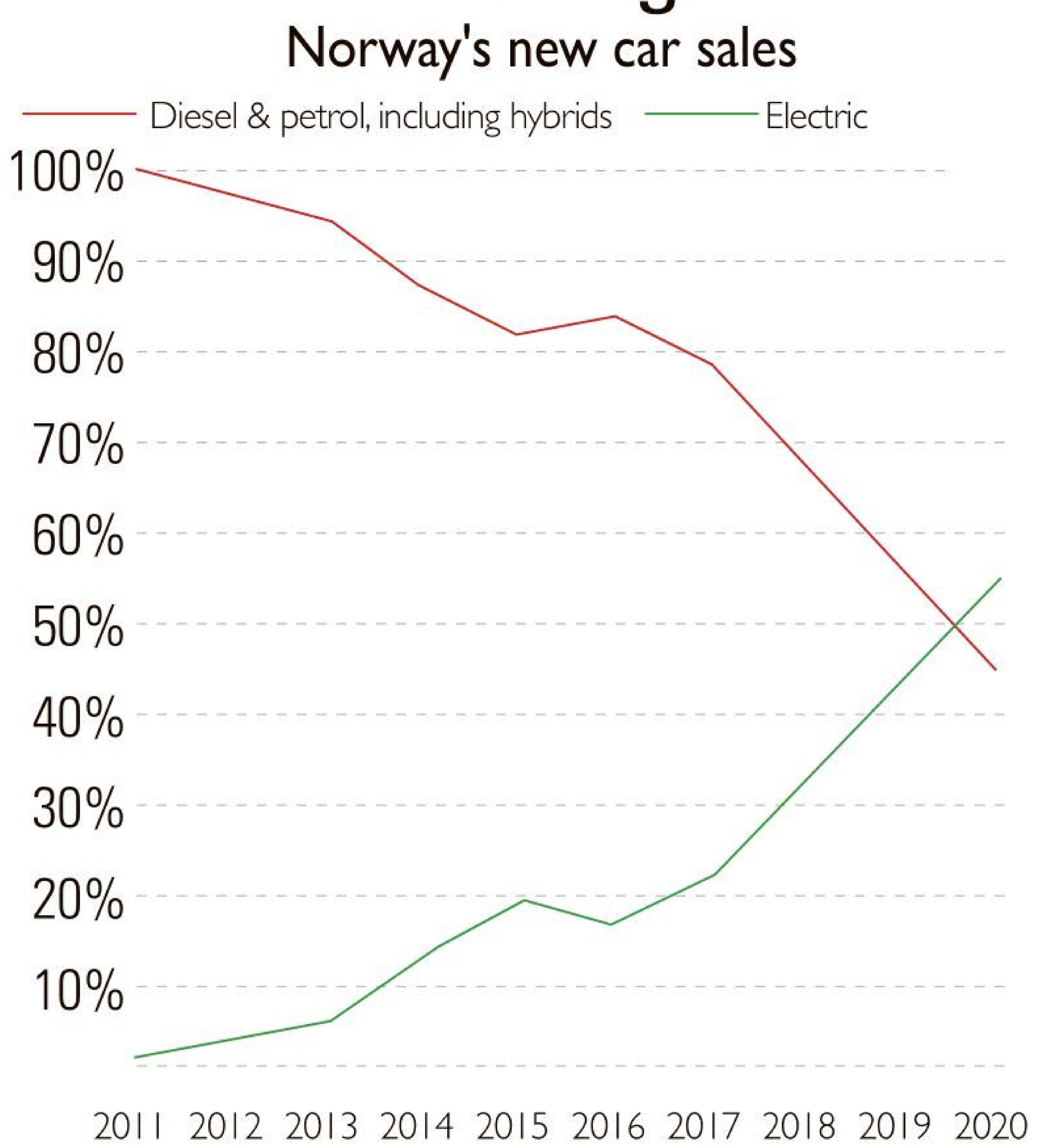
Fortune will "favour the brave" for European equity investors in 2021, says Rodney Hobson for Interactive Investor. The key is to look for "solid, boring companies that can stand the shutdowns" and are ready to profit once the recovery begins.

Viewpoint

"Investors might expect the US stockmarket to prefer a Republican president to a Democrat one, with the Grand Old Party generally seen as being in favour of small(er) government and less inclined to interfere in... markets... However... Over 18 presidencies since the election of Harry S. Truman in 1948, the Dow Jones Industrials has, on average, done better under Democratic presidents than it has Republican ones. Even more intriguingly, with 2021 in mind, the Dow has done much better in the first year of a Democratic term than it has a Republican one, with an average gain on 13.1% compared to 2% from their rival incumbents... there is more than just politics at play when it comes to how a stockmarket performs, with monetary policy, economic performance and the possibility of exogenous shocks (such as a pandemic) all factors to be considered, even before we [come to] valuation."

Russ Mould, AJ Bell

■ Electric cars begin to motor



The automobile industry has passed a key milestone. Last year the sale of electric cars in Norway eclipsed those of vehicles with internal combustion engines for the first time. Battery-powered vehicles comprised 54.3% of all new cars sold in the country last year, says Victoria Klesty on Reuters – a global record and a huge advance on the 1% just a decade ago. In December electric cars made up 66.7% of the car market, a monthly record. Norway is blazing a trail by becoming the first nation to end the sale of petrol and diesel cars by 2025. It completely exempts electric cars from the taxes imposed on traditional ones. Audi's e-tron sports utility and sportsback models have knocked Tesla's Model 3 off the local market's top spot.

City talk

● Another British bookmaker could be about to fall "into American hands", says Russ Mould of AJ Bell. Ladbrokes' owner Entain is being pursued by MGM Resorts, an operator of Las Vegas casinos. Entain's board rejected a £8.1bn bid on Monday. Cash-strapped US states are deregulating online gambling, unleashing a rush for market share. Entain's shares have surged. Investors expect a higher bid and, ultimately, a deal to materialise: "Money talks even more loudly in the betting industry" than it does elsewhere.

● Shareholders of Fiat Chrysler and Peugeot parent PSA have approved a merger that will create the world's fourth-biggest car maker. Stellantis, the new entity, will have a combined €200bn in revenue and nine million annual vehicle sales, says Valérie Collet in Le Figaro. The deal has been driven by Carlos Tavares, PSA's "ascetic" boss. A "confirmed Darwinist", he describes himself as a "performance psychopath". He hopes to achieve €5bn in annual synergies but management says it won't close any factories despite overcapacity in the industry.

● Drinks firm Kirin has paid $30m for a stake in Indian craft beer specialist Bira 91, report Benjamin Parkin and Kana Inagaki in the Financial Times. Kirin hopes to shift its portfolio towards the premium end of the market thanks to lower beer consumption in its native Japan. It has made several acquisitions in Britain and the US in recent years. Alcohol is not welcome everywhere in India – it's banned in some states. Those who do drink prefer whisky, but beer barons want a piece of this vast potential market. Kirin's deals don't always go well: in 2017 it sold a Brazilian brewer to Heineken for $700m, having paid $3.9bn for it in 2011.

How the tipsters fared in 2020...

In a turbulent year for markets the share tipsters acquitted themselves well, with all but two beating the FTSE 100 and FTSE 250. That said, given that the FTSE 100 slumped by 14.3% in 2020, beating the London market did not necessarily mean making any money.

Things were happier for those who braved the small-cap Aim index, which returned 14.4% in 2020. New entrant Interactive Investor's Aim-focused portfolio reaped the rewards with an impressive 70.1% gain, placing it head and shoulders above the competition. Its best tip was battery specialist Ilika (see page 28). All its other tips also made money, save for industrial equipment supplier Northbridge Industrial Services, which fell by 27%.

Money Observer's 12 tips came in second place, with games developer Team17 gaining 150% in a year when lockdowns turbocharged the video games industry. British gas owner Centrica proved its worst idea, slumping by 41%. Nevertheless the 21.7% overall return is a creditable showing for Money Observer's last ever portfolio; sadly, the publication no longer exists.

The Daily Mail took the bronze even though most of its tips lost money. Marks & Spencer was its worst pick, falling by 37%. Barclays and RBS also ended 2020 nursing double-digit losses after another miserable year for banks. However, the portfolio was rescued by S4 Capital. Sir Martin Sorrell's newish advertising venture rocketed by 155% in 2020, showing that occasionally one inspired choice can make (or break) a portfolio.

It was a disappointing year for US magazine Barron's. While its 9.9% gain looks impressive to British eyes it was far short of the US benchmark S&P 500's 18% total return. Barron's attributes that to the emphasis it placed on value stocks; S&P 500 value shares returned -1% last year, while growth stocks set the pace with a 31% total return. Royal Dutch Shell, which fell by 34.4%, was its worst idea but the portfolio saved face with a 49.7% gain from Dell Technologies, its best performer. The Sunday Times leads the middle of the pack with a solid 7% return. Nasdaq-listed phone chipmaker Qualcomm was its top tip, soaring by 83% as the 5G rollout gathered pace. Brickmaker Forterra proved to be anything but "safe as houses". It slumped by 30.3%.

The Sunday Times' daily stablemate did a worse job, shedding 10.1% but still beating the FTSE 100. Safety and hazard detection business Halma was its top idea, gaining 15.7%, appropriately enough for a year where hazards were on everyone's minds. Yet Jupiter Fund Management was "clobbered by falling markets" and finished down 31.1% to make it the paper's worst pick.

As Shares notes, the trouble this year was that portfolios were produced with a "reality" in mind that the pandemic then "entirely overturned". The magazine had some good picks – LED lighting specialist Luceco made a 117% return. Yet Lloyds Banking Group proved a stinker and Shares compounded the error by selling out in mid-September to crystallise a 63.4% loss. The stock has since rallied by 48%.

The Daily Telegraph held onto Lloyds until the bitter end, but with a 41.7% loss for 2020 as a whole it was still the paper's worst tip. Happier times were found with video games specialist Sumo Digital, which rallied 85%. The closure of hotels dented profits at Johnson Service Group, the Investors Chronicle's tip. The laundry firm slumped by 36%. But a bullish call on copper miner Antofagasta proved on the money. It gained 54% as prices of the industrial metal soared.

How are the mighty fallen

The Evening Standard topped the table on its first appearance in 2017 and repeated the feat in 2018. Yet a 19.8% loss is its worst performance to date and wins it the wooden spoon this time. Its 2020 portfolio opined that "the world will always need oil", making BP a "solid punt". But lockdowns and net-zero pledges have shaken that logic, with BP plummeting by 48.7% last year. Ted Baker proved a rotten tip, with an excruciating 71% loss making it the Standard's worst. The paper's tipsters were ahead of the game on the gold rally, however, with a 73% gain at miner Fresnillo their best idea. In past years The Guardian and The Independent have often fared poorly in recent years and they now seem to have finally given up, with no tips forthcoming for 2020 or 2021.

Annual share tip portfolios should not be taken too seriously. The comparison between portfolios is inexact as some publications liquidate their picks in mid-December. Long-term investors try to avoid buying and selling after just 12 months, but the following ideas do at least provide some food for thought.

Share tips for the year ending...

	2017	2018	2019	2020
Interactive Investor	n/a	n/a	n/a	70.1%
Money Observer	18.16%	-17.5%	33%	21.7%
Daily Mail	20.29%	-18.3%	17%	20.9%
Barron's	26.16%	-2.2%	24.6%	9.9%
The Sunday Times	12.17%	-20.1%	30.8%	7%
Shares	12.41%	-6.4%	23%	4.8%
The Daily Telegraph	21.53%	-13.4 %	9.6%	-1.3%
Investors Chronicle	-3.21%	-10.2%	37%	-5.1%
The Times	n/a	n/a	n/a	-10.1%
Evening Standard	45.5%	0.87%	15%	-19.8%
The Independent	6.13%	-26.3%	6.1%	n/a
The Guardian	-6.22%	-27.7%	12.6%	n/a
FTSE 100	7.10%	-12.5%	12%	-14.3%
FTSE 250	14.01%	-16%	25%	-6.4%

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... and what they've picked for the year ahead

Shares

Chinese e-commerce behemoth **Alibaba's** online-listings businesses are less capital-intensive and more profitable than those at Amazon. On a valuation less than half that of its US peer the shares look interesting for those prepared to stomach the risks *($256)*. Iron ore and copper producer **BHP** stands to gain from a bull market in industrial metals. The firm's "commodity mix" and "ESG [environmental, social and governance] credentials" are superior to some of its rivals'. A forecast 2022 dividend yield of 5.7% is not too shabby either *(1,983p)*. A recovery is gathering pace at medical-products firm **Convatec**. The return of elective surgeries this year and the structural tailwind of an ageing population promise a "new phase of profitable growth" *(204.5p)*. Spirits maker **Diageo** is a "quality business" that will profit from the reopening of the hospitality sector this year *(2,945p)*.

Paris-listed **Eurofins Scientific** tests everything from food and pharmaceuticals to cosmetics across more than 800 laboratories in 50 countries. This is a world leader with a good track record of using investors' capital well but the shares trade at an unjustified discount to their peers *(€70)*. Aim-listed eyewear designer and manufacturer **Inspecs** only joined the stockmarket last February and remains obscure, creating an opportunity to buy early into its burgeoning "global growth journey" *(271p)*. **Ocado** should be a winner as supermarkets everywhere react to growing online grocery demand by seeking out its technological know-how *(2,301p)*. **PZ Cussons**, the business behind consumer goods such as Carex and Imperial Leather soap, has disappointed before but its compelling brand portfolio spells opportunity in emerging markets such as Nigeria. One for the "risk-tolerant" *(233p)*.

Defence technology firm **Qinetiq** is a high-quality operator that offers predictable revenue thanks to long-term contracts with defence ministries. On a forecast 2022 price/earnings ratio of 14.2 the shares look undervalued *(299p)*. Translation and intellectual property specialist **RWS's** recently completed £854m purchase of peer SDL "marks a step change" for the growth outlook *(534p)*. Transport analytics business **Tracsis** is known for having a "golden touch" with acquisitions and will become more profitable as it concentrates its efforts on the highly profitable rail sector *(630p)*. The "cockroach of the high street", pub chain **JD Wetherspoon**, will gain market share as weaker rivals fold. A buy for those who think the pandemic nightmare will be over soon *(1,007p)*.


Ocado's technology will profit from the rise of online grocery shopping

Barron's

Shares in Google owner **Alphabet** rose by 31% last year and have further to go as travel advertising returns. A valuation of 28 times 2021 earnings is not unreasonable for "one of the great global franchises" with formidable growth prospects *($1,757)*. **Apple** shares are not cheap, but strong demand for the iPhone 12 and a work-from-home boost to other product lines make the firm a winner *($128)*. **Berkshire Hathaway** disappointed last year, but if 2021 delivers a cyclical recovery then its portfolio looks poised to deliver the goods *($222)*. Half of **Coca-Cola** sales are made in out-of-home venues such as "restaurants" and "stadiums", making the franchise a natural recovery play. About 75% of profits come from outside the US so performance will be strong even if the dollar falls *($53)*.

Electrical equipment conglomerate **Eaton** offers a way to gain exposure to new renewable energy projects in the US *($115)*. **Goldman Sachs** isn't getting enough credit. It has delivered two quarters of very impressive earnings but trades on ten times 2021 earnings and 1.1 times tangible book value, a discount to peers. Show it some love *($244)*. You'll know the pandemic is over when the entertainment industries of New York and Las Vegas resume normal service. When they do, concert venue business **Madison Square Garden Entertainment** will be singing again *($79.5)*.

Pharmaceutical stocks represent a pocket of relative value on the S&P 500, so buy **Merck**, which boasts an impressive drug portfolio *($79.75)*. Inflation is a risk for the year ahead and miner **Newmont** offers a reasonably priced way to hedge *($60)*.

Investors Chronicle

Rightmove has emerged as the "go-to" property website, enabling it to tap into the sort of "network effect" that has helped so many tech giants prosper. Its competitive edge can be seen in its "astounding" 75% historical underlying operating-profit margin. Expect it to remain dominant *(661p)*. American payments giant **Visa** boasts "sky-high margins" and the seemingly unstoppable march towards a cashless society could see earnings double in four years *($211)*. Don't be put off by Danish wind specialist **Ørsted's** frothy-looking rating (the forward price/earnings ratio is 27). The market's "largest renewables pure play" will benefit as the "multi-decade" push for net-zero emissions has only just begun *(DKr1,150)*. Aim-listed **Warehouse Reit** is less well-known than bigger peers and on a forward discount to net asset value of 11% offers a cheaper way to buy into the e-commerce boom *(114p)*.

Monks Investment Trust offers exposure to some of the world's best growth companies but with greater diversification and "less aggression" than the Scottish Mortgage Investment Trust, its better-known Baillie Gifford twin *(1,360p)*. Small-cap markets promise outsize returns but also carry more duds. The **BlackRock Smaller Companies Trust** focuses on "high-quality, cash-generative" stocks that should outperform in the long term *(1,740p)*.

Environmental investment trusts are still surprisingly rare. **Impax Environmental Markets** is the pick of the crop *(423p)*. **Worldwide Healthcare Trust** invests in biotech, healthcare and US health insurance brokers and should benefit from ageing populations and better sentiment towards the sector after its efforts to contain Covid-19 *(3,725p)*.

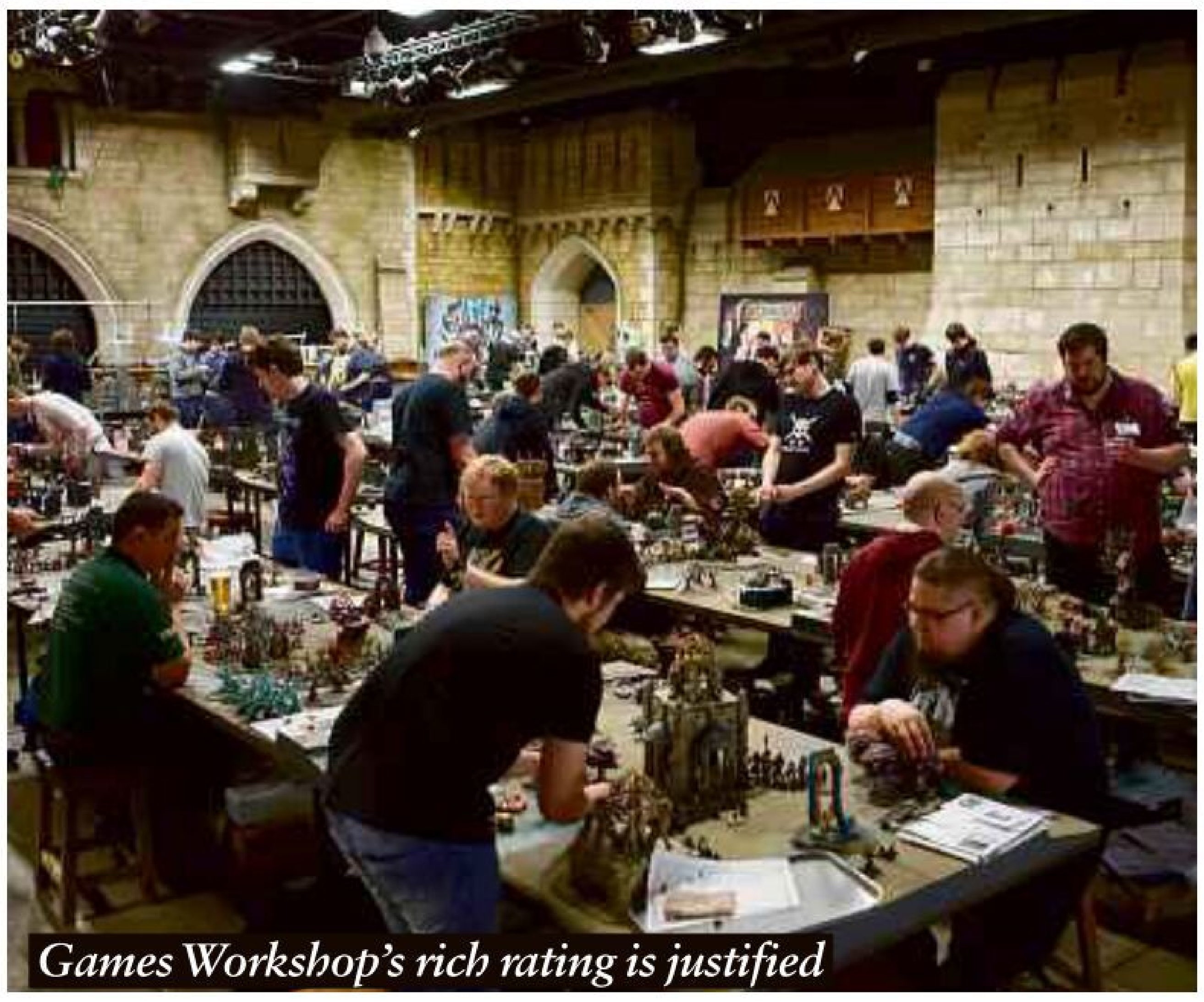
A German view

France's Nacon has climbed by around 40% since it listed in February 2020. But there should be plenty more gains ahead, as Der Aktionaer points out. The global video games markets is expanding at around 12% a year and Nacon is a one-stop shop for enthusiasts: it develops and publishes games but also sells so-called peripherals ranging from headphones to controllers. Sales and net profits bounced by an annual 36% to €86.6m and 47% to €9.6m respectively between April and September as lockdowns kept people at home. The strong bounce was due largely to peripherals; a further fillip awaits now that the games arm, which published no new titles in the summer, is about to release five new ones. New controllers for the popular PS5 and Xbox consoles are also in the pipeline.

Daily Mail

The big question for 2021 is whether value stocks can continue to outpace their growth counterparts. If you think they can, then Anglo-Australian miner **Rio Tinto** is well-placed to profit from strong commodity demand and the 5%+ dividend yield is nothing to sniff at *(5,470p)*. Where other airlines have slashed capacity, **Wizz Air** has announced more than 280 routes and is "aggressively" going after Gatwick landing slots. The risks of such frenetic expansion are obvious, but if the "huge gamble" pays off there will be big rewards from capturing so much market share *(4,564p)*. Rare diseases biotech business **Amryt Pharma** has cash to spend and could secure regulatory approval for a skin treatment cream soon. The risks are high, but there are reasons to be optimistic *(189p)*.

Scottish Mortgage Investment Trust has had a superb year thanks to bets on the likes of Amazon. Investments in smaller tech firms and China mean it should do well in 2021 too *(1,214p)*. **WHSmith** looks to be a "retail survivor" thanks to returning travel demand and its Funky Pigeon online greetings cards division. Down 40% last year, the shares have ample room to rise *(1,510p)*. **Liontrust** has bucked negative trends in fund management thanks to its popular ethical investment offering. A better year for the FTSE and low interest rates that will push more cash into stocks mean this lion could roar *(1,300p)*.

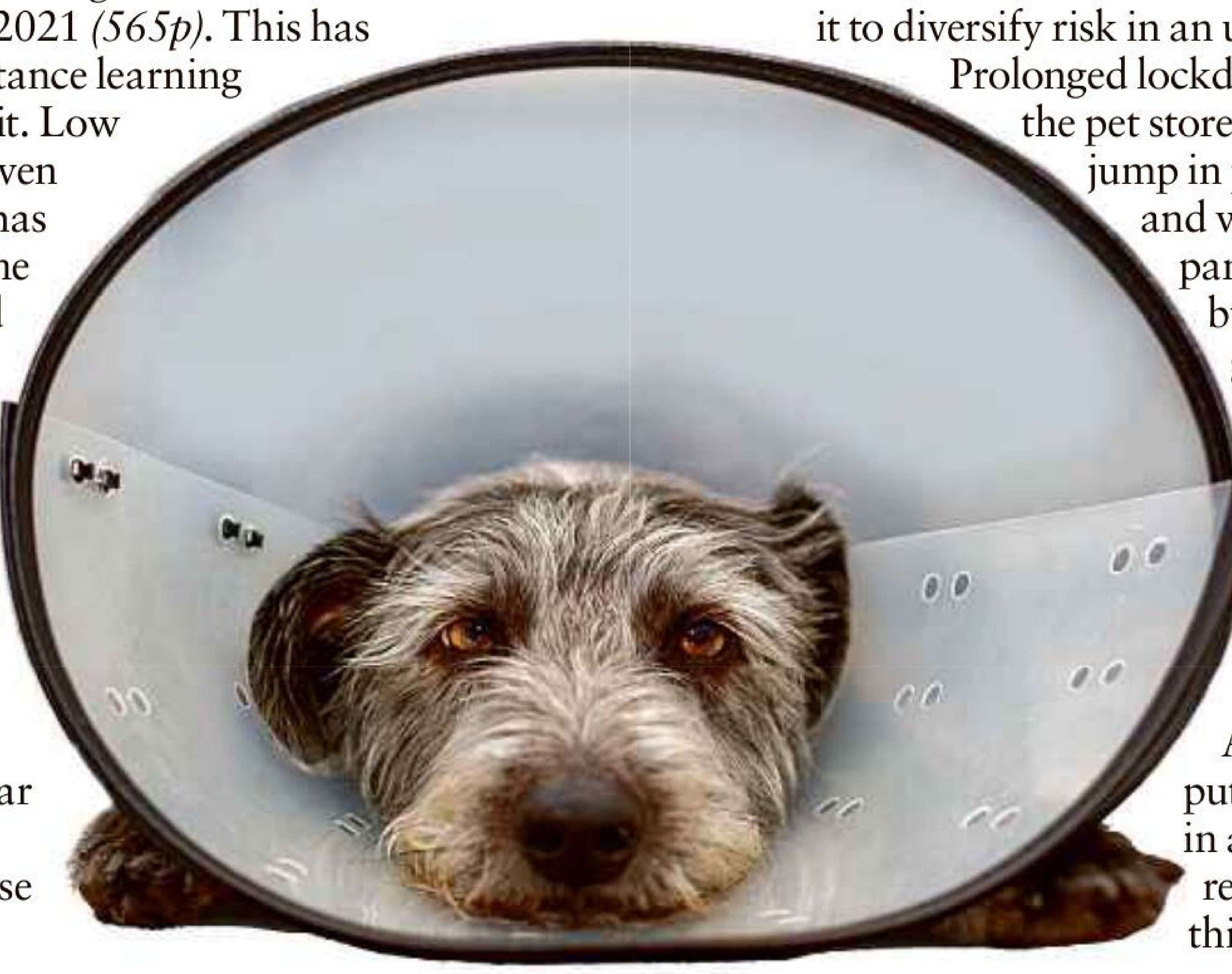

Games Workshop's rich rating is justified

The Times

The pandemic and the prospect of higher food and drinks prices hardly make pub stock **Marston's** the most intuitive pick. Yet a joint beer venture with Carlsberg UK has freed up cash to pay down debt while it waits for a recovery and the firm could also become a takeover target *(76p)*. Utility **SSE's** sale of its retail energy business leaves it free to focus on its wind operations and puts it in the forefront of Britain's energy transition *(1,500p)*. Political tensions between East and West have stoked controversy at **HSBC**. Yet greater calm under the Biden administration and a stimulus-fuelled economy mean the shares could bounce back after slumping in 2020 *(379p)*. West country water utility **Pennon** boasts an imposing £2.7bn cash pile following the disposal of waste division Viridor. That money will either go on a large acquisition or be returned to investors, both of which are reasons to hold the shares *(950p)*. **Games Workshop** has a higher market valuation than Marks & Spencer for a reason. Its "enduring" and "patent-protected" *Warhammer* franchise justifies its rich rating of 38 times 2021 profits *(11,200p)*.

The Sunday Times

Shares in West End property owner **Shaftesbury** slumped by 39% last year, but vaccines should bring the tourists back to the capital's shops and restaurants in 2021 *(565p)*. This has been a transformative year for distance learning and **Pearson** is well-placed to profit. Low debt and a "whiff of tech" could even generate a takeover bid *(681p)*. It has never been easier to set up an online store, courtesy of New York-listed Canadian platform **Shopify**. Profits surged last year and the "vast" growth potential justifies a rich share-price valuation *($1,220)*. There is enormous "pent-up demand" for holidays, so expect business at **easyJet** to take-off just as soon as it is safe. The shares were trading at £16 before Covid-19 and could soar again *(838p)*.



Long Covid-19 could cause a rise in the prevalence of lung fibrosis and other ailments. Biotherapeutics firm **PureTech** is working on a treatment and also has stakes in nine other businesses, enabling it to diversify risk in an unpredictable sector *(373p)*.

Prolonged lockdowns have sent many of us to the pet store. That has delivered a 14.6% jump in pre-tax profit at **Pets at Home** and with so many new pooches to pamper and kittens to coddle the business is set to consolidate those gains next year *(416p)*. **Chrysalis Investments** is trying to give London more tech champions. The 0.98% management fee is worth paying to gain exposure to the formidable growth potential of proven start-ups before they go public *(175p)*.

A £1bn rights issue last year has put Premier Inn-owner **Whitbread** in a strong position ahead of a likely resumption of business travel later this year *(3,100p)*.

IPO watch

Despite the pandemic 2020 was a remarkable year for initial public offerings (IPOs), says the Financial Times. Companies raised almost $300bn worldwide, more than in any other year apart from 2007. Investors were quick to snap up shares in technology firms as consumers and businesses settled into working from home. Snowflake, the cloud-computing provider, and Unity Technologies, which provides technology for video-game developers, made successful debuts. Overall activity in the US and Asia jumped by more than 70%from 2019, but listings in Europe fell by a tenth. Several big names look set to float in 2021, says Graeme Evans in Interactive Investor. One to keep an eye out for is Darktrace, the Cambridge and San Francisco-based cybersecurity company. It is thought to be working towards a £3.8bn listing early this year. After US company DoorDash's success in 2020, the chances of fast-food delivery firm Deliveroo listing this year have increased. Its growth accelerated in 2020 thanks to virus-induced lockdowns. Business review platform Trustpilot has the potential to become a unicorn – a start-up $1bn – following an IPO expected to take place in the first quarter of the year. Finally, Bristol's veterinary group IVC Evidensia is also expected to list, offering access to the burgeoning pet-care industry.

©Games Workshop; iStockphotos; Next; Wizz Air

The Daily Telegraph

Security threats are on the rise as well as health ones, so buy defence firm **BAE Systems**. Little affected by Covid-19, it will gain from resilient defence spending on both sides of the Atlantic and trades at a discount to many American peers *(489p)*. Dublin-headquartered **Keywords Studios** provides art, sound and marketing services to video-games firms, making it a potentially steadier earner than classic developers *(2,860p)*. **AstraZeneca's** vaccine collaboration with Oxford has dominated the headlines, but the firm also has a "pipeline bursting with late-stage drugs" *(7,324p)*. In these turbulent times the "desperately dull" field of "cloud computing and accounting software" feels reassuring, so buy **Sage** as the shares are going through a period of unwarranted weakness *(582p)*.

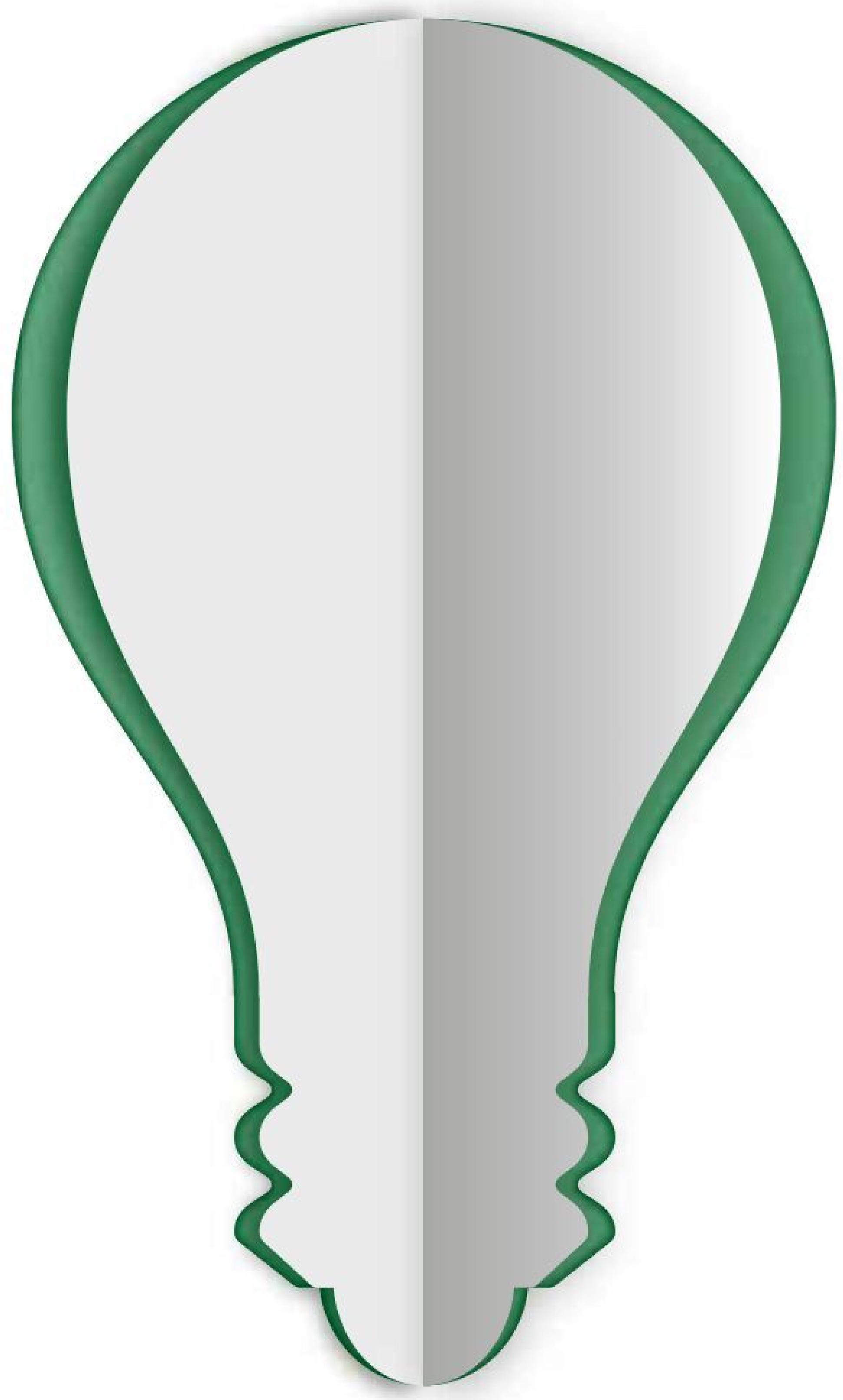
After a year of few pleasures, fans of baker **Greggs** will be happy to rediscover the delights of a pasty on the go – a share to buy for the rebound *(1,790p)*. **Next's** CEO Simon Wolfson has piloted the firm admirably through the pandemic squalls; a "slick" online offering has kept it profitable and the dividend should return this year. Still 15% off the 2015 highs, the shares should deliver more upside *(7,092p)*. Online wine business **Naked Wines** has enjoyed an 80% bump in interim sales as people drink at home instead of in bars *(669p)*. Some think the housing boom will cool, but the recovery could ease lending conditions for first-time buyers. That will support the "value" end of the market in which housebuilder **Persimmon** operates *(2,767p)*.

Interactive Investors

There is strong demand for SourceBio International's laboratories

Credit hire and legal-services business **Anexo** has had an unimpressive year as lockdowns meant less business for its traffic-accident division. Yet on just nine times 2021 earnings, there is "room for a re-rating" *(130p)*. The state will start withdrawing Covid-19 support this year, sending more work the way of insolvency specialist **Begbies Traynor** *(87p)*. **SourceBio International's** laboratories have been much in demand because of Covid-19 testing; strong long-term demand for its DNA sequencing and health diagnostics services means management's biggest headache is what to do with a growing cash pile *(160p)*. Midlands-focused **Real Estate Investors** could get a boost from the 2022 Birmingham Commonwealth Games and the shares carry a prospective yield of more than 10% *(31p)*. Lettings and sales estate agent **Belvoir Group** has profited from the surprising strength of the housing market and also yields an appealing 4.6% *(151p)*.

PAPER POWER



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Brexit did, after all, mean Brexit

Brexit was, as promised, done. But the political fallout will take years to settle, says Emily Hohler

©PA Images

Johnson ended 2020 on a political high

"After a bitter referendum, two general elections, three prime ministers and four and a half years of negotiations, 31 December was the day Brexit was finally done," says James Crisp in The Daily Telegraph. It took five hours of debate for MPs to vote by 521 to 73 to enshrine Boris Johnson's zero-tariff, zero-quota trade deal into law. Negotiations had been "deadlocked" until the last-minute by disagreements over fishing, "level playing field" guarantees and the deal's enforcement. Both sides made compromises (see page 16). A dispute-resolution body will be set up to settle future disputes on infractions and although cross-retaliation "remains possible", crucially for Britain, the deal is "based on international law and not that set by the European Court of Justice".

After four years of "acrimony, it felt like a chapter was closing on British politics", says George Parker in the Financial Times. It enabled Johnson to end 2020 on a "rare high". Ever Keir Starmer, the Labour leader, "grudgingly admitted" that although the trade deal was "thin", it was better than no deal, while pointing out that businesses now face a "raft of new customs bureaucracy, checks and delays" at a cost of £7bn. It also creates "all manner of future conflicts for British politics", says The Guardian. These include the "fine print" of the agreement, which runs to more than 1,200 pages, "new immigration controls, the maintenance of regulatory alignment, the status of service industries, fishing, access to databases, defence cooperation and, perhaps above all, the ambiguous place of Northern Ireland within the deal" (see below). All of these things are "iterations of a deeper truth: that we shall never cease to be Europeans and will never cease to engage with Europe". Johnson seems to understand this. In his Commons speech he spoke of Britain as "the best friend and ally the EU could have".

Freedom is what you make of it

Now that the deal is done, the "rapprochement can begin", says Camilla Cavendish in the Financial Times. We are tied to Europe by a long history and modern Britain is "wholly European in its desire to combat climate change, Islamist extremism, Russian meddling and Chinese incursion into human rights". The future is also now ours to make, says Nick Timothy in The Daily Telegraph. There are three main areas to be addressed. Firstly, now that we have the freedom to regulate our economy, we have the opportunity to establish a "new and agile framework for regulation that attracts investment and talent from around the world". Any plans to become world leaders in a particular sector will need to be supported by a "new industrial strategy and regional policy, and more ambitious international trade deals". Secondly, having "repatriated powers from Brussels", the government will need to decide how to distribute them within the UK, transferring some to nations and local communities. Thirdly, now that we are governing ourselves, Johnson needs to ensure that we are a "better-governed country". That starts with reform of Whitehall and the civil service. If the government does these things, then Brexit can ensure that we become "more dynamic, prosperous and secure". Freedom, as Johnson said, "is what you make of it".

It is, says Larry Elliott in The Guardian. It is clear that the UK has "deep, structural economic problems despite – and in some cases because of – almost half a century of EU membership". Our manufacturing base "has shrivelled, the trade balance has been in permanent deficit, and the north-south divide has widened". Equally obviously, there are "big problems with the EU". Those on the Remainer left should stop wallowing in despair and look at how "the lefties who voted for Brexit see it". Traditionally, it is the left who welcome change. The "inability to envisage" what a left-wing, progressive government could do with Brexit "represents a political role reversal and a colossal loss of nerve".

Northern Ireland is now attractive for exporters

©iStockphotos

A good deal for Northern Ireland?

"Although the UK formally left the single market and customs union last week, Northern Ireland has stayed in the single market for goods and will continue to follow EU regulations," says Liam Kelly in The Times. This allows the border with the Irish Republic to stay open and keeps the Good Friday Agreement "intact". Instead, there is now a customs barrier between Britain and the island of Ireland. Being able to "sell freely" to both Britain and the Republic is "vital". In 2018, they jointly accounted for £14.8bn of Northern Ireland's £21.7bn of exports, of which just £2.5bn went to the rest of the EU.

Notwithstanding the "added red tape and cost" of bringing products in from Britain, the region now finds itself in a "unique regulatory position", says David Young, also in The Times. Northern Irish businesses face "fewer regulatory hurdles" to export to both the EU and British markets, making Northern Ireland, in theory at least, "a good place for exporters to base themselves". Politically, things look less rosy. There will be a Stormont (pictured) vote on whether to continue with the arrangements in four years, and periodically thereafter. For now, the Unionists are "very unhappy" about the Northern Ireland protocol. They think it "creates an economic barrier" between Northern Ireland and the rest of the UK and could "undermine the constitutional integrity of the Union".

Rightly so, says The Economist. The new "border" will have consequences. Brexit has "strained the United Kingdom's bonds": 62% of Scotland voted Remain; in Northern Ireland the figure was 56%. "The most striking consequence of that historic day in 2016 might not be Britain's exit from a European Union that it never loved, but the break-up of the nation-state whose sovereignty the Brexiteers sought to defend."

The fight for the presidency goes on

With the Democrats likely to take the Senate, Trump faces a double whammy. Matthew Partridge reports

Trump: still determined to overturn the result

©Getty Images

Joe Biden may have won a "decisive victory" in the US presidential election, but Donald Trump still seems determined to overturn the result "by any means available", says the Financial Times. Even though courts "at every level" have rejected his "meritless efforts" to dispute the result, a leaked phone call made at the weekend shows him trying to threaten and browbeat Georgia's secretary of state, Brad Raffensperger, into changing the result. His attempt to get Republicans in Congress to block certification of the results looks likely (at the time of the writing) to fail, but there are genuine worries that his behaviour will get more "dangerous" as Biden's inauguration approaches.

Dangerous new territory

Indeed, there are fears that Trump's behaviour may not stop at threats, says The Economist. Trump allies, such as disgraced former national security adviser Mike Flynn, have openly mused about using the military to force a re-run of the election, and there are rumours that current officials have enquired about "the mechanics of troop movements". Former vice-president Dick Cheney is so worried that he has "corralled all ten living former defence secretaries" to write an "extraordinary" open letter warning that involving the military in the election dispute would take America into "dangerous, unlawful and unconstitutional territory".

Trump's behaviour is of little surprise given what the Republicans have allowed him to get away with in office, says The New York Times. When the Senate voted to acquit him of abusing his power by threatening to withhold aid from Ukraine unless they dug up dirt on Hunter Biden, many Republicans argued that removing him was unnecessary as he had "learned a pretty big lesson" from the debacle. Sadly, the only lesson he seems to have learned is that "he can do the political equivalent of shooting someone in the middle of Fifth Avenue, and he won't lose the support of Republicans".

Ironically, Trump's descent into conspiracy-fuelled madness seems to have backfired, with the Democrats winning at least one Senate seat in the Georgia run-offs, and probably both, says The Guardian. If the second Democrat victory is confirmed, it would have "seismic ramifications", giving the Democrats control of the Senate and ending Republican Mitch McConnell's "vice-like grip" over the Senate, which had threatened to turn it into a "legislative graveyard" for at least the next two years. This in turn will "vastly widen" the vistas of the incoming Biden administration over climate policy and the response to the Covid-19 pandemic, as well as "appointing federal judges, and addressing racial and income inequality".

A big stimulus is coming

The change in the control of the Senate could have immediate implications for the size of the planned Covid-19-related stimulus, says Lorie Konish on CNBC. While Trump and Biden both support raising the amount of money given to each household from $600 to $2,000, Senate Republicans had made it conditional on "the repeal of a law that gives liability protections to internet companies and the creation of a commission to investigate election fraud". Since the latter was unacceptable to Democrats, it meant that the large amount was effectively blocked. If McConnell is no longer in control, the legislation is expected to easily pass.

Betting on politics: our punditry doubles your money

This column had a good year in 2020 – indeed, the best year since it began, *writes Matthew Partridge*. In January, I suggested that you lay (bet against) Rebecca Long-Bailey's campaign to succeed Jeremy Corbyn as Labour leader. The bet paid off when Keir Starmer won. I also correctly predicted that Australian politician Gladys Berejiklian would manage to cling on, at least until the start of this year, and that Labour would get most seats in the local Northern Territory elections. I tipped New Zealand Labour to win too, as they indeed did (although the election had to be briefly postponed).

By far the biggest betting event of the year, however, was the US presidential election. Few could have predicted how much money would be placed on the result, with more than £1.5bn matched on Betfair alone – much of it after election day, presumably as a result of Donald Trump fans betting that the result would be overturned. Unlike in 2016, I got the big-picture bets right, correctly called Joe Biden's victory, first in the primaries and then in the general election. All my bets on him (and those against Trump) paid off. I also had Kamala Harris as one of Biden's potential running-mates, and correctly predicted that Trump would get less than 250 electoral college votes.

All 15 of the calls I made on state-specific bets also came good. I correctly predicted that Biden would carry Minnesota, Maine and Oregon, and that Trump would win Indiana, Alaska, South Carolina, Texas, Utah and Montana. My suggestion that Republicans would win in the Senate in Kansas, Kentucky, Alaska and Alabama, but the Democrat candidates would win in Illinois and Arizona, also proved correct. Of course, many of these races were at short odds, but if you have a high enough success rate such bets can prove lucrative.

The Democrats also managed to hang on to the House of Representatives, though with a much reduced majority, and, although counting was still going on in the two Georgia Senate run-offs at the time of writing, my bet that the Democrats would sweep all three houses is looking good. The cherry on the cake was Time magazine making Joe Biden (with Kamala Harris) person of the year – I tipped him (along with Jacinda Ardern) at 16/1 on Betfair Sportsbook.

Excluding Georgia, of the 33 combined bets I made in 2020 that were settled, all but two (three presidential debates to take place; the Democrats to get between 236-250 seats) paid off, with an average profit of 49%. If you had treated each individual tip as a separate bet (though I don't recommend this) you would have seen 31 out of 39 pay out with an average profit of 103% – in other words, you would have more than doubled your money.

Ottawa

Canada blocks Chinese mining purchase: Canadian prime minister Justin Trudeau has blocked a Chinese state-owned company from buying a gold mine in the Canadian Arctic, say Vipal Monga and Paul Vieira in The Wall Street Journal. He faces increasing pressure to curb Beijing's "rising influence" across the country. This is the second time Trudeau has vetoed a Chinese takeover since he came to power late in 2015, "backtracking" on his initial goal of developing an economic relationship with China. Relations between the two countries are already strained following Canada's involvement in the arrest of Huawei executive Meng Wanzhou in 2018 over the firm's alleged violations of US sanctions on Iran. Shandong Gold Mining, one of the world's biggest gold miners, had wanted to buy TMAC Resources, which owns a mine 120 miles north of the Arctic Circle, for C$230m (£133m). Canadian officials argued that Beijing would gain "too much access" to the Arctic, where it has been investing heavily owing to the region's growing importance as a shipping route and valuable mineral source.

London

Recovery in the balance: England entered its third lockdown – until at least 15 February – as rising cases of Covid-19 threatened to overwhelm hospitals. "A double-dip recession now looks inevitable," says Deutsche Bank's Sanjay Raja. "We expect output to contract by around 1.4% quarter-on-quarter in [the first three months of 2021]." Growth shouldn't "plumb the depths seen in April and May", says Samuel Tombs of Pantheon Macroeconomics. It's still "business as usual" for manufacturing and construction. Chancellor Rishi Sunak (pictured) announced an extra £4.6bn in support for businesses in the hard-hit hospitality sector. Businesses can claim up to £9,000 in top-up grants, while another £594m will be made available to councils to help other affected firms. Mortgage approvals reached a 13-year high thanks to the stamp-duty holiday. But new car sales fell by 30% to 1.6 million last year, the biggest annual drop since 1943.

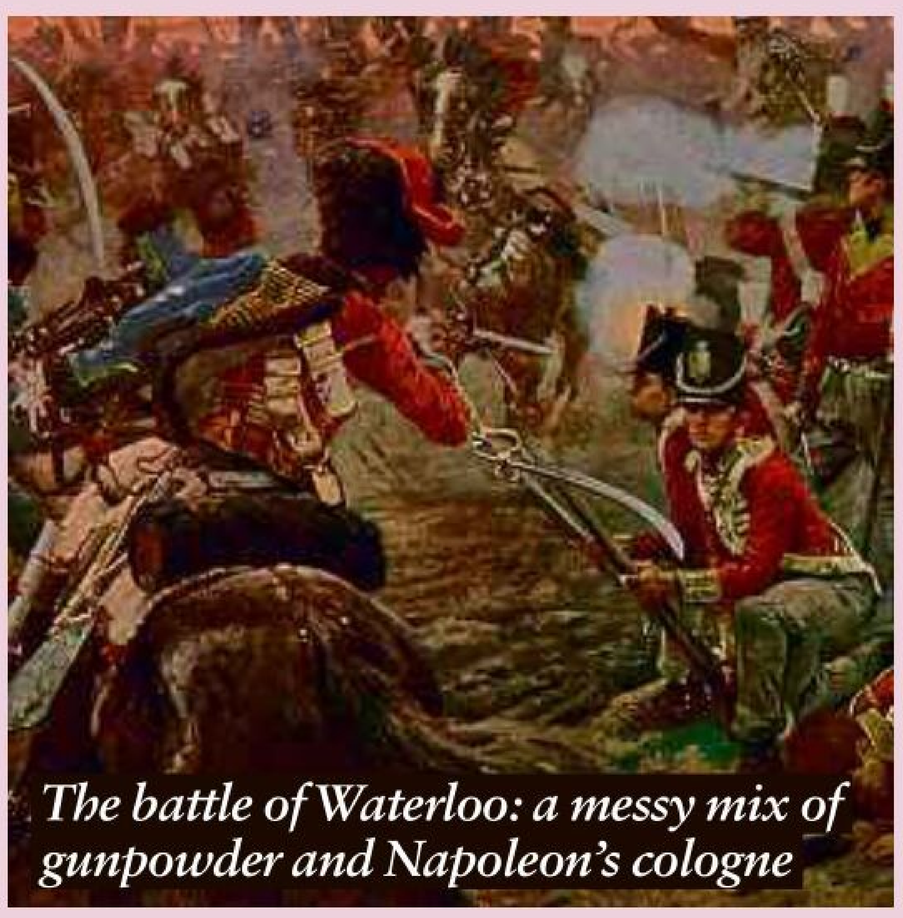
Washington DC

A brighter outlook for 2021: The yield on ten-year Treasuries rose to 1% for the first time since March as investors bet on the Democratic Party capturing the Senate, say Colby Smith and Eric Platt in the Financial Times (see pages 6 and 13). "The possibility of additional stimulus under a Biden administration has buoyed... sentiment even as the US confronts a wave of coronavirus cases and continuing economic malaise before a vaccine is available to most Americans." Meanwhile, the first $112bn of the latest, second round of stimulus payments have landed in Americans' bank accounts, representing two-thirds of the total. This second round is expected to cost $164bn overall, with adults and children receiving $600 each. Meanwhile, data pointed to a recovery in the manufacturing sector in December. The ISM manufacturing index rose to 60.7, the highest level in two and a half years, from 57.5 the previous month. A reading of above 50 indicates expansion in the sector.

Berlin

Europe falls behind on vaccinations: Germany has extended its current lockdown to the end of January and toughened restrictions in the worst-affected areas as new infections of Covid-19 keep rising. The slow start to its vaccination programme hasn't helped. "Mainland Europe [is]a global vaccine straggler, certainly in the rich world," says The Economist. A mere 0.4% of people have been jabbed in Germany, compared with 1%-2% in Britain and 16% in Israel. The Netherlands was only due to start this week, while the French government has come under "withering fire" over the slow pace of its programme, says The Times. As of Monday, just 500 people had received the BioNTech/Pfizer vaccine, with President Macron (pictured) accused of holding out for the development of a French vaccine. "The European vaccination fiasco has mushroomed into a larger danger for the EU project itself," according to Ambrose Evans-Pritchard in The Daily Telegraph. "Nothing before has exposed so clearly why the nation-state is the proper fulcrum of government." One bright spot came in the form of German unemployment data, which unexpectedly fell in December by 37,000 people to 2.8 million. The jobless rate was unchanged at 6.1% from November.

The way we live now: studying what history smells like



The battle of Waterloo: a messy mix of gunpowder and Napoleon's cologne

Even though 2020 was "a stinker of a year", says Simon Usborne in The Times, olfactory historians have found much to be excited about. Research into smells is a growing field. They are "the most fragile part of our history", according to Caro Verbeek, a Dutch art and scent historian. "More than photos or sounds, they represent situations, interactions and emotions." Scent historians specially recreated the aroma of the Battle of Waterloo for a tour at Amsterdam's Rijksmuseum, for instance. Visitors smelt horsehair, mud, gunpowder and Napoleon's cologne. Now, historians are keen to capture the "smellscape" of 2020. Because worldwide restrictions meant reduced travel, the year of the pandemic smelled distinctly different from those which came before it. "Traffic pollution masks other smells," says researcher Kate McLean. So lighter aromas such as those of flowers and the seaside became more distinct. In November, the EU gave a £2.5m grant to Odeuropa, a consortium of experts devoted to olfactory heritage. Each country will have a different pandemic scent, reflecting the varied approaches to handling. Verbeek says traditional cologne will become part of the "eau de 2020" in her country: its popularity soared among the Turkish population in Holland after the Turkish government promoted it as an alternative to hand sanitiser.

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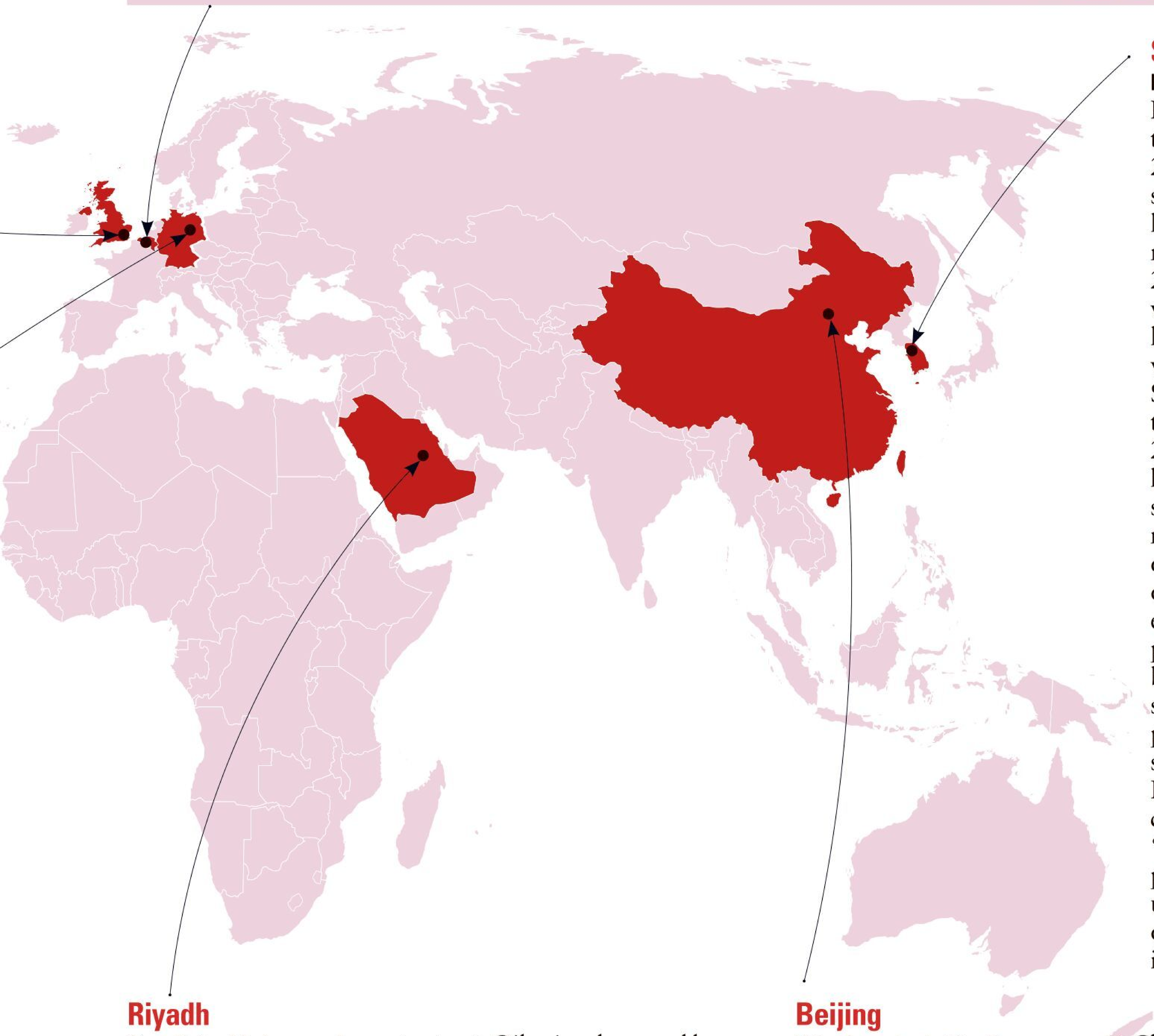
Brussels

Chancellor Angela Merkel is well aware that Germany is China's largest car market

EU agrees investment deal with China: The signing of the EU-China Comprehensive Agreement on Investment (CAI) has handed the Chinese a massive diplomatic victory, says Bloomberg. The timing of the deal is "worse than the substance". After seven years of "desultory talks", concessions were suddenly offered by China to finalise the agreement before president-elect Joe Biden takes over from Donald Trump. The agreement, which was signed despite an explicit plea from Biden's office to hold off, will complicate US efforts to create a common approach to China and sends a "truly awful geopolitical message", says Gideon Rachman in The Financial Times. In 2020, China "crushed the freedom of Hong Kong, intensified oppression in Xinjiang, killed Indian troops, threatened Taiwan and sanctioned Australia". The EU is "naïve" to believe that China will respect the deal. The EU has its arguments: it doesn't wish to be dragged into a new cold war between the US and China; the deal is a demonstration of "strategic autonomy"; China is Germany's largest car market. Nevertheless, deepening its economic reliance on an "increasingly authoritarian and aggressive" China is a "remarkably short-sighted" decision for a "geopolitical commission" to make.



Seoul

Population shrinking: The South Korean population decreased for the first time in 2020, declining by 20,838 from 51.8 million in 2019, says Eun-Young Jeong. Asia's fourth-largest economy has been beset by record-low numbers of births since 2016. On average, South Korean women will have 1.1 children in their lifetimes, the lowest fertility rate in the world. The country's statistics arm, Statistics Korea, had predicted that the population would begin falling in 2021, but the pandemic is "likely to have weighed on birth rates". Jobs were scarce and couples were forced to delay marriages; the majority of child births occur in wedlock. The falling numbers of newborns mean South Korea is expected to have the world's largest proportion of individuals 65 or older by 2045, overtaking Japan. The go-to solutions are being met with "some practical challenges" due to Covid-19, says Daniel Moss on Bloomberg. Encouraging couples to have more children and fomenting immigration "now seem unrealistic". The main problems are that borders are closed, unemployment is rising, and curbs on social contact "don't exactly inspire procreation".

Riyadh

Saudi Arabia's surprise output cut: Oil prices bounced by almost 5% on Tuesday after Saudi Arabia revealed it would reduce its oil output, says Al Jazeera. Brent crude futures rose to $53.60 a barrel after the kingdom unexpectedly announced that it would make cuts of one million barrels per day in February and March. The move is part of a deal to persuade the rest of Opec, the oil exporters' cartel, and Russia to restrain output amid concern that the latest lockdowns will dent demand. Talks between Opec and Russia over February oil output were deadlocked at the start of the week. "Opec should be happy to hold oil prices at around $50 per barrel," says Lex in the Financial Times. The price means oil-producing countries receive a "decent revenue" without encouraging "excessive growth" from rival US companies. Though Russia and Kazakhstan were allowed to produce more, Saudi Arabia's unexpected cut will offset any unsustainable increase. US producers will not be able to drill aggressively with oil trading at $50 per barrel, sending the oil markets into a "Goldilocks state". The industry "can rest a lot easier" than when oil traded below zero nine months ago.

Beijing

Why has Jack Ma disappeared?: Chinese billionaire Jack Ma (pictured) has never been one to avoid the spotlight, starring in a Kung Fu film and appearing as Michael Jackson in a dance routine, says The Daily Telegraph. So over the past few days the financial media has been wondering why he hasn't been seen for three months. Ma has been uncharacteristically quiet after his latest gambit "backfired": in October he called Chinese regulators "too conservative" and in November they thwarted the $35bn stockmarket debut of Ma's Ant Group. And even though he filmed several early episodes, the tech tycoon didn't turn up for the grand finale of an *Apprentice*-style television show he was supposed to be judging in November. But Ma is probably just "lying low for the time being". Ma began built his $50.9bn fortune from "huge bets" on e-commerce, founding Alibaba in 1999 and launching online-payment service Alipay five years later –before regulators said such businesses would be permitted to operate. Ma's silence is thought to be a tactical move to avoid further antagonising Beijing. But his disappearing act could be seen as a sign that the country is "no longer open for business" and slow the wave of international investment into China "to a trickle".

18+

WHAT IS AVAXHOME?

AVAXHOME -

the biggest Internet portal, providing you various content: brand new books, trending movies, fresh magazines, hot games, recent software, latest music releases.

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Cheap constant access to piping hot media
Protect your downloadings from Big brother
Safer, than torrent-trackers

18 years of seamless operation and our users' satisfaction

All languages
Brand new content
One site

AVXLIVE.ICU

AvaxHome - Your End Place

We have everything for all of your needs. Just open https://avxlive.icu

Britain's new deal with the EU

After years of wrangling and political scraps, Britain is now outside the EU and has secured a free-trade agreement with the bloc. So what's changed? Simon Wilson reports

*We did get to have our cake and eat it too**
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What's happened?

The UK-EU Trade and Co-operation Agreement, a 1,246-page treaty setting out the post-Brexit terms of trade, was passed by the House of Commons after just five hours' debate on 30 December. After all the wrangling, the EU has agreed its first ever tariff-free and quota-free trade deal with its ex-member, governing £650bn annually in bilateral trade. It's a broader agreement than Canada's, but one which – like Switzerland's – is also more open-ended, says The Economist. In a small but symbolically rich moment, Britain's first action under its new freedoms was to scrap VAT on women's sanitary products (the "tampon tax"), says The Daily Telegraph. Under EU rules, the minimum VAT level was 5%. Far from firing the starting gun on a "regulatory race to the bottom", the first tangible benefit of Brexit was aimed at helping low-income women.

What's in the deal?

Enough room for more wrangling to keep trade lawyers rich for decades. There are no tariffs or quotas on goods, but there's a delicate "rebalancing mechanism" – subject to arbitration – aimed at preserving the EU's "level playing field" with the UK. In short, the treaty leaves the UK free to set its own standards in areas such as environmental standards and labour law, but at the cost of having access to the European market restricted if it diverges too far. But that arbitration mechanism doesn't rely on the European Court of Justice – a crucial win for the UK. A similar balancing act has been agreed on state aid and on fishing rights, which are subject to a transition period ending in June 2026. The deal grants transit rights to road hauliers, but with far more restrictions than previously. And there are tough new checks on agri-food products, and some on pharmaceutical products.

So a win-win?

It's more of a suck-it-and-see. Boris Johnson mistakenly told MPs that the deal removes "non-tariff barriers" to trade. In fact, his government is attempting to recruit 50,000 new customs agents to enforce a wave of new bureaucracy and checks at ports – arrangements that HM Revenue & Customs estimates will cost British businesses £7bn a year. The government also published more than 300 pages of instructions to businesses on how to comply with the new regulations governing cross-Channel trade just hours before they came into force. It covers the likes of customs forms, rules of origin requirements, export health certificates for animal and plant products, and a host of other regulatory documentation. But Johnson is claiming victory. Last week he wrote of how naysayers had said that "you couldn't have unfettered free trade with the EU, without conforming to EU laws. You couldn't have your cake and eat it. Maybe it would be unduly provocative to say that this is a cake-ist treaty; but it is certainly from the patisserie department".

Is it?

Depends what is meant by "unfettered". Under the deal, the UK gets tariff-free and quota-free trade in goods only as long as it stays aligned with the EU's "level playing field" regulations and state-aid subsidies. "So the deal owes less to the cake department than to the hire-purchase department," says Tom Newton Dunn in The Sunday Times. "It is strictly conditional. It is only ours for as long as we keep paying the bill of alignment." The treaty also appears fundamentally skewed to the strengths of the EU, in that it prioritises the trade of goods (and fishing rights) and offers next to nothing to Britain's powerful services and financial sector, which constitutes a large chunk of the economy (see opposite page). "On financial services, data and much else the Brexit negotiations are by no means over," says The Economist.

"We now need a stream of EU Regulatory Repeal Bills"

Will it make us richer?

Currently, the Office for Budget Responsibility estimates that, under the new trade deal, the UK's economy will be 4% smaller than it would have been within the single market and customs union, because of non-tariff trade barriers. A long touted benefit of Brexit was also the ability to make extra-EU trade deals of our own. So far, the only deal we've signed that is not a rollover from the deals we had as EU members is the one signed in October with Japan. On UK government projections, that deal will add a modest 0.07% to GDP over 15 years. Over the longer term, the emerging freedoms of life outside the EU could well ultimately make us all richer and happier. But "we need a strategy to achieve it", says Newton Dunn – and a "detailed plan to deliver that strategy. At the moment, the prime minister has neither. Just admirable ambitions and eloquently penned optimism".

So what should the strategy be?

That's the question that will dominate politics post-Covid-19. A good place to start, says Mark Littlewood in The Daily Telegraph, would be a massive deregulation drive, starting with the so-called *acquis*, the 80,000 pages of European law that remains on our statute book. "Expunging all unhelpful regulations needs to be the primary focus of a single identifiable ministry," producing a stream of EU Regulatory Repeal Bills. A sunset clause scrapping everything by 2025 unless Parliament specifically votes to retain it would help speed things up. More broadly, policymakers and bureaucrats should replace the "precautionary principle" with the "innovation principle" when it comes to new regulations. Without abandoning safety concerns, the presumption in the UK must be of allowing innovation to flourish.

And at least Brexit is done with?

Not really. Brexit will remain a dominant political issue (see page 12), placing strains on the unity of the UK and leading to future scraps on issues such as immigration, regulatory alignment, the status of service industries, fishing, access to databases, and defence cooperation. But Brexit, after all, is a process, not an event. It will continue.

They think Brexit is all over…

... but important negotiations remain to be sealed. "No deal is better than a bad deal" is the way to play it

Matthew Lynn
City columnist

We thought it was all over. After years of wrangling, stand-offs, walk-outs and arguments, the UK and the EU finally reached a trade deal just before Christmas, and with only days remaining before the transitional arrangement expired at the end of the old year. And yet, just when you thought we could safely forget about wrangling with Michel Barnier, it turns out the arguments are set to continue.

Talks will start this week between the UK and the EU over a deal for financial services. There will inevitably be lots of pressure to make concessions and secure access to the European market for the UK's banks, insurers and asset managers. That should be resisted. In truth, the same hardball "no deal is better than a bad deal" stance will work as well for the City as it did for the rest of the country.

Playing hardball makes sense

Over the next couple of months, British officials will have to try and negotiate "equivalence" rules that will allow City firms to sell their services across the EU. That matters a lot. Financial services are one of the UK's largest exports industries, and one of the most lucrative. The EU market has been hugely important, allowing the City to become the dominant financial centre for the whole of the continent. There can be no argument that losing access to that market would come as a huge blow.

It is not going to be easy to strike a deal. Plenty of European countries are suspicious of the UK's role in finance. The French, Germans and, increasingly, the Italians as well, would like a share of that trade. Many of them will be uneasy about the main trading and debt centre for the euro being outside their regulatory control. Plenty of them will calculate they should make life as hard for the UK as possible, not least because it will increase the chances of banks relocating to mainland Europe.

Barnier: we haven't seen the last of him yet

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At the same time, many City banks, lobbyists and asset managers will be desperate to secure access to the single market, and they will be urging the government to make whatever concessions are necessary to secure it. We can expect to see lots of scare stories about the huge losses the UK economy will face if it doesn't reach a deal. The trouble is, we could easily find our finance industry essentially regulated from Brussels forever. The City should instead back the UK's negotiators to be robust and ready to walk away without a deal if they have to. Here's why.

First, the strategy works well. The EU is not as powerful as it pretends to be, or as its more enthusiastic supporters claim. Sure, it is an important market for British financial firms. But it also depends on the City to raise the vast amounts of debt that eurozone governments and companies need. In the main negotiations, the EU became a lot more willing to compromise as soon as the British government made it clear it would walk away without a deal if it had to. The same will be true for financial services.

Europe is not the only game in town

Second, there are plenty of markets outside the EU where the City can grow instead. The eurozone accounts for 16% of the global economy, and with slower growth, and accelerating development in Asia and Africa, that is getting smaller all the time. The City has always done best as a global finance hub rather than as merely a domestic or regional one. It might well lose some business over the next few years to Paris, Frankfurt and Amsterdam. But it can more than make up for that by expanding across the rest of the world. As an offshore, lightly regulated hub straddling time zones, and connecting Europe to the rest of the world, it might well find it can do a lot better than it ever did inside the EU.

It is important that the City gets these negotiations right. The City is one of the most important sectors of the British economy. The last thing we need is to commit ourselves to an EU rule book that will be hostile to artificial intelligence, robot trading, app-based insurance and banking, and all the other new technologies that should turbocharge the finance industry over the next decade.

Who's getting what

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● Unions have "blasted" a $46.5m bonus secured by General Electric chief executive **Larry Culp** (pictured) last month, says the Financial Times. The terms of Culp's bonus scheme were rewritten after the shares in the US conglomerate fell during the pandemic. Instead of the share price needing to be above $19, the bar was lowered to $10. The shares then traded above $10 for 30 days during November's stockmarket rally, at which point the bonus, due in 2024, was locked in. If the share price were to rise to $16.68 (originally $31), Culp would be in line for the maximum $230m windfall. He earned $24.6m in 2019.

● Almost 41% of shareholders voted against a new bonus scheme for executives at Informa last month, says The Times. The exhibitions group scrapped its long-term incentive plan for one that pays lower bonuses, in the form of shares held for a set period, for lower targets linked to the share price instead of performance. CEO **Stephen Carter** will receive up to 200% of base pay in restricted stock as opposed to an award worth 225% under the terms of the old scheme. His short-term bonus will also be cut from 175% of salary to a limit of 100% of base pay.

● **Reed Hastings** and **Ted Sarandos**, the co-CEOs of streaming service Netflix, are to receive total pay worth around $34.7m each, the same as in 2020, says Hollywood Reporter. Hastings is expected to earn $34m in stock options and $650,000 in salary; Sarandos will get $14.7m in options and $20m in salary.

Nice work if you can get it

Levels of pay in the transport sector have come under renewed scrutiny after Cabinet Office data showed that 13 of the 15 highest-earning government officials work on the railways or roads, says Graeme Paton in The Times. In all, transport bodies accounted for 31 of the top 50. Mark Thurston, CEO of HS2, the company building the high-speed railway, was the best-paid official at the end of September, with pay of between £620,000 and £625,000, excluding bonuses. Andrew Haines, boss of Network Rail, was the second-best, earning up to £590,000; his chief financial officer, Jeremy Westlake, was third with £589,999. Network Rail, which maintains Britain's 20,000-mile railway, accounted for 11 out of the 15 top earners. Despite senior pay being cut by £1m in the past 12 months across transport quangos, a series of planned longer-term changes to remuneration are in the works.

It's a good time to rebalance

Rebalancing your portfolio is a healthy financial habit. But it could be particularly important this year

John Stepek
Executive editor

When it comes to New Year's resolutions, setting goals is old-fashioned. These days, say the productivity gurus, it's all about developing good habits. One healthy financial habit to acquire, if you haven't already, is the practice of rebalancing your portfolio at least once a year. Rebalancing is a simple concept. When you invest for the long term, you should have a plan in mind as to where you are going to put your money. This is known as "asset allocation". It doesn't have to be complicated – we generally suggest a division between stocks, bonds, property, gold and cash. Your precise asset allocation will depend on your time horizon and risk appetite (which in turn should mostly depend on your time horizon).

Of course, as time goes by, the percentage split of your portfolio will diverge from your initial asset allocation. If your equity holdings rise faster than your bonds, say, then you'll end up with a bigger chunk of your money in stocks than you had originally planned, which theoretically means your portfolio has become riskier. The point of rebalancing is to bring it back into line when it has diverged sufficiently from your original plan.

Rebalancing won't always result in a better performance than leaving your portfolio alone. But most studies (and logical intuition) suggest that in the long run there is a benefit in terms of reducing the risk of big drawdowns (ie, years where your portfolio loses a lot of money) without sacrificing much, if anything, by way of returns.

The times they may be changing

Another good reason to rebalance is more specific to this year. We've gone through a lengthy period

Rebalancing – it's simpler than you think

in which the gap between the returns on various asset classes and strategies has hit extreme levels. For example, commodities have gone through a long period of underperformance versus all other assets; value has been hammered relative to growth (see column); and US markets have run well ahead of equity markets everywhere else.

"Markets are starting to anticipate the return of inflation"

That may continue – we don't have a crystal ball. But there are signs of change. At a "big-picture" level, markets are starting to anticipate the return of inflation, particularly as higher US government spending seems likely if the Democrats do indeed take control of the Senate (see page 13). This would imply a very different backdrop to the one we've seen over the past decade or so. If inflation returns, it implies that the assets which did best in the disinflationary post-financial crisis world – such as big tech stocks – will start to lag, while the sectors and assets that have struggled since then (including banks and gold) will benefit. So if you review your portfolio now and find that you are heavily exposed to the former, it might be a good time to take some profits and invest in the latter.

I wish I knew what balance of payments was, but I'm too embarrassed to ask

The balance of payments is the record of all transactions between a country and the rest of the world. Defined as simply as possible, the balance of payments is broken down into the current account and the capital account.

The current account includes payments for exports and imports of goods and services, as well as money sent home by citizens working abroad and income from foreign investments. The capital account covers the difference between the amount that the country's residents are investing abroad and the amount that foreigners are investing in it, plus some smaller items such as capital transfers and grants to other countries and changes in foreign currency reserves held by the central bank.

The balance of payments is an accounting identity in which every debit must be matched by a credit – so in theory the current account and capital account sum to zero. In practice, measurement errors mean the numbers don't match up, so the definition includes a balancing item to make up the difference.

The International Monetary Fund's official definition refers to the change in ownership of financial assets as the financial account, and uses the term capital account mostly to refer only to some capital transfers, grants and the change in ownership of certain fixed assets.

A balance of payments crisis occurs when a country can no longer pay for imports or service its debts. This is usually caused by a sudden stop in inflows (or large outflows) in the capital account. Both developed and emerging market nations regularly run current-account deficits (the UK has run a deficit for many decades now). But emerging markets – partly due to their more fragile institutions, and partly due to the fact that more "hot" (speculative) money tends to flow their way in the good times – tend to be far more vulnerable to rapid losses of confidence.

Guru watch

Cliff Asness, co-founder, AQR Capital Management

"I think everyone knows what they're supposed to do here," says Cliff Asness, the co-founder of quantitative investing group AQR. Markets generally are now so expensive that the expected return on a 60/40 portfolio (that is, the traditional mix of 60% global equities, 40% global government bonds) "is at a record low". Meanwhile, "value" stocks are as cheap relative to "growth" stocks, such as Tesla, as they were in the 1990s tech bubble.

Anyone paying attention to history would at least have

to consider "lightening up" on growth and sticking to, or even adding to, their positions in value. Yet, while value has started to make a bit of a comeback since November, it's only been a modest rebound and has left AQR's overall portfolio underperforming badly in what has been a strong year for most strategies.

What comes next? It's extremely psychologically painful to stick with a strategy – even when you know it to be time-tested and proven – when it's struggling so badly and for such a prolonged period. But "the bottom line is that bad things sometimes happen to good, long-term processes over anything short of the very long term", notes Asness. So he plans to continue with AQR's tilt towards value investments.

Indeed, "the pain of these periods might actually be the key to why some strategies actually do work over the long term". If it wasn't painful to stick with them, the opportunity to generate higher returns over time would be arbitraged away. Of course, "realising this doesn't make it easy to live through".

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Britain's slump isn't all it appears

Ed Conway
The Times

The UK suffered the biggest slump in 2020, according to the OECD club of nations, with GDP falling at an annual rate of 9.7%, worse even than Spain (8.7%), says Ed Conway. But while the report seems to confirm the idea that the UK has suffered a "uniquely dismal fate in the face of the virus", there is a more likely explanation: that the figure reflects the way we calculate GDP. Back in 1997, when Gordon Brown started "pumping money into public services", the more he spent the more GDP rose "because public-sector economic output simply equalled what we paid for it". It made "no allowance for quality". To reflect productivity better, the Office for National Statistics therefore began to base public-sector output on a basket of measures including elective operations and teaching hours. International bodies urged other OECD nations to do likewise, but it seems that few bothered. We don't know for sure, but what we do know is that there is "no comprehensive benchmark" for the way GDP is calculated, and since government activity accounts for about one in every five pounds of Britain's GDP, this matters. Viewed in this light, we can upgrade our slump to just "one of the worst": hardly good news, but "one has to take what one can".

Restoring confidence in Germany

Robert Peres
Financial Times

Why does Germany "find it so difficult to protect investors"? asks Robert Peres. The Wirecard affair, the "latest of a series of corporate scandals", reveals that the "chief problem" of German corporate governance is that shareholders "lack the power to hold management accountable". Wirecard shareholders tried to "grill" the CEO at annual general meetings, but the law makes it "easy" for board members to "evade awkward questions". Far from encouraging shareholders to get involved, legislation and the federal high court have "reduced their influence" to allow for "rapid approval of mergers or capital increases". Nor does Germany's system of a management board and a supervisory board produce the necessary controls: Wirecard's supervisory board say they had no idea how executives were "cooking the books". More recently, virtual AGMs have created new ways of restricting investor rights. How might confidence in Germany's capital markets be restored? Aside from an overhaul of the corporate governance system and provision of transparent accounting mechanisms, effective means of private enforcement are needed. "Class action lawsuits and UK-style disclosures to investors are long overdue."

China takes the lead in e-commerce

Editorial
The Economist

The West has seen a massive acceleration of online shopping during the pandemic, "yet it is in China, not the West, where the future of e-commerce is being staked out", says The Economist. Its market is "far bigger and more creative, with tech firms blending e-commerce, social media and razzmatazz to become online-shopping emporia for 850 million digital consumers". Online shopping platforms "blend digital payments, group deals, social media, gaming, instant messaging". Consumers can use a "super-app" offering a "cornucopia of services from noodle delivery to financial services". China's lead is "nothing new". By size, it overtook the US in 2013 and its e-tailing market is now worth $2trn, more than that of the US and Europe combined. Its market is dynamic and competitive, with China "at the forefront of regulation". Eager to boost competition, antitrust regulators enforce "interoperability" (eg, use of payments services on rival platforms) and forbid firms from penalising merchants who sell goods on multiple sites. Meanwhile, American and European "trustbusters" have proved "ineffectual at controlling big tech". In the past, the West has ignored or dismissed Chinese innovation. It should "watch and learn".

Worst is still to come for Lebanon

Kareem Chehayeb
The Washington Post

"Lebanon entered 2020 daring to dream of a reclaimed country," says Kareem Chehayeb. In October 2019 there was "hope for a countrywide uprising" uniting hundreds of thousands of citizens angered by the "corrupt ruling class". Lebanon's political and economic system has long been "shaky". Its "semi-democratic, sectarian power-sharing system" is coupled with a "laissez-faire economic system with virtually no productive sectors and no viable state-funded social services". Confronted with the pandemic, lockdowns and the Beirut port explosion that killed hundreds last August, Lebanon is now "in free fall". Last year the currency lost around 80% of its value, with the "black market determining its daily rate". Covid-19 "further crippled" businesses and help failed to materialise from the "cash-strapped state". Underfunded hospitals struggled to cope. We haven't even seen the worst of it. "This is what happens when a select elite has a say over financial resources for decades, with no viable checks and balances." Lebanon's "catastrophic year should be a lesson for governments everywhere: that ignoring your problems rather than solving them will come back to haunt you".

Money talks

"It was very windy and the driver of… one of those really heavy American cars opened the door to me and when I got out, the full force of the wind sent the door right on to my face and knocked me out… I had a huge egg-shaped thing on my head and sent a Polaroid to my kids saying, 'This is what your mother has to do to pay for your school fees'."
Joan Collins (pictured), in The Mail on Sunday

"Good resolutions are simply cheques that men draw on a bank where they have no account."
Oscar Wilde, quoted on telegraph.co.uk

"They were all hot from the excitement of Snapchat and Instagram, where you invest $1m and 18 months later you sell it for $1bn. [Yet when I pitched my idea for computers in bikes and treadmills, they would] always say, 'How big is the market for a $2,000 stationary bike?' After three hours of pitching my heart out, they would say 'Not for us'. Then I'd get to the door and they were like, 'John, one more thing. If you're able to build this, let me know, because I want one of these bikes'."
Peloton's founder John Foley, quoted in The Times

"You've made a bit of money, become famous, had a happy marriage. But it's not like playing cricket for Yorkshire, is it?"
Sir Michael Parkinson remembers his father's last words to him, quoted in The Mail on Sunday

"It made me spin out. I didn't know how I was going to earn any money and I'm terrified of poverty, and because my wife is younger than me and doesn't work, I'm terrified that I'll die and that she'll struggle."
Masterchef presenter Gregg Wallace, 56, who is worth around £3.9m and has been employed since he was 15, on work drying up amid the advent of the pandemic in March, quoted in The Daily Telegraph

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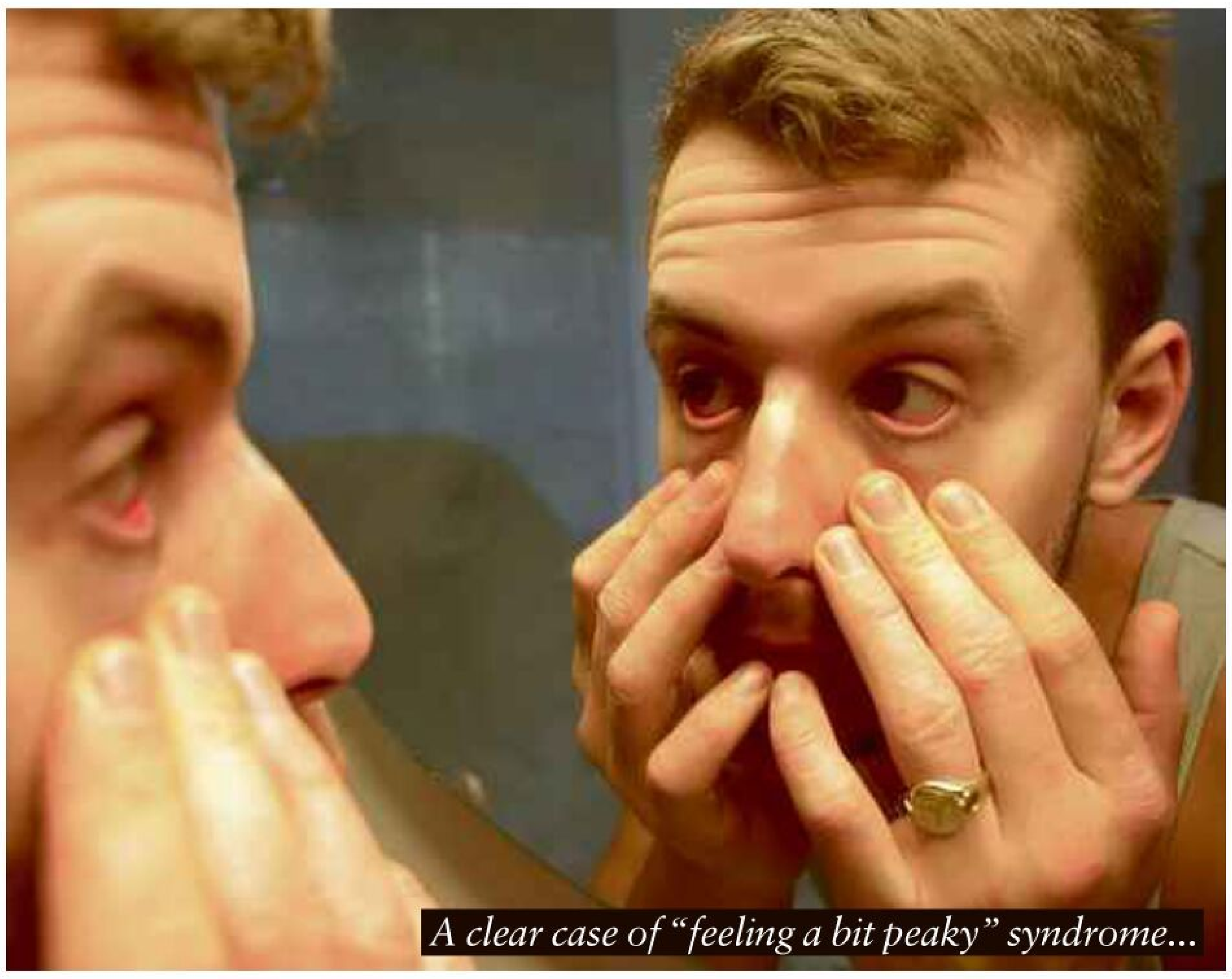
Why it's OK to have a whinge



A clear case of "feeling a bit peaky" syndrome...

©Getty Images

aier.org

On the way back from a meal out, the silence in our car was interrupted by a cough, says Peter Earle. The fateful question – "Are you sick?" – was the dealing of the first hand in a game of "ailment poker". Within minutes, everyone had shared and lamented their health woes – all "relatively minor", but related in "exquisite and passionate detail".

Whining is a hard-won gain

When did we all become such "enthusiastic, serial whiners"? My grandfather did all his own dental work: he would "disappear into the basement with a pair of pliers and a handful of napkins". In his early 70s he had been essentially dying of cancer before finally going to see a doctor at the prompting of friends and family. Yet he never once, in the 30 years I knew him, "complained about a cold, an ache, a pain, or any other physical problem".

I think of my grandfather when I see advertisements offering treatments for "restless leg syndrome" (allegedly afflicting some 12 million Americans) and "extreme exam anxiety". Yet the explanation for the change is straightforward. At the time that many of our grandparents were in their youth and childhood, medical choices were more limited. "Stoicism wasn't a choice, but an inevitable consequence of the exigent conditions of life at the time."

Our increased sensitivity to ill health can be seen as "a hard-won, arguably splendid state of affairs". We no longer have to live with the "awful, debilitating diseases and conditions of our forebears" thanks to medical innovation and expect instead to "spend the majority of our lives in a state of well-being".

Medicalisation – where health conditions come to be seen as medical issues and treated accordingly – is "an inevitable byproduct of markets for medicine". And that is hardly an entirely bad thing. It may have led to "disease mongering", but it has also given us treatments for such conditions as infertility and mental illness, once simply accepted as a part of life.

Markets have "put human beings at the centre of a dense web of affordable, effective choices to meet our needs and desires". The basis of our whining has "more to do with expectations arising from rapid progress than with physical frailty". And neither should we lament this. "To want more, to expect something better, to feel dissatisfaction with the present state of affairs and long for something better, to enunciate that expectation to our friends, is the driving force of progress." May future generations "fuss more and more about smaller and smaller afflictions".

What Jeff Bezos can teach investors

collaborativefund.com/blog

In 2014, Amazon was a puzzle, says Morgan Housel. It was big and growing, and competitors feared it, but it didn't appear to be a great business: profit margins "wobbled between negligible and negative". It was "easy to mock and call a bubble". But Jeff Bezos had a different view: margins don't matter. Dollars do. A huge business with low margins is preferable to the opposite. As Bezos says, investors can't spend percentage margins. What matters is always the actual amount of dollars.

The same applies to individual investors. Choosing the investments with the highest annual percentage returns doesn't matter; generating wealth does. And for that, compounding is "the whole secret sauce, the rocket fuel, that creates fortunes". Earning 20% in one year or over three years may be "neat". But doing it for 30 years "creates something so extraordinary it's hard to fathom". This is why 99% of Warren Buffett's net worth came after his 50th birthday; 97% came after he turned 65. So the secret is time. The question to ask is not how can I earn the highest returns, but what are the best returns I can sustain for the longest period of time. That means buying something you understand and can rely on and then hold for the long term. "Endurance is more important than annual returns."

It wasn't all bad in 2020

mrmoneymustache.com

The Covid-19 crisis has gone on now for month after month, "fraying nerves and sanity everywhere" – but it wasn't all bad, says Mr Money Mustache. When this crisis finally recedes into the rearview mirror, we will be able to see more clearly all the positives.

For one, "the future of work" arrived. Working from home has been greatly expanded, with "almost universal approval". In the future, we will still be able to "hang out" with our co-workers, but on our own terms, "not 9-to-5 every day because the boss says so". This will have huge benefits, reducing commuting costs and improving

The crisis has slowed us down

©iStockphotos

quality of life as people leave congested metropolitan areas for small towns. Companies will also be less constrained by geography when looking for talent and will reap the rewards of improved productivity.

The pandemic has also taught us the value of slowing down. We rediscovered the value of enjoying a stroll with friends or riding a bike. The things we gave up – travel, business appointments – should be like a hot sauce we add to life to give it spice. They had rather become the main ingredient – and were causing indigestion.

The changing face of football

unherd.com

Until recently, the English did not expect much from their footballers, says Will Lloyd. They were "greedy, horny and vulgar"; a gift to tabloid editors and "a reliable disgrace to their country". They were regularly a disgrace on the pitch, too.

Now, the "face of football is changing" and England's players are a "source of pride rather than embarrassment". Witness Marcus Rashford and his campaign for free school meals, which forced the government into two U-turns on the issue. The change of image is down at least in part to Roc Nation Sports, an agency that manages athletes, and creates buzzy media campaigns around issues of social justice.

Now, footballers are England's "unacknowledged legislators". Rashford received an MBE and millions of children have received lunch, and his campaign has set a worrying new precedent where policy is decided not by minister but by stars and their PR agencies. Expect new campaigns to go further, and on "issues with far less room for consensus than feeding hungry children during a pandemic".

Where to mine profits in gold

The yellow metal's upswing is set to endure. These funds look the most promising

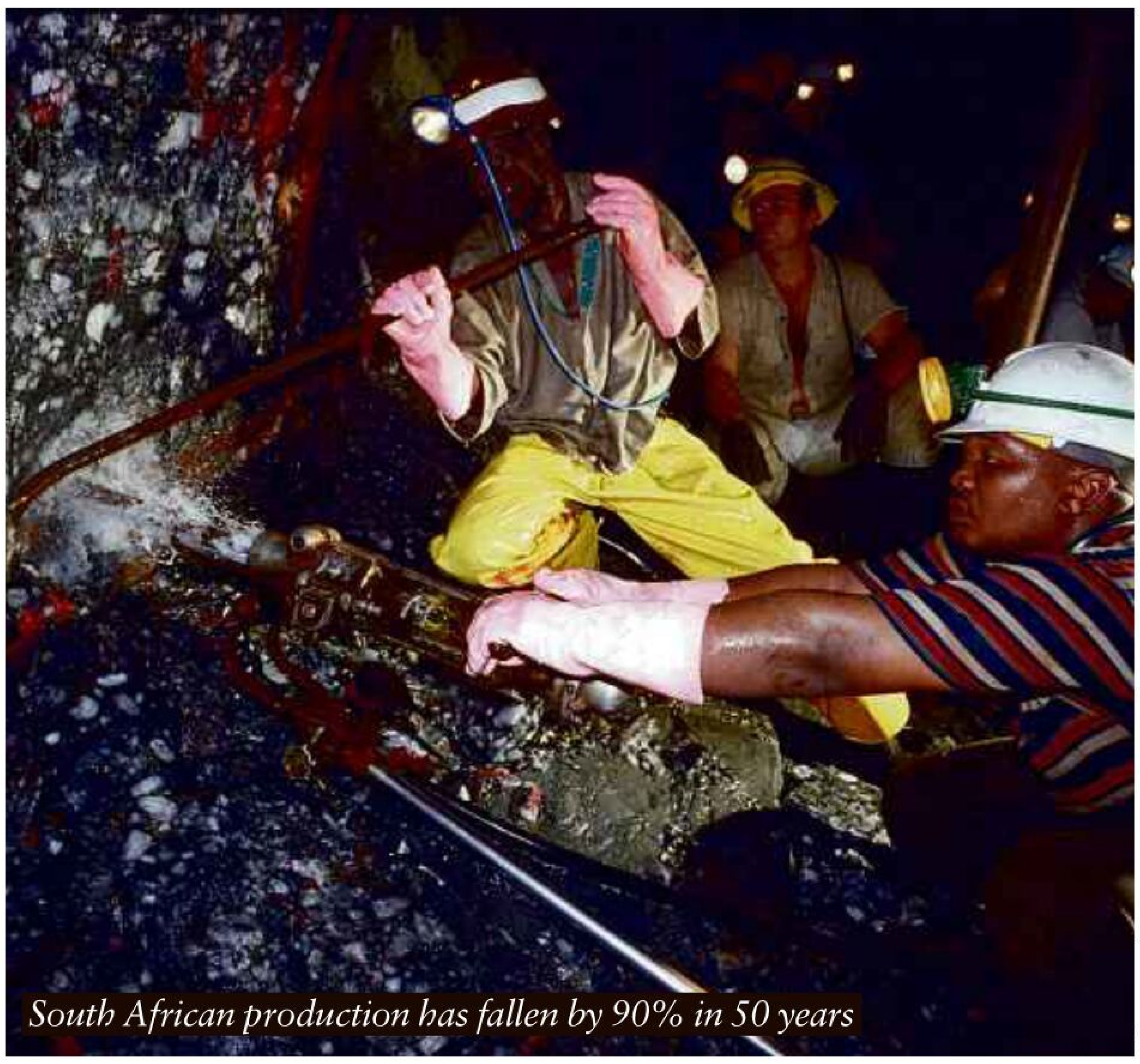
Max King
Investment columnist

Gold's reputation as the best, probably the only, asset to have preserved its purchasing power over millennia is undisputed. But for mortal investors, it is much less reliable. Its price spends years, even decades, in the doldrums before taking off in an exhilaratingly exponential pattern when the world's economy hits a trouble spot – only to burn out and fall just when the momentum appears unstoppable.

Every dollar on the gold price would drop straight through to an increase in the profits of gold mining companies if they didn't sell most of their output forward in order to reduce the risk to profits of a falling price. The benefit of a higher gold price is also reduced by it becoming easier for the workforce to demand higher wages and for equipment suppliers to raise prices. In the longer term, costs per ounce rise as ore grades fall (the best ore is mined first) and as the mine face moves further away from the pithead.

An indestructible metal

Since gold is virtually indestructible, nearly all the 197,576 tons ever mined (two-thirds since 1950) is still around, mainly as jewellery, private investment, or in central bank reserves. The same can't be said for mines. South Africa once dominated global production



South African production has fallen by 90% in 50 years

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but now lies eighth in the world between Ghana and Mexico. China, Russia and Australia each produce around three times as much. South African production, 30% of the world total in the early 1990s, has fallen by 90% in 50 years; in mid-1998, 75% of mines were said to be unprofitable.

The break-even gold price for a mine varies widely, depending on geology, accessibility and the policies of the host country. A few dollars on the gold price can mean the difference between solvency and insolvency, so larger firms are well diversified while smaller ones are more exposed to the gold price and the success of individual mines. Unsurprisingly, **BlackRock's Gold & General Fund**, worth £1.3bn, focuses on larger firms. Its top-ten holdings include five of the ten largest gold miners and its top three, Newmont, Barrick and Kinross are respectively number one, two and four in the world. It has returned 156% over five years, including 29% over one, but is slightly down over ten. The £600m **Ninety One Global Gold Fund** also focuses on big firms and has performed better over five years, but worse over ten.

More interesting is the CQS-managed **Golden Prospect Precious Metals (LSE: GPM)** with just £42m of assets. Its shares trade at a 36% discount to net asset value (NAV), but it has been one of the top trusts in the market in 2019 and 2020. The top-ten holdings contain none of the world's ten largest gold miners, yet it has returned 209% over five years and 81% over one. For the bulls, this is the high-risk, high-reward fund to go for.

Better-managed miners

Only 35% of **BlackRock World Mining Trust's (LSE: BRWM)** £939m portfolio is invested in gold miners, but the 31% in "diversified" mining means that underlying exposure is higher. The shares trade on a 5% discount to NAV and yield nearly 5%. Though their one-year return of 28% is far behind Golden Prospect, the five-year return of 199% is much closer. The trust has benefited from the strength of metal prices and improvements in the management of mining companies such as Vale, BHP and Rio Tinto.

Global quantitative easing and near-zero interest rates signal higher inflation while the supply of gold is constrained and demand from Asia is rising. So the outlook appears bright. The gold bugs tell a good story but that is not unusual; Mark Twain described a gold mine as "a hole in the ground with a liar on top". The best time to invest is when the bulls are hibernating, as they were three years ago. The bull market in gold will end earlier than anyone expects, when the clamour from the bulls is deafening – but not yet.

Activist watch

Activist hedge fund Third Point has called for a partial breakup at technology company Intel, says James Cook in The Daily Telegraph. Intel's shares bounced after Third Point urged it to "spin out" its chip-manufacturing business and to "undo a series of costly acquisitions" such as the $16.7bn purchase of chipmaker Altera in 2015. But a move to sell off Intel's chip-manufacturing facilities could fall foul of the US government, which has expressed "national security concerns" about the global chip supply chain in recent years. China's largest chip maker, SMIC, was placed on an American sanctions list in December, so any deal that sees more chip-making divisions sold to foreign businesses could run into trouble.

Short positions... tech-heavy funds top the table in 2020

■ **"Positioning was everything" for British funds last year, says James Phillipps on Citywire. Technology was the key trade and the FAANGs (Facebook, Amazon, Apple, Netflix and Google) led US equities to record highs. A skew towards US tech allowed fund manager Baillie Gifford to claim three of the top five highest-returning funds. Baillie Gifford American saw growth of 121.8%, "no surprise" given that its portfolio includes Tesla, Zoom, and Amazon, all of which benefited from the pandemic. Morgan Stanley's US Growth, whose largest holding Zoom rose fourfould over the year, came in second, returning 110.4%. Baillie Gifford Long Term Global Growth Investment, which, like its sister funds, has shares in Tesla, Tencent and Amazon, rose by 95.6%, while the Positive Change fund, which holds stakes in Moderna and Teladoc, returned 80.1%. Rounding up the top five was Guinness' Sustainable Energy fund, whose wind and solar energy stocks returned 79.3%.**

■ US green energy funds enjoyed a prosperous 2020, says Michael Mackenzie in the Financial Times. Invesco Solar exchange-traded fund (ETF) and the Invesco WilderHill Clean Energy ETF have both more than tripled following a surge in solar energy stocks and the "heavy inflows" into Environmental and Social Governance (ESG) investment strategies. The funds have risen by 238% and 220% respectively, topping the league table of US ETFs and equity mutual funds. Worldwide, funds holding ESG assets have risen by more than 50% to over $1.3trn since the end of 2019. Companies with higher ESG ratings "collectively outperformed" during the market crash in March of last year and beyond. As climate change "moves up the agenda in the US" they look set to remain on an upward trend.

The days of plenty are coming for insurers – it's time to buy

Between Covid-19 and tropical storms, last year will leave insurance companies with some hefty payouts. But investors shouldn't be put off. John Chambers explains why the cycle is now turning in favour of insurers

"The world's first motor, aviation and satellite insurance policies were all written in London"

London is home to one of the great unsung heroes of the UK economy. The London insurance market is the clear global leader in commercial insurance. Most of the world's largest companies buy at least one policy in London and over $110bn of premiums are underwritten there each year, more than twice that of its nearest rival, Bermuda. Insurance is responsible for a quarter of the GDP generated in the City of London and around 50,000 jobs. Most of the business is for clients outside the UK, so it is a huge contributor to the UK balance of payments (see page 18).

The market dates back to the formation of Lloyd's of London in 1688. The 330-plus years of innovation and evolution since then have witnessed several firsts. For example, the world's very first motor, aviation and satellite risks were all insured at Lloyd's and more recently, we've also seen the first cyber-risk policy underwritten in London. The market is the first port of call for complex risks, such as those surrounding offshore oil platforms and major construction projects. That said, it is probably best known for insuring unusual risks, such as Taylor Swift concerts, David Beckham's legs and a prize for the capture of the Loch Ness monster. And yet, despite the size and importance of the London insurance market, it is not well known or understood outside of the EC3 postcode. Politicians, journalists and investors alike all tend to overlook it.

Years of plenty lie ahead for insurers

In the case of investors, this might seem sensible. The insurance industry is notoriously cyclical, with a few years of exceptional profits inevitably followed by long periods of poor returns for shareholders. In this respect the insurance market is like the story of Pharaoh's dream from the Old Testament book of Genesis. The Pharaoh who ruled Egypt had a series of vivid dreams that were interpreted for him by Joseph. In one such dream, a group of seven fat cows came out of the Nile, followed by another group of seven skinny cows. Joseph explained that this meant there would be seven years of bumper harvests followed by seven years of famine. He told the Pharaoh to build grain stores to hold the surplus food from the bountiful years to help the country through the lean years.

The insurance cycle usually follows a similar "feast and famine" pattern. Unlike many business sectors, it is not driven in the main by the sorts of wider financial and economic factors that drive the financial markets. Instead, it tends to revolve around major catastrophes such as Hurricane Katrina that produce huge claims for the industry. That said, it is possible to predict the development of the insurance cycle with some confidence if you are familiar with the industry. The good news now is that an opportunity is emerging for shareholders to make bumper returns over the next few years, as the cycle moves decisively in insurers' favour.

The trouble with insurance

Insurance has three major problems that make it a difficult hunting ground for investors. Firstly, insurance is viewed as a commodity, so competition largely centres on price rather than product quality. Much as insurers try to differentiate their products and their claims service, the reality is that buyers do not envisage making a claim. For them, insurance is just a product that they must buy to protect their assets, so the average buyers will simply go for the cheapest option. Secondly, the barriers to entry are low. It is possible to raise sufficient capital and establish a new insurance company with regulatory approval and an A- credit rating in a matter of months, especially in a business-friendly territory such as Bermuda. Finally, and most importantly, the cost of sales is unknown and impossible to predict with any degree of confidence.

When most companies sell a product or service, they have a fairly good idea of how much it costs to make or deliver that product or service. Insurance is different. When an insurance company insures a factory, for example, it has no way of knowing whether or not it will have to pay a claim. Its cost of sales may be close to zero if there is no claim – or extremely high if the factory burns to the ground. To make matters even worse, with liability insurance there can be a long time-lag before claims are made and settled. As an extreme example, claims for diseases resulting from exposure to asbestos are still being made to policies dating from as far back as the 1970s.

As a result, come the end of the financial year the total premium billed by the insurer is relatively easy to calculate, but the total claims that will be paid are at best an educated guess. Most of the policies written during the year are still running and it may be months or years before they expire. It will be much longer still before the claims are all agreed and settled. For this reason, insurers employ teams of actuaries to model the likely ultimate claims total, so they have a plausible estimate to put into the year-end accounts. The firm will have to keep enough in cash and investments to cover this total, which is known as the "reserves".

This is where the fun starts. The management teams of insurance companies have a fair degree of latitude when it comes to picking a number for the total reserves. They should err on the side of caution and put enough aside comfortably to cover a reasonable worst-case scenario. If in future years the actual claims are lower than the reserves held back, then the surplus

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

Reinsurance is insurance for insurance companies. It is used by insurers to reduce their exposure to major catastrophes. Most insurers operate in a single country or region and so can have concentrated exposure to a particularly costly event, such as an earthquake or hurricane in that territory. In extreme cases this could bring down the insurer. Using reinsurance they can pass on some of their losses above a certain level to other, larger insurers. These reinsurers can build a balanced portfolio by reinsuring insurers across several different territories and different types of risks. In turn reinsurers can pass on their biggest risks in the "retrocession" market. This is the "Wild West" of the insurance world, where the risk may be taken on by lightly regulated funds, in countries such as Bermuda and Switzerland, which are often backed by pension, hedge-fund and family-office capital in search of attractive returns that are uncorrelated with other financial markets.

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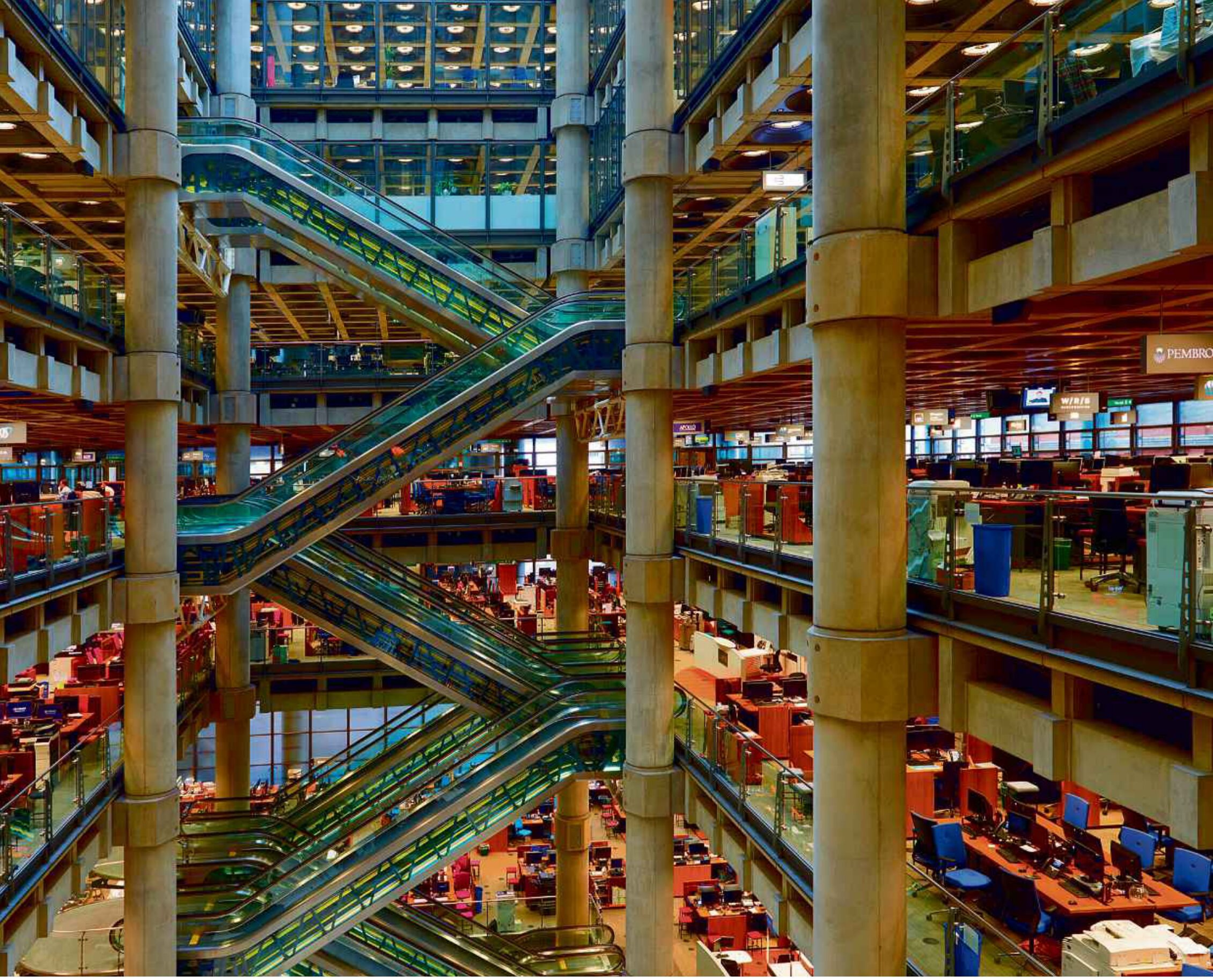


Lloyd's of London: an unsung hero of the British economy

reserves can be released to boost the profits of the following year. If the claims turn out to be worse than expected, then the reserves will need to be increased to compensate, which might mean the company makes a loss and in extreme cases needs to raise more capital or goes out of business.

When the insurance market is going through profitable times, a good chief executive will make sure that some of the potential profit is held back to boost the insurer's reserves in the same way that Pharaoh stored extra grain in his silos. However, it does not take many years of attractive returns from the insurance market before more competition arrives. This may take the form of new insurance companies being formed, or existing ones raising extra capital to enable them to increase market share. The only way to expand quickly is to compete aggressively on price. Before long, premiums are falling significantly year after year. This quickly erodes profit margins.

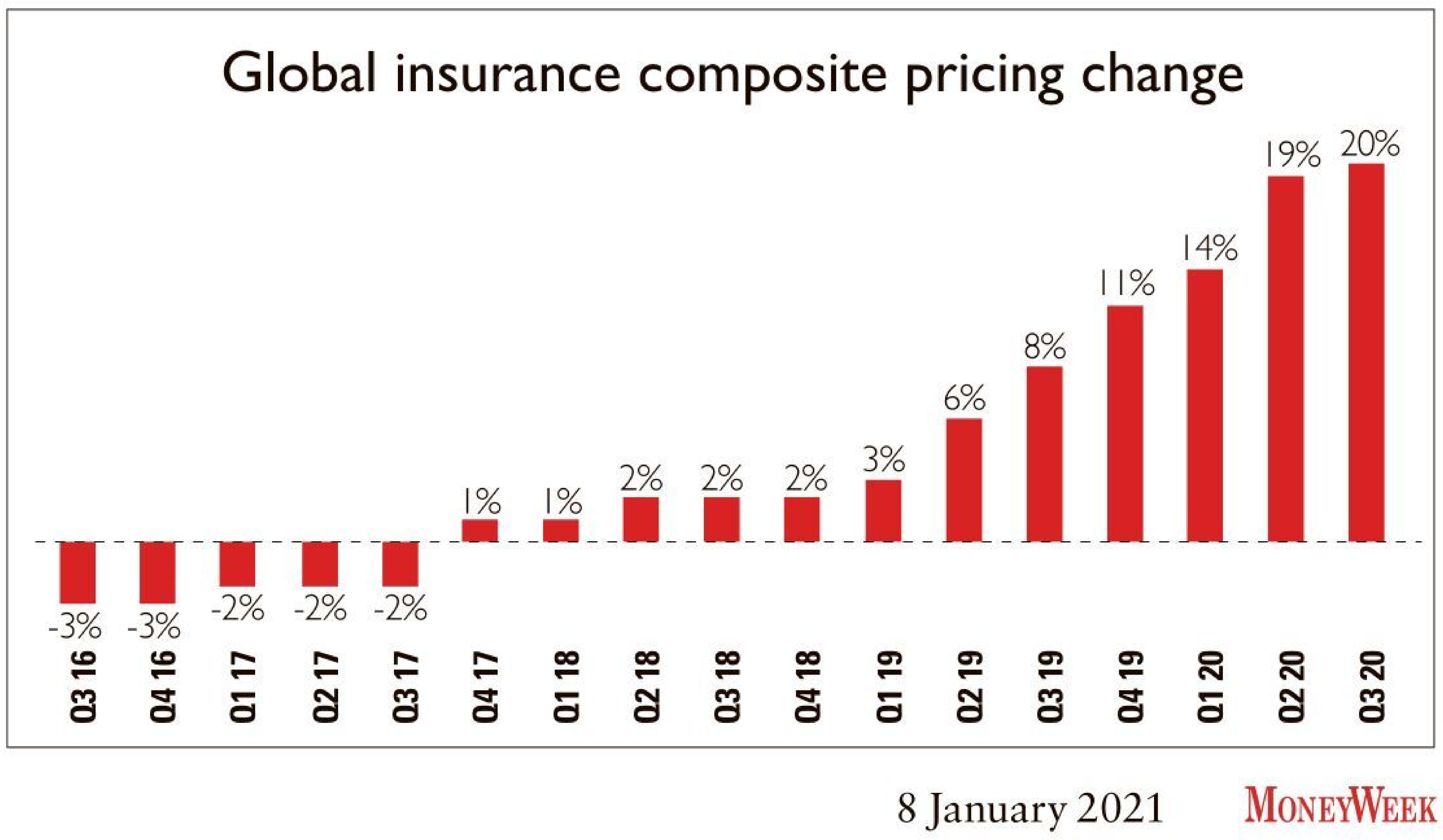
What happens next is that insurers will tend to raid their reserves to enable them to maintain their profits. To the outside world it looks as though profits are stable. But this in turn attracts yet more competition and reduces pricing still further. Eventually the grain stores (the surplus reserves) run dry and suddenly insurers start making losses. Often at this stage of the cycle the situation is compounded by one or more major disasters, such as a big hurricane that results in a dramatic leap in claims. This results in insurers making large enough losses to affect their capital bases, or even put some out of business. Finally, insurers have to raise prices significantly and the cycle slowly starts to turn again.

Where we sit in the cycle

So where are we now in the insurance cycle? Is it time to start investing? According to Marsh Inc., the world's largest insurance broker, insurance pricing has been rising for the past 12 quarters and is now rising at its highest rate since at least 2012 (see its chart below). This trend is expected to continue in 2021 with further percentage increases in premiums in the mid- to high-

Continued on page 24

"Insurance pricing is rising at its fastest rate since at least 2012"



Continued from page 23


Tropical storm activity was unusually strong in 2020

teens. This has yet to show up in the financial results of most insurance companies for two reasons. Firstly, accounting conventions in the sector mean there is a delay in price increases appearing in the accounts, as much of the risk that insurers are exposed to derives from policies written in previous years. So this year's business at higher rates will mainly benefit the 2021 accounts.

Stormy weather

Secondly, the improved underlying results have been masked by the impact of Covid-19-related claims, which are forecast to total well in excess of $100bn globally. On top of that, 2020 saw a record-breaking 30 tropical storms form in the Atlantic, with many making landfall in the US. The usual collection of names for storms this year was exhausted and meteorologists had to resort to the Greek alphabet, reaching Hurricane Iota in mid-November. The total cost of natural catastrophe claims will be well above average as a result.

However, further premium increases in 2021 will mean that insurers should achieve profitability even in a year with above-average claims. And if it turns out to be a more normal year, then profits could be substantial. Some of the forecast profit will be needed to replenish reserves, so it will be some time before profits will be large enough to attract significant new capital to start the cycle turning downwards. In the meantime, expect several years of increasingly strong results from the major commercial insurance companies and a significant rally in share prices from the current depressed levels. The fat years are on their way. Below I look at some shares that could be best placed to profit.

John Chambers worked in the Lloyd's market for 33 years in underwriting management. He is now a writer and adviser to private equity.

"2020 saw a record-breaking 30 tropical storms form in the Atlantic"

Nine insurance plays to invest in today

A subsidiary of **American International Group (NYSE: AIG)** almost caused a global financial meltdown during the great financial crisis of 2008-2009 by betting on complex credit derivatives, before it was bailed out by the Federal Reserve. However, this once-sprawling conglomerate has been slimmed down and restructured by outgoing chief executive Brian Duperreault and is now a more focused operation insuring mid-market to large corporate clients and high net-worth private clients. It is in the sweet spot of the current improving market.

Lloyd's-based **Beazley (LSE: BEZ)** has had a bad 2020. Covid-19 losses have hit its conference and event cancellation insurance portfolio and led to two profit warnings and a capital raise. However, it is generally considered one of the smarter Lloyd's operations, is now cheaply priced and should regain its shine in 2021.

Aim-listed **Helios Underwriting (Aim: HUW)** is the only pure play Lloyd's investment. It is effectively a fund that owns shares of some of the best-performing private syndicates in Lloyd's. It has just completed a share placement that has doubled the size of the company, enabling it to expand aggressively into what it sees as the best opportunity in a generation. The placement was backed by some shrewd institutional managers, such as Polar Capital. (Full disclosure – the author is a shareholder.)

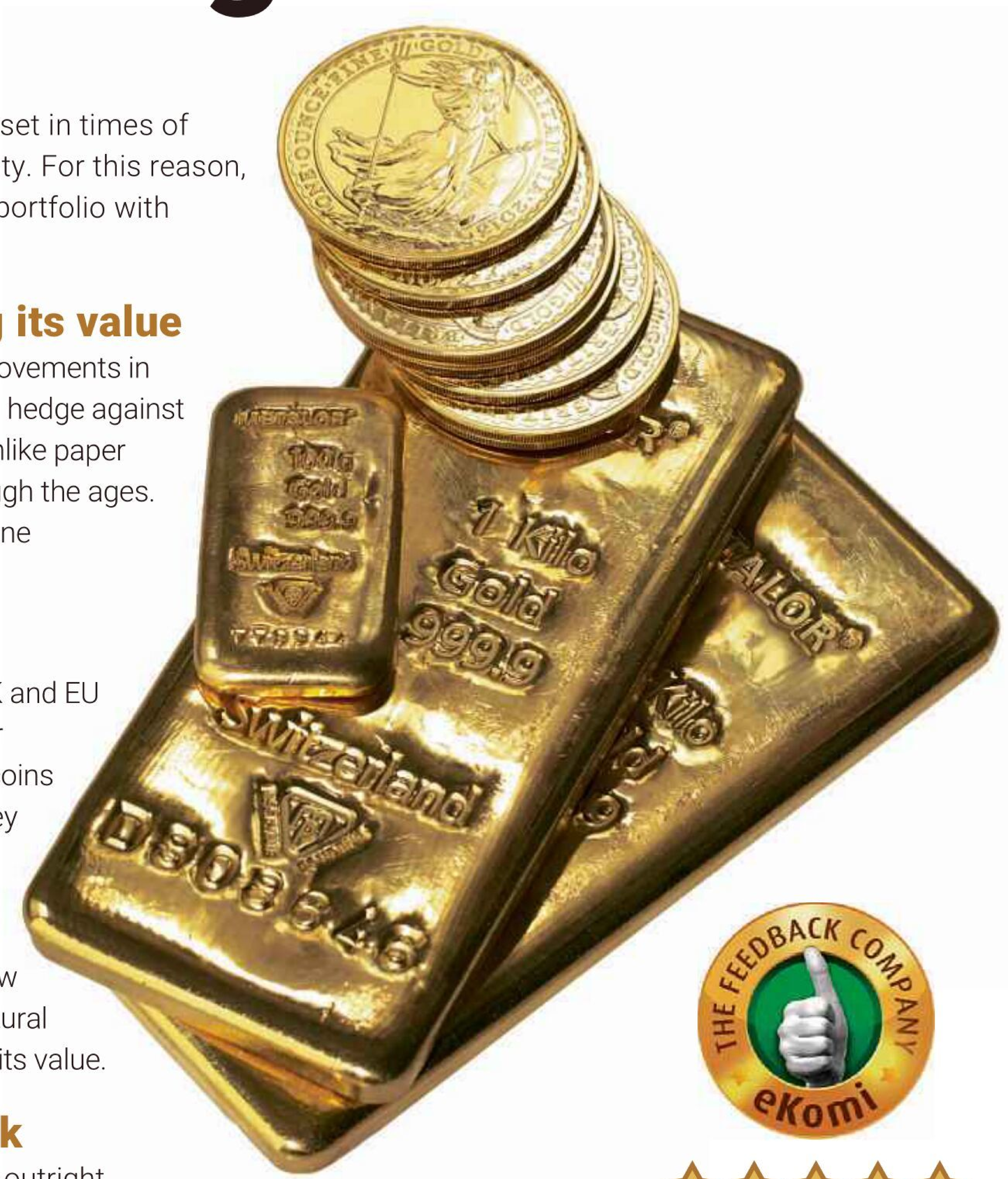
London-listed **Lancashire Holdings (LSE: LRE)** has both a Bermuda reinsurance operation and a Lloyd's syndicate. It has a record of superior performance and generous special dividends when results are good. **Everest Re (NYSE: RE)** and **Renaissance Re (NYSE: RNR)** are two of the best specialist Bermuda-based reinsurers (see definition on page 22). The higher level of catastrophe claims in recent years has increased both demand for reinsurance and pricing levels. Expect greatly increased profits over the next few years as a result.

Verisk Analytics Inc (NYSE: VRSK) is a possible "picks and shovels" play on an improving insurance market. As a risk-modelling and data-analytics specialist it is working with insurance companies to make the underwriting process more efficient and to help them understand and model their risk exposure.

Those looking for a fund to play the sector should look at the **Polar Capital Global Insurance Fund**, which Max King examined in detail in the 4 December issue of MoneyWeek.

Another, slightly more tangential way to play the insurance sector is via the holding company for one of the world's best-known investors – **Berkshire Hathaway (NYSE: BRK.A)**. The investment vehicle of US investor Warren Buffett is not an insurer itself, but it does own a lot of them. That may seem odd. After all, a key factor Buffett looks for in a firm he might invest in is a clear and sustainable "moat" that makes it hard for other companies to compete. For example, Berkshire's largest holding is tech giant Apple. This has a huge defensive moat – customers get locked into its ecosystem as all their devices sync with each other and their data and music collections are in the Apple cloud. Insurers, on the other hand, have little or no such moat – as we discuss above, competition is price driven and there are few barriers to entry. Why then is a huge proportion of Berkshire made up of insurance companies (the sector accounted for the lion's share – 27% – of revenues in the third quarter of November 2020)? The key lies in what Buffett can do with their reserves. Most insurers invest their reserves in "safe" assets, such as investment-grade bonds. Berkshire instead uses the reserves from its insurance companies as a cheap form of "float" for Buffett to fund his investment portfolio. If his insurers can make an underwriting profit (premiums collected exceed claims paid), then his cost of capital is effectively negative.

5 reasons why you should own physical gold...



1 Gold is a safe haven asset

Gold is frequently used as a safe haven asset in times of economic turmoil or geopolitical uncertainty. For this reason, many advisors recommend diversifying a portfolio with around 5% - 15% in gold.

2 Gold has a history of holding its value

Gold historically has a weak correlation to movements in financial markets and is frequently used as a hedge against inflation or to offset falling stock markets. Unlike paper currency, gold has maintained its value through the ages. It is an ideal way of preserving wealth from one generation to another.

3 Gold has tax benefits

Investment gold has been VAT-free in the UK and EU since the turn of the millennium, helping your money go further when you buy. UK bullion coins are also classed as legal tender, meaning they are exempt from Capital Gains Tax.

4 Gold is scarce

Deposits of gold are relatively scarce, and new supplies of physical gold are limited. This natural scarcity, and high demand, mean gold holds its value.

5 Gold has no counterparty risk

When you invest in physical gold you own it outright. You are not reliant on banks or financial institutions. In contrast, gold futures, gold certificates or ETFs all involve counterparty risk.

One of the oldest questions in the world is *'Where is my money really safe?'*. Growing numbers are choosing the oldest answer - physical gold. Gold bars and coins can provide insurance in turbulent times, and offers the opportunity to take physical control and ownership of your wealth.

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*Source: Experian Hitwise based on market share of UK internet visits March 2018 - March 2019

How new EU rules affect you

The trade deal will cause some administrative changes when you next travel to the continent. Here are the most important ones

Ruth Jackson-Kirby
Money columnist

From 2022 you will have to pay €7 for a visa-waiver scheme when visiting the continent

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With the UK now officially out of the European Union, what does it mean for you next time you travel to the continent?

Before heading to the EU check your passport. In the past you could enter EU countries as long as your passport hadn't expired. Now, the government is advising that you have at least six months left on your passport when you travel.

We will face longer queues at borders as Britons won't be able to use the EU fast-track passport control and customs lanes. You should also be prepared to show your return ticket when entering EU countries. There is also a possibility that you'll be asked to prove you have enough money to fund your stay.

"The duty-free allowance will now include 18 litres of wine and four of spirits"

You won't need a visa to visit

For now, you won't need a visa to enter the EU. UK citizens are allowed to visit for 90 days in any 180-day period without a visa. This does not apply to Ireland ,which allows unrestricted travel from the UK. You can take your 90 days in one go or spread over numerous trips.

At some stage in 2022 – a precise date hasn't been announced yet – you will have to pay for a visa-waiver scheme, called the European Travel Information and Authorisation System. It will cost €7 and will be valid for three years.

If you usually spend more than 90 days in the EU in a six-month period, you could face problems. "While the UK government says Brits who have exceeded their 90 days will be able to apply for a visa to stay longer, the European Commission says that once the 90 days are up, the person would cease to be a tourist… and would have to apply for a full long-term immigration visa – with all the costs and hassle that entails," says Anna Tims in The Guardian.

Every country in the EU can set its own entry terms, so over the coming months we may see some places that are keen to maintain their British tourism relax their visa rules.

Keep your health insurance card

Make sure you still pack your European Health Insurance Card (EHIC) when heading abroad. As long as they were issued before the end of 2020, they will still be valid until their expiry date. Your EHIC gives you access to medical services in the EU at the same price as a local citizen.

"The UK will issue a new card called the global health insurance card, which, like the EHIC, will cover chronic or existing illnesses and routine maternity care as well as emergencies," says Ali Hussain in The Times. "How much it will cost and what it will cover are yet to be decided."

The EHIC or global health insurance card only provides for basic healthcare. You should still get travel insurance when travelling in Europe just as you would if you were visiting anywhere else in the world. At present it is possible to get an annual multi-trip policy for less than £50.

If you plan to drive in the EU then in most cases you don't need to worry about your driving licence. British licences will still be valid in the EU and there is no need to get an international driving permit, unless your licence was issued in Gibraltar, Guernsey, Jersey or the Isle of Man.

A green card will help

Anyone taking their own vehicle will need to apply to their insurer for a green card that proves it is insured. The Association of British Insurers has said this should be provided, in effect, free of charge (there will be a small administration fee). Make sure you have this on your person to show to anyone if required. Northern Irish drivers heading into the Republic of Ireland will also need to have a green card with them.

Taking your pets on holiday with you is now more complicated and expensive than it was before we left the EU. The UK/EU pet passport scheme has ended so your pet must have an animal health certificate (AHC) to travel. To obtain this they must be vaccinated against rabies, which costs around £50.40 and needs to be repeated every three years. Your animal must also be microchipped. An AHC must be issued by a vet and costs £93.50. You must get it at least ten days before you travel. They are only valid for a single trip.

New mobile fees

Using your mobile phone may also start costing more in the EU. Prior to Brexit we were covered by EU rules that meant mobile-phone companies could not charge more when a customer travelled to another country within the EU.

The loss of this rule means roaming charges could eventually increase. "The main phone companies in the UK – EE, O2, Vodafone and Three – have said they have no plans to reintroduce fees, at least for now," says Hussain.

If you encounter delays while flying to or from the EU, then you should still have the same protection as you had before Brexit. If the flight is delayed by over three hours or cancelled, then you are entitled to between £110 and £540 compensation per person. These EU rules have now been written into UK law so will remain the same. "Securing payouts from airlines has been notoriously difficult," says Hussain. "It is unclear if the UK version of the rules will be any easier to use because details are yet to be revealed."

Last but not least, Brexit is a blow to booze cruises. "The days of filling the car with as much wine as the suspension can take are… over," says The Times. You will now be restricted to a duty-free allowance of 18 litres of wine (24 standard bottles), 42 litres of beer and four litres of spirits.

Contributions compound

Think very carefully before suspending your pension payments

David Prosser
Business columnist

Einstein considered compound interest the eighth wonder of the world

©Alamy

For anyone struggling with the financial impact of the Covid-19 crisis, saving for a retirement potentially still many years off may feel like a low priority. But while it may be tempting to cut back on pension contributions, or to stop saving altogether for a time, the long-term cost of doing so may be much higher than you realise.

The problem is particularly acute for younger savers, with the effect of compound interest multiplying the impact of missing pension contributions. Figures from the pension provider Aegon suggest that a 25-year-old saver who is a member of their workplace pension scheme but suspends contributions for three years could see their final pension fall by 7% as a result.

Aegon's calculation assumes the saver currently earns the average wage and that suspending their contributions results in their employer doing the same, as would be the case in most workplace schemes. On that basis, the saver could expect to have a pension fund worth £194,100 on retirement at state-pension age, £15,500 less than they could look forward to had they maintained their contributions.

An average saver who suspends pension contributions for three years would see their income boosted by around £4,000 over the whole period. But taking into account lost tax relief, missed contributions from an employer, and investment growth foregone, the impact on their final pension fund would be almost four times as high.

Get back on track quickly

Pension experts also worry that people cutting back on pension contributions today may not get round to increasing their savings for many years, even when their financial position improves. Again, the impact could be dramatic. A 25-year-old saver who reduces their pension contribution by just 1% could lose 9% of retirement income if they never get round to raising their savings once again.

That would rise to 18% for members of workplace pension schemes whose employers match their contributions and therefore cut back on what they pay in. With some official data suggesting that younger people's finances have been disproportionately affected by the Covid-19 crisis, some advisers now fear a significant long-term pensions problem. But while pension contributions paid early in life have the greatest effect on final pension income, older savers suspending contributions will also face significant impacts.

Inevitably, some people will feel they have no choice but to cut back on retirement saving given the state of their finances in the current environment. But if so, it's crucial to get back on track as soon as your circumstances allow – and to consider topping up pension contributions, if possible, to begin to reduce the shortfall.

How Brexit affects expats' pensions

The eleventh-hour Brexit deal between the UK and the European Union has not resolved all the uncertainties facing Britons who hope to retire and live in an EU member state.

Existing expatriate retirees are protected. They will retain their right to live in the EU state where they currently reside and to receive free healthcare. But there are no guarantees about the future.

One problem is residency. Britons travelling to the EU will now need a visa if they intend to spend more than 90 days in an EU country over the course of a year (see also page 26).

That's not to say you won't be able to secure permission to live in France, Spain or another EU state, but there are no automatic rights to do so.

In addition, while you will continue to be able to claim your British state pension when retiring elsewhere in the EU, you will need to notify the government's International Pension Centre of your move. Like current expatriate retirees, you should continue to see your state pension increased in line with the UK each year.

The final issue is healthcare. While the UK was a member of the EU, British pensioners living in the bloc were entitled to the same state healthcare as citizens of the country where they resided. That won't apply to new retirees, who may need to pay for expensive health insurance.

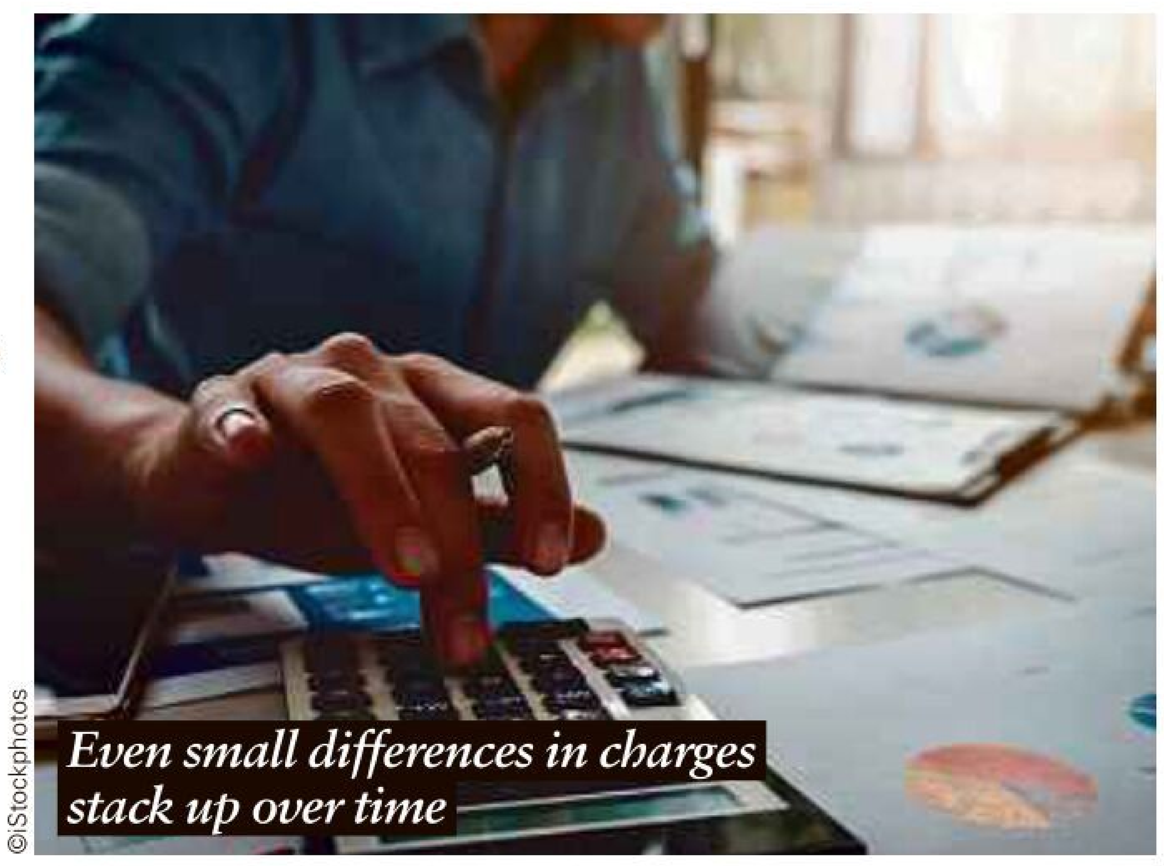
Shop around to secure the best Sipp

If you're one of the growing number of savers with a self-invested personal pension (Sipp), make it a new year's resolution to check you're getting value for money on your plan.

The long-term impact on your pension of even small differences in charges will be significant and in a Sipp, you are simply paying for an administrative service – you choose the investments – so it's vital to shop around.

In broad terms, Sipp providers charge their customers in one of two different ways: some levy a percentage fee on the value of their pension each year, while others deduct a fixed flat fee.

Generally speaking, the first of these approaches makes sense for savers with smaller pensions. On larger funds, however – worth more than £50,000, say – a fixed fee can be more economical. The good news, however, is that competition in the



Even small differences in charges stack up over time

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Sipps market is fierce. America's Vanguard, the world's second-biggest asset-management group, launched its first Sipp last year, with an annual charge of 0.15% a year, though its choice of investment funds is limited.

AJ Bell charges 0.25% a year and offers greater investment choice. In the fixed-fee category, Interactive Investor charges only £120 a year for its Sipp.

In practice, you may need to do some calculations, taking into account other potential costs. Some providers charge dealing fees when you change funds or trade shares.

Others have different costs when you begin to draw down an income. Comparison sites such as moneytothemasses.com can help you tailor your search according to your individual circumstances.

Finally, don't get too fixated on securing the absolute cheapest deal – quality of service is also an important consideration. A recent Financial Times survey of readers picked out Bestinvest, Charles Stanley Direct, Fidelity and AJ Bell as the best providers on this measure.

A recipe for growth, income and tax relief

A professional investor tells us where he'd put his cash. This week: Alex Davies, founder of high-net-worth investment service Wealth Club, picks his top VCTs

Last year was dominated by disruption and uncertainty. But 2020 also saw venture capital trusts (VCTs), introduced 25 years ago to support small, innovative businesses, emerge as the investment of the moment.

Firstly, with tax rises of more than £40bn a year "all but inevitable", according to the Institute for Fiscal Studies, VCT tax relief looks increasingly attractive. When investing in VCTs you receive up to 30% tax relief – a £3,000 saving on a £10,000 investment. All returns, typically paid through dividends, are also tax-free and you can invest up to £200,000 a year.

Secondly, VCTs invest heavily in the technology sector, one of the few to have largely dodged the Covid-19 bullet and likely to play a key part in any recovery. Indeed, many VCT-backed companies have experienced a surge in demand recently.

Covering all the bases

The Baronsmead VCTs comprise the **Baronsmead Venture Trust (LSE: BVT)** and the **Baronsmead Second Venture Trust (LSE: BMD)** and cover all the bases. They jointly give investors exposure to over 150 companies – a combination of old-style management buyouts (MBOs), Aim investments, new growth-capital investments, and Gresham House equity funds (including a large allocation to its top performing micro-cap fund).

It has been a rewarding mix. The two VCTs have been able to maintain one of the most generous dividend policies of any VCT: a target yield of 7% (exceeded in the last three years). Both VCTs have proven resilient and have now recovered from Covid-19 setbacks. Indeed the pandemic has boosted demand at a number of portfolio companies, such as e-commerce platform Moteefe, the UK's fourth fastest-growing tech company. Over the decade to 30 September 2020, the two VCTs produced a respective net asset value (NAV) total return of 94.3% and 86.3%.

Home to two unicorns

A champion of pioneering technology companies with global ambitions, **Octopus Titan VCT (LSE: OTV2)** is today the largest VCT, with almost £1bn of assets. It has a well deserved reputation for spotting, supporting and exiting rising stars.

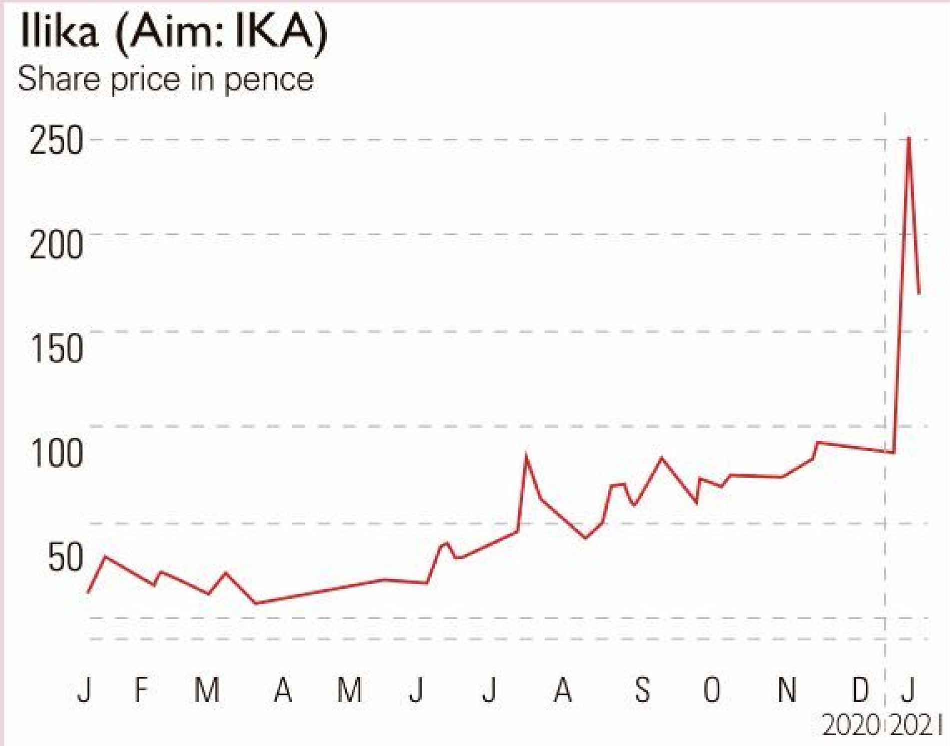
Two of its portfolio companies – Zoopla and Cazoo – have achieved unicorn status (a valuation of over $1bn). Previous exits include trade sales to the likes of Microsoft, Twitter and Amazon. Investors in the current offer get exposure to around 80 young tech companies, the majority of which have kept growing throughout the Covid-19 crisis. Over the ten years to September 2020 the VCT has generated a NAV total return of 121.4%.

"Octopus Titan provides access to around 80 young technology companies"

Managed by the same investment house as the highly regarded small and micro cap Marlborough Funds, the **Hargreave Hale Aim VCT (LSE: HHV)** provides access to some of the fastest-growing firms on Aim.

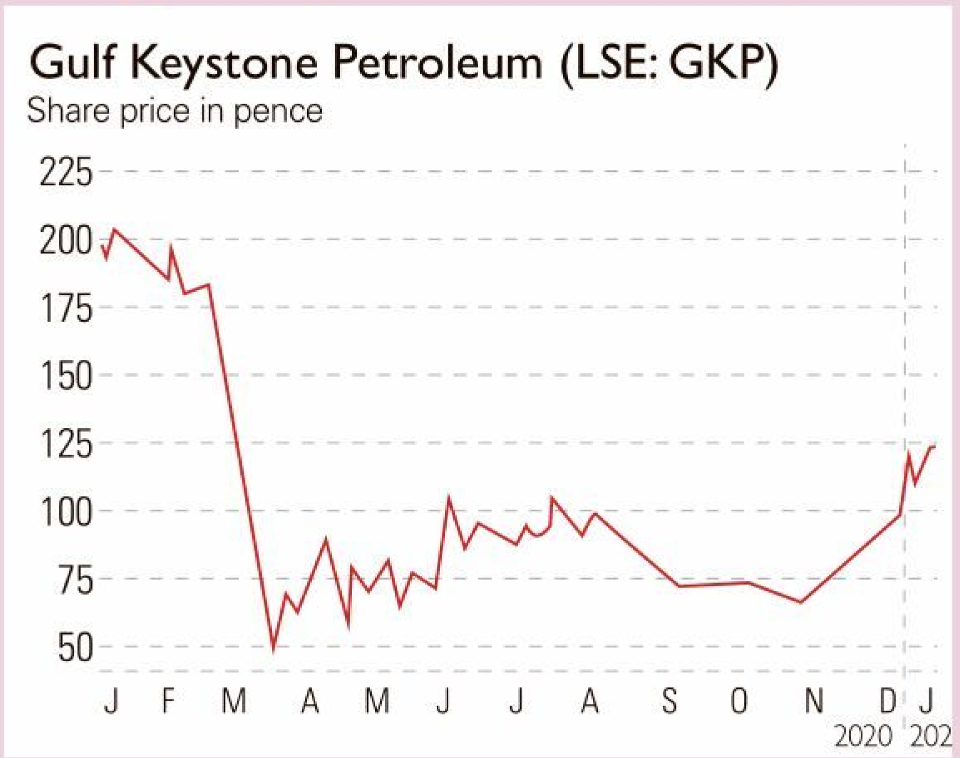
The VCT now appears to have more than fully recovered from the crisis. Two thirds of the portfolio of more than 100 companies is in healthcare and technology. The star performer is recipe-box provider Gousto, which experienced a surge in demand during the Covid-19 crisis and achieved unicorn status in November 2020. Over the ten years to September 2020 Hargreave Hale Aim VCT has generated a NAV total return of 107.6%.

If only you'd invested in...

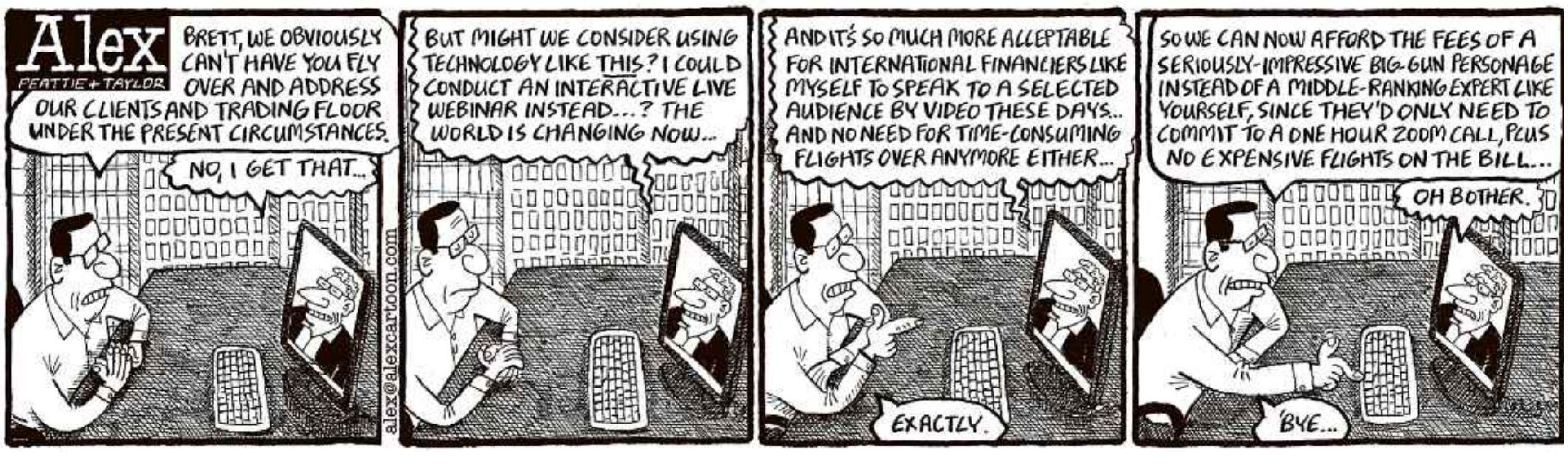


Shares in battery-technology group **Ilika (LSE: IKA)** dipped in March 2020 when markets were first hit by Covid-19, but have been in an "upward trend for the whole year", says Andrew Hore on Interactive Investor. The company decided to establish its own manufacturing facility after raising £15m last March, which will lead to "improved operating margins". Its batteries are used for wireless sensors and medical devices. Over the longer term its Goliath battery, used in electric vehicles, could tap "an enormous market". The stock has soared by 596% in the past 12 months.

Be glad you didn't buy...



Gulf Keystone Petroleum (LSE: GKP) is an oil and gas explorer. Once a "darling of the stockmarket", it has disappointed recently, says Simon English in the Evening Standard. It has named Jon Harris as its new CEO after investors complained about the disparity between his predecessor Jon Ferrier's pay and the firm's performance. Gulf was hit by the collapse in oil prices in the spring, and has struggled to find its feet. The shares are still a far cry from the "now astonishing-looking" 41,000p mark they reached when investors thought it could become a major oil player.



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The vaccine prince will save the world

Adar Poonawalla, the chief of the world's biggest vaccine manufacturer by volume, has an ambitious plan to rescue us all from Covid-19. The future for his dynasty looks bright, says Jane Lewis

If the world manages to escape the clutches of Covid-19 this year, it may be largely down to the efforts of Adar Poonawalla – the Indian tycoon known as "the vaccine prince", says The Times. Poonawalla's company, Serum Institute of India (SII), is "comfortably the biggest vaccine manufacturer by volume in the world": some two-thirds of all the children on the planet have been vaccinated with one or more of its products. The company makes 1.5 billion doses of vaccines annually against diseases such as polio, diphtheria and hepatitis B.


©Alamy

"The Poonawallas are a fixture of India's business aristocracy and are now being lauded as the world's chief virus busters"

Now Poonawalla, 39, "has an ambitious plan" to supply the Oxford/AstraZeneca coronavirus vaccine to half the planet by this time next year. And he plans to do so at $3 a dose, "which barely covers costs". When the pandemic set in, he says, "I decided to go all out" – immediately embarking on a dramatic expansion of manufacturing facilities funded by £270m of his company's money and another £3m from the Bill and Melinda Gates Foundation. The family has cash to spare. According to Forbes, his father, Cyrus Poonawalla, who founded the company in 1966, is worth $11.5bn, making him India's sixth richest man last year.

Indeed, Poonawalla senior ("the vaccine king") has almost doubled his wealth during the pandemic, says Business Today (India), thanks to partnerships with global pharmaceutical majors. Poonawalla junior is clear that his primary motivation is not to make money, but to save lives. Whatever the case, he has been lauded across Asia as one of the world's chief "virus busters", says The Economic Times of India.

A life of glamour

The Poonawallas – so called because of their base in the city of Pune (known as Poona during the British Raj) – are "a fixture of India's business aristocracy", noted the FT in 2014. The family is famous for its stable of racehorses, its stud farm, and one of the country's most expensive sports-car collections. In 2015 the clan bought a sprawling seaside mansion in Mumbai for $113m in "the most expensive residential property deal in India's history". Adar Poonawalla was educated in Britain and enjoys an old-fashioned life of glamour – owning paintings by Picasso, Dali, Rembrandt and Rubens, spending holidays on the French Riviera, attending grand prix and calling the Prince of Wales "a close and very dear friend". His private office, notes The Times, is "a disused Airbus A320", which he has lavishly refurbished, complete with boardroom and bedroom.

The family's journey into vaccines happened almost by chance, says Business Insider. Although hailing from a family of wealthy landowners, Cyrus Poonawalla inherited just 40 acres and knew he had to go into business. It was "a chance meeting with a veterinarian" who worked at his stud farm that triggered an idea to produce vaccines. The timing was propitious, says The Times. When he set up the Serum Institute in 1966, "lots of new vaccines were coming on stream", but most were imported and far too pricey for most of the country's population – so the business took off rapidly. It got another boost when Adar Poonawalla joined in 2001 and started developing an international market – cutting the price of vaccines by producing them in huge quantities and focusing on developing countries that the pharma giants ignored.

The future for the dynasty looks bright. Once "a niche industry", vaccine manufacturing has found a new status due to Covid-19 and the growing threat of future global pandemics. The modern world, says Poonawalla, is "a melting pot… just waiting to churn out more of these kinds of terrible viruses". He thinks we were "lucky" with Covid-19. "Can you imagine if ebola were as infectious as coronavirus?"

Great frauds in history… *Philip Arnold's big diamond hoax*

Philip Arnold was born in Elizabethtown, Kentucky in 1829. After serving as a soldier in the Mexican-American War (which saw the US take over California), he became a gold prospector and was successful enough to return to Kentucky and buy a farm. By 1870 he was back in California and working as a prospector when he claimed to have discovered, along with his cousin John Slack, a large deposit of diamonds. This attracted the attention of several wealthy investors, including the founder of the Bank of California.

What was the scam?

Arnold and Slack's "discovery" was the result of their buying diamonds and mixing them in with their samples. On this basis they attracted money from investors and used it to buy additional diamonds, which they then claimed were part of the original discovery. Having hooked the investors, Arnold and Slack then led them to their "mine" in Colorado, taking care to seed the ground with diamonds beforehand. Arnold and Slack then sold the mine, bringing the total amount they had received to $660,000 ($14.3m in today's money).

What happened next?

The new owners set up the San Francisco and New York Mining and Commercial Company in 1872, raising $850,000 ($18.4m) from investors for 20% of the company, valuing it at $4.25m ($86.4m) and setting off a mini-boom in mining shares. However, US government geologist Clarence King, who had been surveying the area and was worried that his team had missed such a massive deposit, investigated and quickly concluded that it had been salted. By November 1872 the find was publicly revealed to be a fraud, though not before hundreds of prospectors had set off to Colorado.

Lessons for investors

Arnold agreed to return $150,000 ($3.2m) in return for all charges being dropped, but managed to retire with the rest of his ill-gotten gains. Shareholders were left with shares in a worthless mine, though some received partial compensation. Later, one of the original investors admitted that if they had spent just an extra hour exploring the area, they would have spotted the scam – a lesson on the need for proper due diligence.

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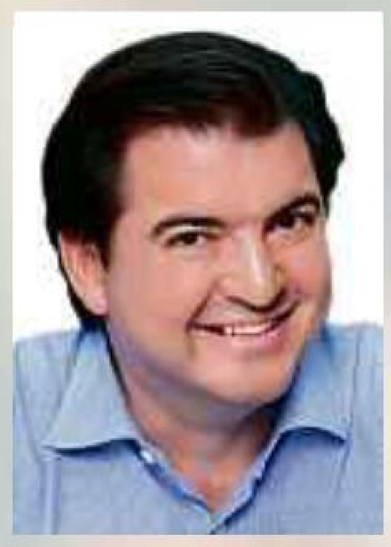
A stunning New Year selection



Robert Rolls stepped into the MWWC squad last summer when one of our regular Club merchants found the pressure of the pandemic a little too much. As it turned out all of our elite merchants have bounced back brilliantly since Covid ravaged the wine trade and it appears that the restaurateurs, who these merchants supply are, thankfully, slowly finding their feet again, too. The feedback from Robert's previous sextet was so overwhelming that I have invited him back to launch us into 2021 in style. Of course, the wines that he has sniffed out are truly sublime.
All French, all classic and all perfect examples of their kind, there is serious class here as well as stunning value, too. Do not miss out on these beautiful wines.

Matthew Jukes *Matthew*

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Prices shown below are per case of 12 bottles. Wines are also available in a 12 bottle mixed case (2 of each of the wines) **excellently-priced at £189 (saving £10.40 per case).** It's a chance for you to try them all, and it is the most popular choice with readers of *MoneyWeek*.

2018 Chablis, Domaine Gilbert Picq, Burgundy, France

Based in the village of Chichée, the Picq Chablis recipe is simple. Use treasured old Chardonnay vines with their naturally low yields and then allow natural yeasts to transform the grape must into pristine wine without any interference from oak barrels. This is exactly what I am looking for in the Chardonnay capital of the world – purity, minerality, honesty and integrity. This thrilling 2018 is a wine which sets the Chardonnay bar very high for 2021 so load up without hesitation.

CASE PRICE: £227.40

2018 Côtes du Rhône Blanc, Calcaires, Famille Gras, France

This wine is made by Yves and Benjamin Gras at Domaine Santa Duc in Gigondas. Using a devastating and intricate blend of Grenache Blanc, Clairette, Ugni Blanc, Bourboulenc, Picpoul and Viognier and this is one of the most intellectually stimulating wines of the moment. Layered, floral, magical and steely on the finish, this is a wine with so many flavour facets it defies belief. Happy to act the refreshing glugger but equally at home being challenged with elite cooking, this is a kaleidoscopic and unexpected star.

CASE PRICE: £147.60

2017 Aligoté, Domaine Buisson-Battault, Burgundy, France

I rarely find an Aligoté which makes me smile, let alone beam with delight. Using old vines and very low yields to pack flavour into the bottle, the grapes are hand-harvested and given a year in old oak barrels. The handling and profound respect for the wondrous quality of the fruit is evident both on the nose and the palate. Aligoté can be edgy, sour and raspy, but this wine is regal, layered, plush and succulent with the sort of volume of flavour you would attribute to great Chardonnay, not lowly Aligoté.

CASE PRICE: £181.80

2019 Enfant Rebelle, Pinot Noir, Antoine Lafarge, Vin de France

Is this the best value Pinot Noir of the year? This 'Rebel Child' is spectacular. The perfume sets the scene with pinpoint accurate wild cherry and strawberry tones and the palate is lithe, slippery, resonant and hypnotic. There are wines that cost fifty pounds more than this one which should die of embarrassment by comparison to the accuracy and intimacy of this stunningly beautiful wine. Refreshing and melodic on the palate and bright and nimble on the finish, this is a demure superstar and I urge everyone to fall under its spell.

CASE PRICE: £147.60

2018 Vacqueyras, Les Aubes, Domaine Santa Duc, Southern Rhône, France

I have followed Santa Duc for decades and they have never been more impressive. Made from 80% Grenache and 20% Syrah, this indulgent red is matured in 90% large oak 'foudres', like those used in Piemonte for top-flight Barolo, and 10% terracotta amphoras which seem to lock in the mineral tones of their prized vineyards' terroir. Unlike the pagan, wild wines from this part of the world, Les Aubes is polished, suave deep and heady and it is a perfect wintry red.

CASE PRICE: £204

2017 Chassagne-Montrachet Rouge, Domaine Michel Niellon, Burgundy, France

Niellon is a stellar estate in Chassagne, famous for their whites. But few know it was once almost exclusively planted to red grapes and so when you find a rare Pinot from this hallowed ground they are usually pretty darned good. Niellon's electrifying red shows perfect balance and is drinking already, but with sappy tension on the finish there is no hurry to guzzle this noble creation. But put your hand up now, because stocks are scarce.

CASE PRICE: £227.40

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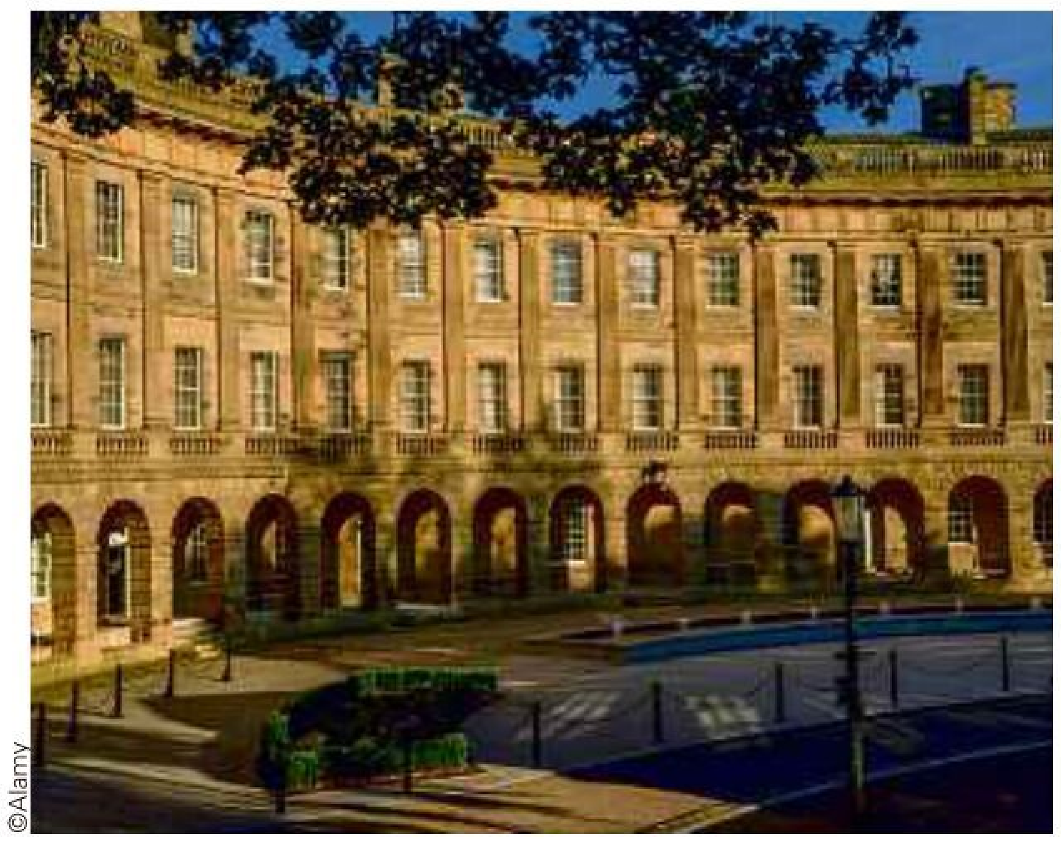
Five stylish English spa hotels

Revitalise body, mind and soul when the lockdowns end. Chris Carter reports

A revamped Georgian spa in the Peaks

Buxton Crescent originally catered to Georgians in search of a curative dip – it was built in the 1780s before falling into disrepair 200 years later, says Kate Leahy in The Guardian. Following a revamp, the 81-room hotel in the Peak District has reopened. The spa is still home to the original thermal pool surrounded by Victorian cast-iron pillars and there is a new stained-glass dome, casting a warm light across water naturally heated to 27.5°C. "Nearby, there's a relaxation pool beneath twinkling mood lights and upstairs an indoor/outdoor hydrotherapy pool. Elsewhere, there's a salt cave (good for respiration), three saunas (Finnish, biothermal and infrared) and two steam rooms (traditional and aroma)." Treatments include therapeutic hot mud baths. *From £125, ensanahotels.com/buxton.*



©Alamy

Champagne, nibbles and japes in the Lake District

The new spa lodges at the Gilpin, in the Lake District, elicit "a genuine and increasingly rare expression of 'wow!'", says Mark O'Flaherty in The Daily Telegraph. Each is a "big open-plan glass space", with the decor and outdoor hot tub reminiscent of reality TV's *Big Brother* reimagined by Laurence Llewelyn-Bowen. Inside, "there is a steam room and sauna, an infrared table (no, me neither) and a state-of-the-art massage chair that I now want to introduce as a third party to my marriage". In short, "this is a luxury playroom for couples… who couldn't give a monkey's about hiking around the Lakes". It's also a "rollicking way" to spend a long weekend – "all champagne, nibbles and japes, in and out of bathrobes". *From £495, thegilpin.co.uk.*

> *The Gilpin is a luxury playroom for couples who couldn't give a monkey's about hiking around the Lakes"*

A blissful sanctuary near Durham

The 21 suites at Seaham Hall, a hotel that is "gloriously" situated on Durham's Heritage Coast, "are a riotous festival of pop colour", says Annabel Sampson in Tatler. "The interiors err just on the right side of bling" and are "fabulously comfortable". As for the "colossal" award-winning spa, the Asian-themed sanctuary is "blissful, with an expansive garden area, that is as refreshing in the winter – with bursts of icy air between dips into the steaming village of Jacuzzis – as it is indulgent in the summer". A hydrotherapy pool, ice fountain and water beds – "everything you need" – can be found with the indoor pool. Be sure to book a "Drift Away" treatment during your visit. It is "the ultimate top-to-toe massage". *From £275, seaham-hall.co.uk.*

Get cosy round the fire in the Lakes

Slap bang in the middle of the Lake District is Brimstone, says Rachel McGrath in the Evening Standard. It is "a stunning spa hotel which blends effortlessly with the landscape, while quietly offering a slice of luxury you'll be feeling smug about for months after". Brimstone's modern stone-clad chalet-style buildings are part of the bigger Langdale Estate, with all its facilities, including the "all-important" spa.

"The luxurious-yet-homely mezzanine loft suite boasts a two-storey stone fireplace complete with a log fire (which the staff can get going if you need a non-judgemental helping hand), private balcony and roll-top tub." *From £335, brimstonehotel.co.uk.*

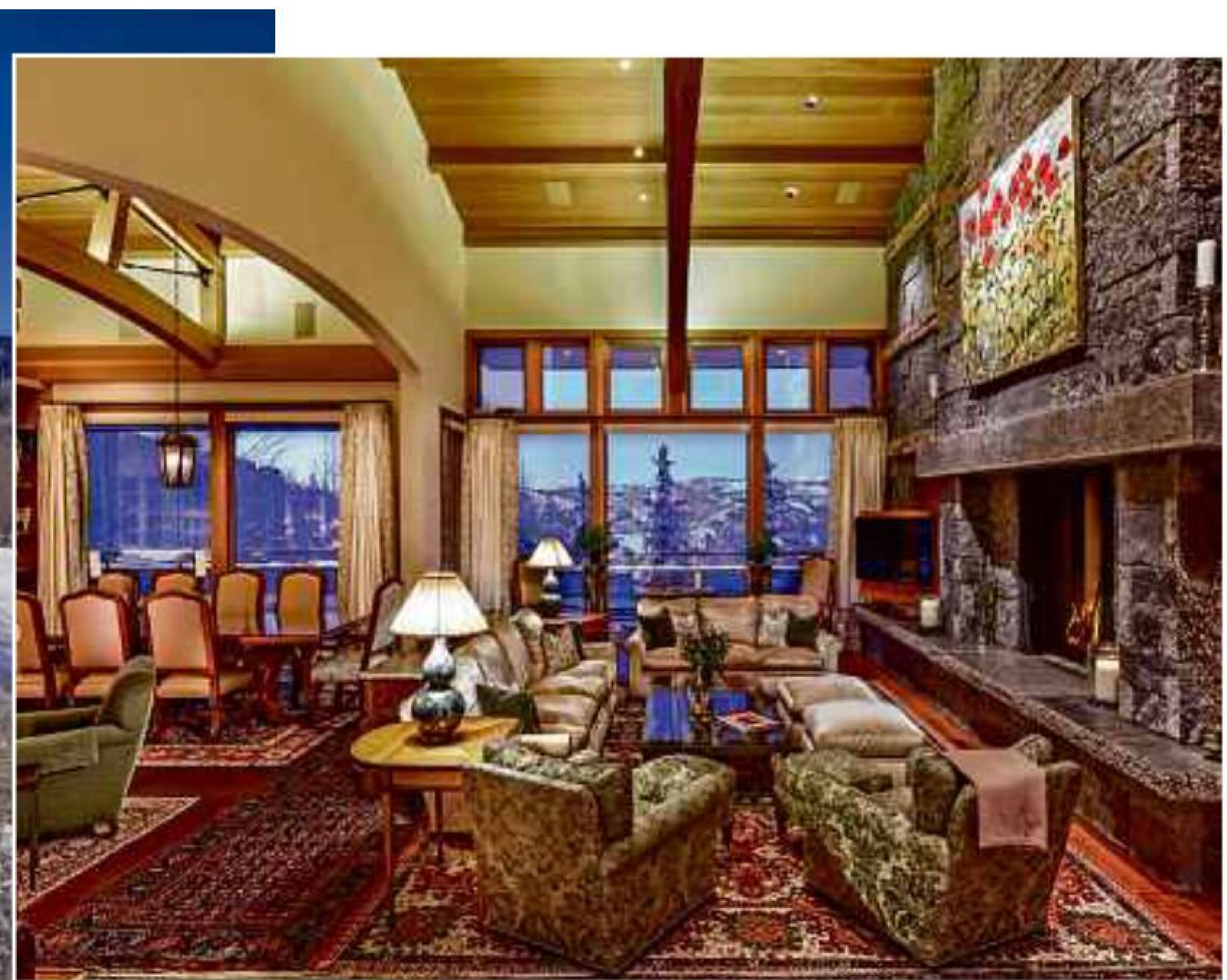
An imposing mansion in Hertfordshire

The spa is the big draw at the imposing Georgian mansion that is Sopwell House in Hertfordshire, says Ben Clatworthy in The Sunday Times. There are two options: Cottonmill and the Club at Cottonmill. The first is a spa that is open to everyone. But it's worth upgrading to the second, the Club at Cottonmill. This new three-storey extension features an indoor-outdoor hydropool, hot tubs, infrared loungers and a large relaxation area. Meanwhile, the 16 Mews Suites, set in a former stable block, come with a shared private hot tub and hydropool within the manicured garden, designed by Ann-Marie Powell, an RHS Chelsea gold medallist. *From £154 in the main hotel, sopwellhouse.co.uk.*

This week: ski chalets – from a contemporary ski-in, ski-out chalet on the Two Creeks slopes of Snowmass Village,

▲ **Chalet Pacha, Chamonix, Haute-Savoie, France.** A traditional-style chalet near the forest of Les Bois in Chamonix Valley. It has wood-clad ceilings, floor-to-ceiling windows, open fireplaces, and a terrace with a Jacuzzi. 5 beds, 5 baths, open-plan living area, mezzanine, games room, spa, 0.86 acres. £4.79m Knight Frank 020-7861 1727.

▶ **Chalet Faraway, Grimentz, Switzerland.** A traditional-style chalet in the exclusive ski area of Grimentz with views across the Val d'Anniviers and the Weisshorn. It has open-plan living areas and open fireplaces. 4 beds, 4 baths, recep, mezzanine office, wellness area with hot tub, 0.31 acres. £2.14m Alpine Property Finders 020-7692 0786.



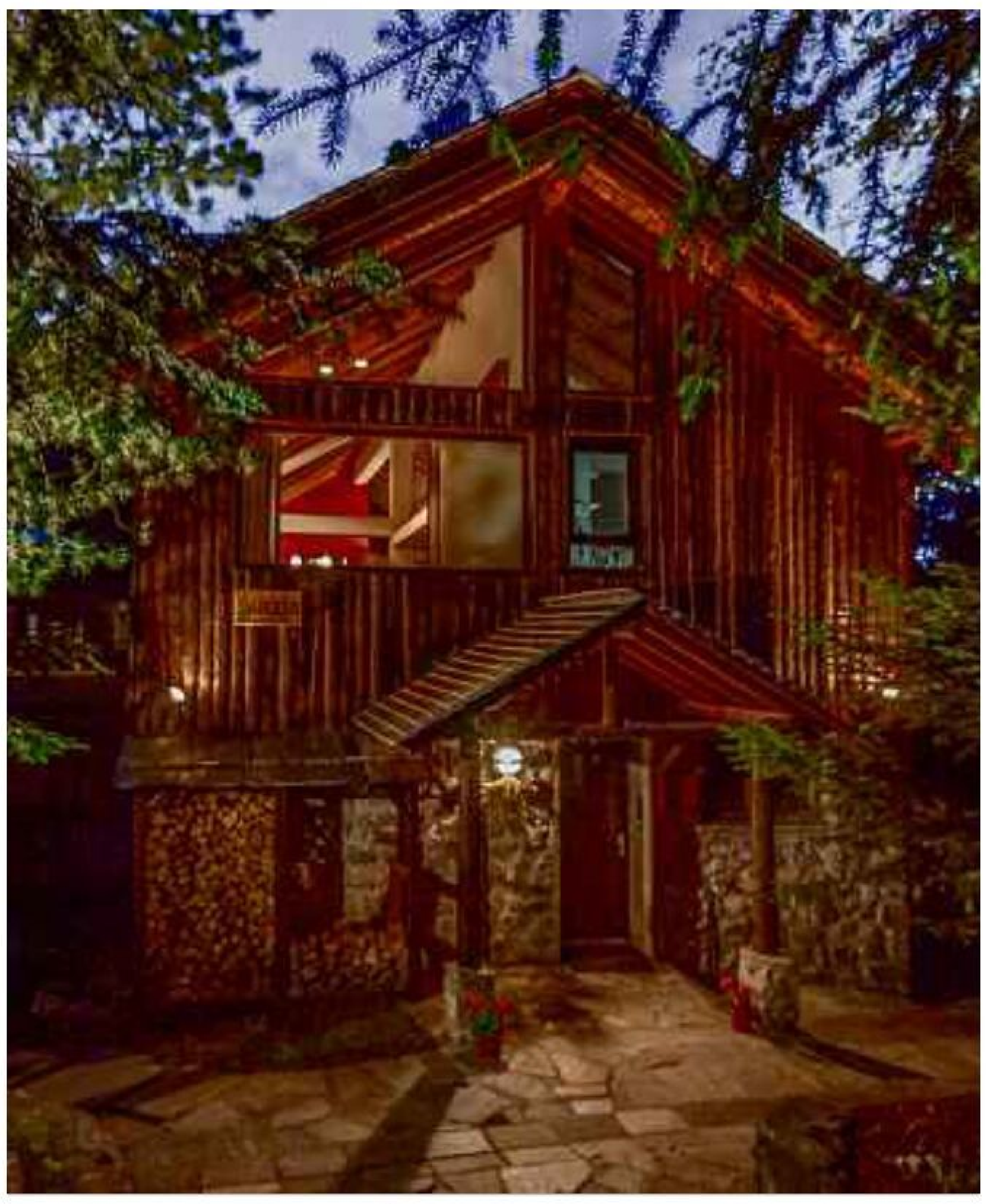
▶ **East Fork Lane, Snowmass Village, Colorado.** A contemporary ski-in ski-out chalet on the Two Creeks slopes with dramatic mountain scenery. It is set in two acres of grounds and has a separate guest house, beamed ceilings, floor-to-ceiling windows, stone fireplaces and stone terraces with fire pits, a swimming pool and a hot tub. 10 beds, 14 baths, 1,067 square metre internal areas, gardens, 2 acres. £17.15m Knight Frank 020-7629 8171.

Colorado, to a townhouse in Chamonix, France, close to the Grand Montets lift system

Kirchberg in Tirol, Austria. This chalet was built in 1995 and fully refurbished in 2019. It sits in a sunny location on Kirchberg's Sonnberg with panoramic mountain views. The contemporary interiors include wood floors, beamed ceilings, floor-to-ceiling windows, a modern fireplace and a designer kitchen with Gaggenau and Miele appliances. 5 beds, 3 baths, open-plan living area, wellness area/sauna, 2 utility rooms, balconies, ski boot room, 0.12 acres. £4.44m Savills 020-7016 3753.

Corvara, Badia, Dolomites, Italy. A traditional chalet on the ski slopes of Corvara in the Dolomites. It is currently being renovated into two semi-detached chalets with wood-clad walls, floors and ceilings and open fireplaces. 3 beds, 3 baths, recep, garden. £1.996m Edelweiss Real Estate 020-7467 5330.

Chalet Meribel-Centre, Savoie, France. A renovated 1960s ski-in ski-out chalet in the Meribel ski resort in the Three Valleys ski area. The third floor of the chalet has been turned into an open-plan living and entertainment area, with vaulted wooden ceilings, large windows, a mezzanine and a south-facing terrace. 6 beds, 7 baths, kitchen, lower-ground floor utility area, terrace. £5m Hamptons International 020-7265 6571.



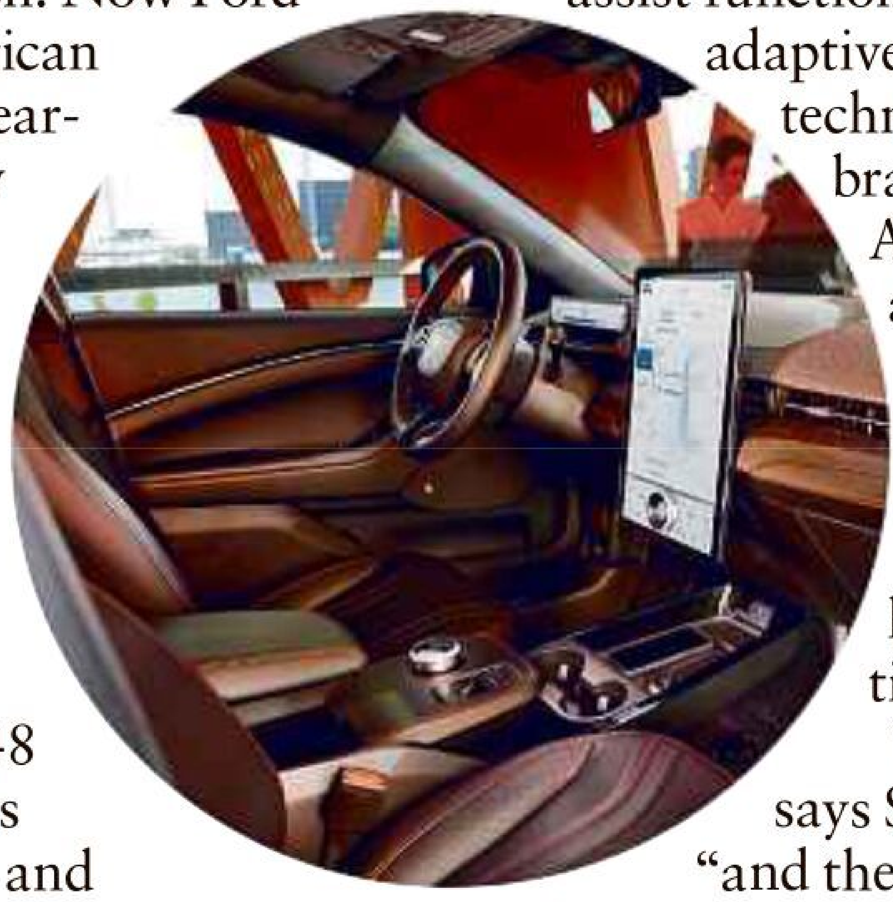
Chalet Wanda, Nendaz, Switzerland. A traditional-style chalet in the Les Clèves area of the Nendaz ski resort. It has floor-to-ceiling windows, wood-clad walls, an open fireplace and a wraparound terrace with views of Haute-Nendaz, the Alps and the Rhône Valley. 6 beds, 6 baths, 2 receps, open-plan dining kitchen, games room, laundry/utility rooms, ski room, lift, double garage, terrace, gardens. £2.5m Alpine Homes +41 (0)27 323 7777.

Argentiere, Chamonix, France. A rare opportunity to buy a renovated townhouse in the middle of the village close to the Grand Montets lift system and just a short walk to the restaurants, bars and shops. The house has large open-plan living areas with tiled floors, a contemporary fireplace and a balcony with views of Mont Blanc. 8 beds, 8 baths, open-plan living and dining area, sauna and wellness area, ski-boot room. £1.589m Savills 020-7016 3753.

Ford's classic Mustang goes electric

Can the American muscle car possibly convince now that the muscle is grass-fed? Tom Saunders reports

The Ford Mustang is often considered the original "pony" car: the younger, more-compact sibling of the distinct American muscle car. The small but powerful car first appeared in 1964 and is the oldest Ford brand still in production. Now Ford has converted this symbol of American engineering into the Mach-E, a "near-silent, totally environment-friendly galloper shaped like a crossbreed cocktail of Aintree winner and steeplechase champion", says Georg Kacher in Car magazine.



The fully electric car will sprint from rest to 62 mph in around five seconds, depending on which model you buy, and has an advertised range of between 248 and 379 miles, which is as much as any Tesla currently on the market and considerably more than the Mach-E's main rivals, the electric Jaguar, Mercedes and Audi.

The car "gets the really important answers right, in terms of dynamics and usability", says Matt Saunders in Autocar. It has five useable seats, along with two boots, giving the car a total of 481 litres of carrying space. "It exceeds your expectations of a car with a plunging roof line" and doesn't "dominate a parking space like a taller SUV might". It is smooth to drive and steers "meatily, with scant feedback but consistent pace and the right kind of weight". While not an agile car, it "does handle precisely and grips quite keenly".

The car also bristles with fancy technology, says Andrew Hawkins in The Verge, including driver-assist functions such as blind-spot detection, adaptive cruise control, lane-tracking technology and automatic emergency braking. The car also features both Apple CarPlay and Android Auto and contains a camera feature so you can see a 360-degree top-down image of the car. It uses "a good amount of screen to show you these images, which really helps when reversing or navigating tight spaces".

The car "looks fantastic" too, says Steve Fowler in Auto Express, "and the technology inside is innovative but easy to use". The Mach-E is not particularly cheap, with the cheapest versions starting at £40,270, but the Mustang will prove vital in "persuading people that driving can still be fun and practical in an electric car".

"The Mustang proves that driving can still be fun in an electric car"

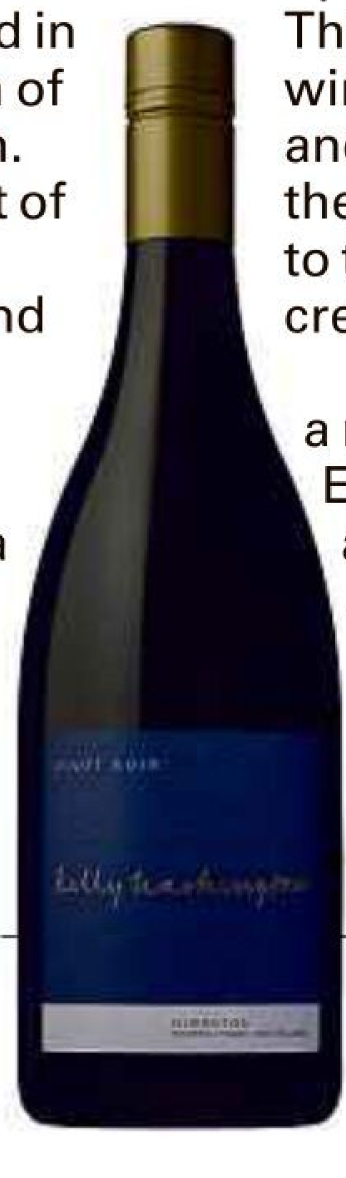
Wine of the week: an insanely delicious Kiwi interloper

2018 Kelly Washington, Pinot Noir, Central Otago, New Zealand
£29.95, jeroboams.co.uk

Matthew Jukes
Wine columnist

Tamra Kelly-Washington is a gifted winemaker and one who goes the extra mile for every one of her carefully crafted wines. Highly experienced, having worked to great acclaim in both Europe and also her homeland of New Zealand, she consults for Michael Seresin's wines in Marlborough and is responsible for giving his portfolio an exquisite, new lease of life. She also works with her husband, Simon, on their family wine label, and this newly released pinot will show you, in just one sip, why she is a force to be reckoned with and a name to follow very closely.

The grapes are sourced from the Monte Rosa vineyard in my favourite sub-region of Central Otago, Gibbston. The wines from this part of Otago are particularly fragrant and graceful, and in slightly warmer vintages they summon up marvellous, stylish juiciness. In 2018, Tamra used 20% whole bunches to bring enviable spice and tension to this silky red, and with 28% new French oak used for 11 months, there is an underlying classiness and flamboyance which echoes the elevated level of ripeness found in this vintage. This is a perfect example of a winemaker using sensitivity, taste and experience to exactly match the terrific calibre of her pinot fruit to the precise recipe needed to create an insanely delicious wine.

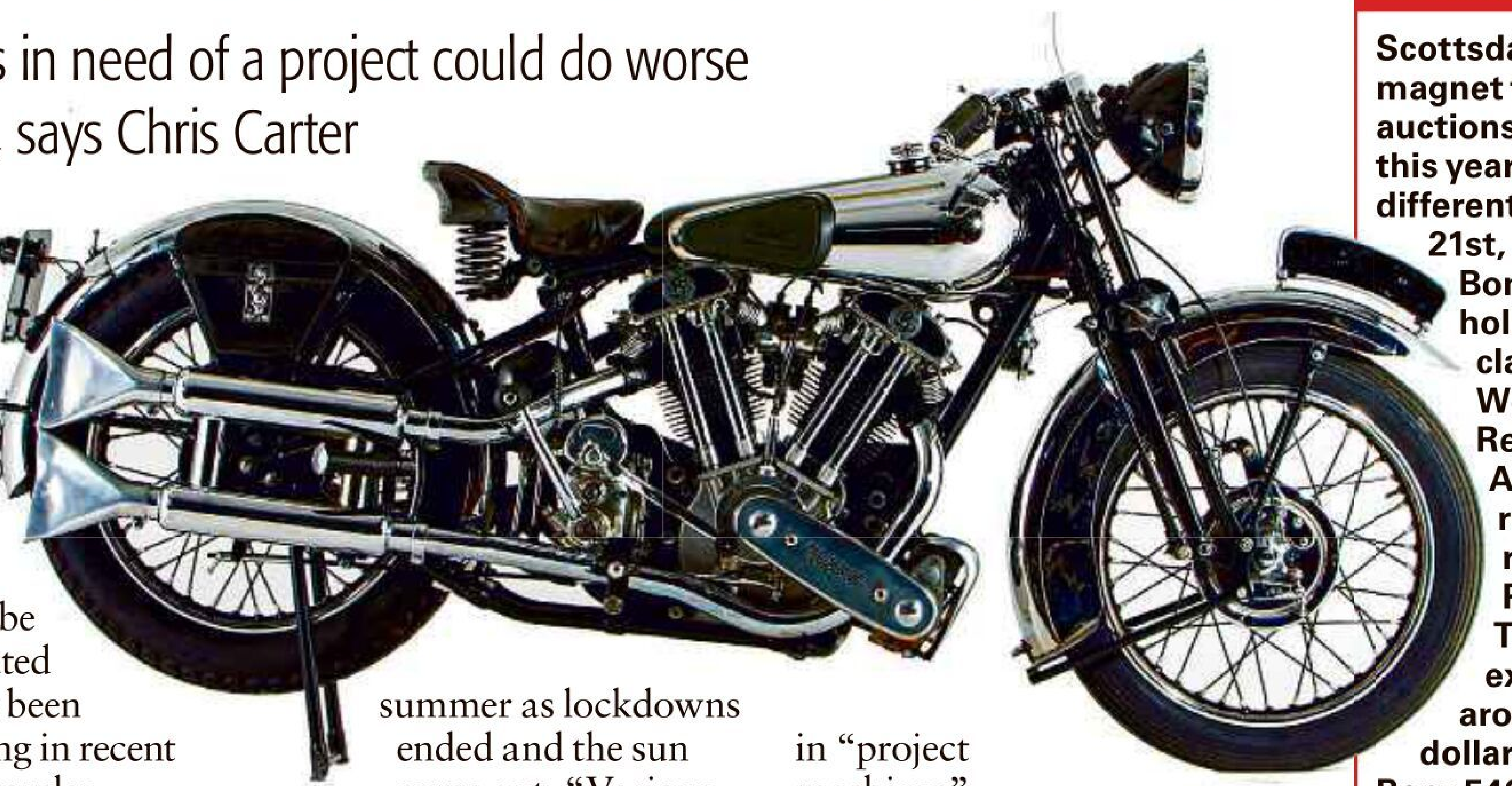


Drinking well already, and with a rather chaotic 2019 Burgundy En Primeur circus going on around us this month, find solace in this Kiwi interloper.

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

A new lease of life for old bikes

Spanner twirlers in need of a project could do worse than buy a bike, says Chris Carter



Classic cars make the big noise in the newspapers. Given that a 1962 Ferrari 250 GTO sold for almost \$50m in 2018, it's not hard to see why. But collectors could be missing out on a related market that has also been "quietly" appreciating in recent years – classic motorcycles.

Some vintage bikes, like their four-wheeled brethren, do, of course, sell for eye-watering sums. Take, for instance, the 1936 Brough Superior 982C SS100 (pictured) that fetched £276,000 with Bonhams at Bicester Heritage in Oxfordshire last month. During the weekend-long sale, which raised £3m, two marque records for a Sunbeam and Norton F1 motorcycle were set. But on the whole, classic motorcycles tend to be a lot more affordable, which is ideal for collectors just getting started. There's even a tax advantage. Like classic cars, they are considered to be "wasting assets" by the taxman, which exempts them from capital gains tax. And they also take up less space in the garage than a classic car.

Get your motor runnin'

Cambridge-based auction house Cheffins saw a rise in the number of vintage bikes coming onto the market last summer as lockdowns ended and the sun came out. "Various classic and vintage bikes were dragged out of sheds and garages and our July online sale saw nearly 50 bikes go to new owners," says Cheffins's director Jeremy Curzon.

Over the last few years, however, "prices for the post-war British machines have on the whole just crept along keeping pace with inflation", says Curzon. That may be changing. And as for rarer bikes, they "have undoubtedly gone up in value". Curzon points to a 1936 BSA J12 V twin that he sold in 2015 for £22,000. "I would now confidently expect to achieve somewhere close to £30,000, looking at results from other sales… I'd say there is no shortage of demand for machines of all levels." Online sales thrived during the pandemic. "The lack of traditional live auctions has not deterred bidders at all."

For collectors on a budget, but short of neither time nor enthusiasm, there are bargains in "project machines". "Covid-19 means there are a lot of spanner twirlers with time on their hands, desperate to get their teeth into something," says Curzon. "There are only so many machines out there that can be restored and they are getting harder to find and more expensive."

Indeed, condition is no barrier to a sale. "Five years ago, I would not have been keen to take machines on that were in barn-find state unless they were particularly rare. Now even run-of-the-mill machines needing work fetch much higher sums." A 1977 BMW 750cc boxer twin needing work sold for £800 in 2015; a similar example in similar condition fetched £1,800 in 2020.

In 2020, "I've sold a pre-war Norton consisting of a frame, engine, forks and tank and made £4,200", says Curzon. "I would have expected to get half that five years ago and many considered £4,200 a relative bargain."

Auctions

Going…

A marble statue of *Autumn* carved by the Italian Renaissance sculptor Gian Lorenzo Bernini when he was no older than 20 is heading for sale with Sotheby's in New York on 29 January. *Autumn* takes the form of a "bearded man of the woods" carrying a bough of fruit over his head (pictured). It is one of only a few sculptures that the younger Benini produced with his father, with other examples to be found at the J. Paul Getty Museum and The Metropolitan Museum of Art. *Autumn* was created between 1615 and 1618, at a time when Gian Lorenzo was too young to take on commissions on his own, for Prince Leone Strozzi, one of the Berninis' first major patrons in Rome. The statue has been given an estimate of between \$8m and \$12m.

Gone…

A recently discovered bronze statue of St George by the major 19th- and early-20th-century British sculptor Sir Alfred Gilbert sold for £1.2m at Bonhams in London just before Christmas. The price is a new auction record for a work by the artist and far exceeded the statue's £120,000 upper estimate. The future King Edward VII and Queen Consort Alexandra commissioned Gilbert to design bronze statues of saints to adorn the tomb of their son, Prince Albert Victor, Duke of Clarence, who had died from flu in 1892. St George became the best known of the figures, and Gilbert controversially produced a small number of statues modelled on the design for private clients. The original is at St George's Chapel in Windsor.

©Bonhams; Sotheby's

A cornucopia of classic cars

Scottsdale in Arizona is a magnet for classic-car auctions in January and this year looks to be no different. First up, on the 21st, auction house Bonhams will be holding its tenth annual classic car sale at the Westin Kierland Resort in Scottsdale. An "exceptional and rare" factory restored 1958 Porsche 356A 1600 T2 Speedster is expected to make around half a million dollars. A 1939 Mercedes-Benz 540K Special Cabriolet A is also up for sale. Bonhams is keeping its valuation for this one under wraps, but a 1937 Mercedes-Benz 540K Special Roadster version sold for \$9.9m at RM Sotheby's Scottsdale sale in 2016. This year's RM Sotheby's Arizona sale gets under way the following day and will be livestreamed online.

Bidding closes at Gooding & Company's Scottsdale Edition sale later that same Friday. A 1954 Aston Martin DB2/4 Drophead Coupé is sure to be a highlight of the online event, says Robert Ross in The Robb Report. One of only two built, it is expected to go for \$1.4m.

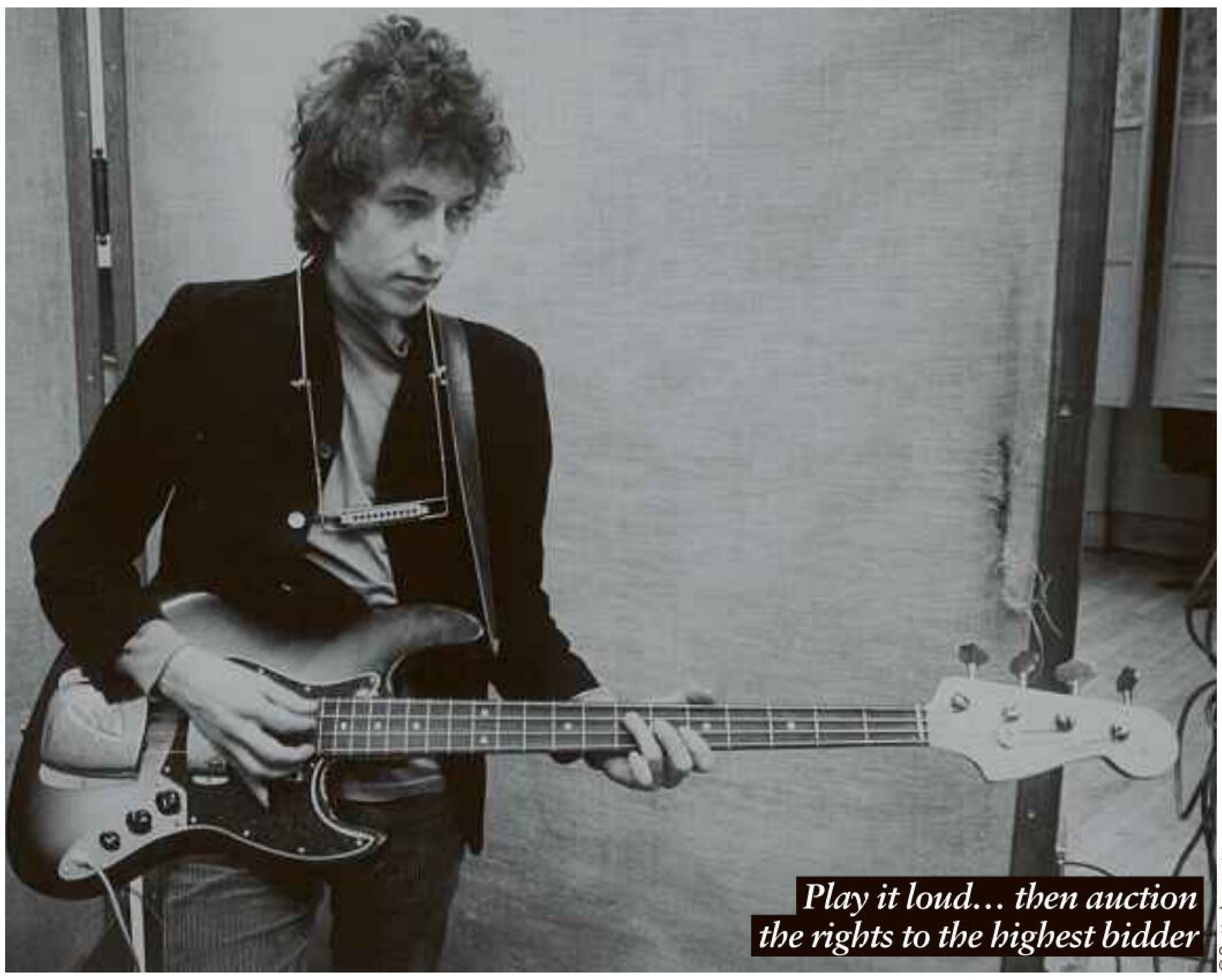
A 1939 Mercedes-Benz 540K Special could be yours

And finally, for a bit of fun, Worldwide Auctioneers' Scottsdale Auction (which is, in fact, being held in Indiana this year) is selling an official replica of the iconic van from the 1980s television series *The A-Team* on 23 January. The 1979 Chevrolet 2500, one of six used to promote the action-packed show, has racked up 90,297 miles on the clock and comes with an assortment of fake weaponry. We pity the fool who would pass up the opportunity. The proceeds from the sale will go towards good causes.

Knocking on Mammon's door

Streaming services have given a new lease of life to the music industry – but not all can be winners

In 1965, Bob Dylan famously caused outrage among his fans when he switched to an electric guitar. Fifty-six years on, it seems clear that the move did no lasting damage to his career. The cultural and economic value of Dylan's songwriting corpus has "grown exponentially", says Ben Sisario in The New York Times. Dylan won the Nobel Prize for literature in 2016 and towards the end of last year Universal Music Publishing Group paid an estimated $300m for his entire songwriting catalogue in "what may be the biggest acquisition ever of the music publishing rights of a single songwriter".


Play it loud… then auction the rights to the highest bidder

©Getty Images

"Merck Mercuriadis has spent hundreds of millions on the rights to songs, including a share of eight of the 25 most played songs of all time on Spotify"

Boom times for old songs

Dylan has long been an "aggressive" marketer, pursuing licensing deals to place his songs in television commercials. Fans reacted with "horror" in 1994 when he let accounting firm Coopers & Lybrand (now PricewaterhouseCoopers) use a rendition of his 1964 protest anthem *The Times They Are A-Changin'* in a TV advertisement. He's also worked with Apple, Cadillac, Pepsi and IBM, recently launched a high-end whiskey brand, Heaven's Door (named after his 1973 song), and has made huge sums from other artists covering his work – Universal estimates his songs "have been recorded more than 6,000 times".

Dylan's decision to sell his back catalogue will certainly provide the 79-year-old with a "useful nest egg", says The Times (though it is unlikely he is contemplating retirement – pre-lockdown, Dylan was still playing about 100 gigs a year). And Dylan is not the only one cashing in on his past work – the growth of streaming services has reinvigorated the music industry, causing the value of back catalogues to soar. Stevie Nicks, who wrote the songs for Fleetwood Mac, for example, recently sold a stake in the copyright to her songs to an independent publisher, valuing them at about $100m.

The interest in the rights to old songs is far from new, says The Economist – as early as 1985, Michael Jackson "forked out $47.5m for the rights to the recordings of around 250 songs by The Beatles". But it is rapidly becoming a much bigger business. Investment company Hipgnosis, founded by Merck Mercuriadis, has spent hundreds of millions of pounds buying the rights to thousands of songs, including "a share of eight of the 25 most played songs of all time" on streaming service Spotify. One of its rivals, Round Hill, has also "spent more than $240m acquiring a library of over 100,000 songs in recent years, including those of Elvis Presley".

Still, not everyone has been a winner from the new revolution in music, says Nadine Shah in The Guardian. Streaming revenues are worked out by dividing the overall subscription money by the share of listeners, rather than by a flat rate per stream (as with downloads or physical purchases) – this means that "superstars and super record labels" make lots of money, but those with a smaller (but more dedicated) fan base receive very little. And with the pandemic having "obliterated festivals and gigs", forcing artists to "survive on streaming income alone", many now find themselves in "dire straits".

Quintus Slide

Tabloid money… Mary Berry finds the soggy bottom of the property market

● **Almost nothing seems beyond Mary Berry (pictured), whose status as a national treasure was recognised last year when the Queen conferred a damehood on her, says Richard Eden in the Daily Mail. "But despite a talent for knocking off a blemishless Victoria sponge, Dame Mary is, it appears, fallible in one respect: reading the property market." The former *Great British Bake Off* judge and her husband put their Grade II-listed, 18th-century home in Buckinghamshire on the market in 2017 for £4m. But despite its two-bedroom cottage, tennis court and four acres, the asking price had been trimmed to a little under £3.5m by 2019, before it was finally sold to businessman Adrian Patten for around £2.5m. "Among other interests, Patten is the director of a restaurant company. He couldn't have a better recipe for success than Mary, could he?"**

● Boris Johnson has already delivered this year's "big porkie", says Brian Reade in the Daily Mirror. "That's right folks, he's going to cut the gap between the have and have nots, cross the north/south divide and get levelling-up done." All thanks to Brexit. "The sight of wealthy, hardline eurosceptic MPs salivating over the deal tells us who Brexit will really work for. Themselves and their investments." The low-wage, low-tax economy they dream of can finally become a reality. Levelling-up is just "empty waffle aimed at convincing deluded working-class voters who switched to the Tories that they care about inequality". Really it's the "same inherently unequal system" that caused Old Etonian Johnson to slide into the top job.

● "If Britain is to have a roaring Twenties, accelerating economic growth through innovation as a science superpower, then we need a government committed to removing obstacles faced by entrepreneurs and to resisting the demands for subsidy from corporatists," says Matt Ridley in The Sun. "Virtually all economic growth comes from innovation. New technologies, new habits, new ideas are what drive up living standards." Yet big business and pressure groups lobby to raise barriers against entrepreneurs. The government needs to discover its "radical instincts and take the side of the innovator against big companies, big NGOs and big regulators". That has never been more important post-pandemic. It's time to unleash the British tiger.

©Getty Images

Bridge by Andrew Robson

No eating of cards allowed

When you as a defender see a threatening suit in dummy, you must take measures to prevent it from being set up. Sometimes, a blockage within the suit comes to your rescue – provided you spot it in time.

Dealer West — Neither-side vulnerable

North: ♠ 72 ♥ A6 ♦ K10 ♣ J1098743

West: ♠ QJ8 ♥ J109854 ♦ A2 ♣ A2

East: ♠ 10543 ♥ 732 ♦ J983 ♣ 65

South: ♠ AK96 ♥ KQ ♦ Q7654 ♣ KQ

The bidding

South	West	North	East
	1♥	3♣*	pass
3NT	pass	pass	pass

* Weak Jump overcall – like a 3♣ opener.

West led the Knave of Hearts and declarer's heart sunk when he saw dummy's Heart holding. He won the Queen of Hearts and advanced a sneaky Queen of Clubs.

Had West ducked the Club, declarer could follow with the King to West's Ace. Clubs would now be set up with the Ace of Hearts as an entry. Game made.

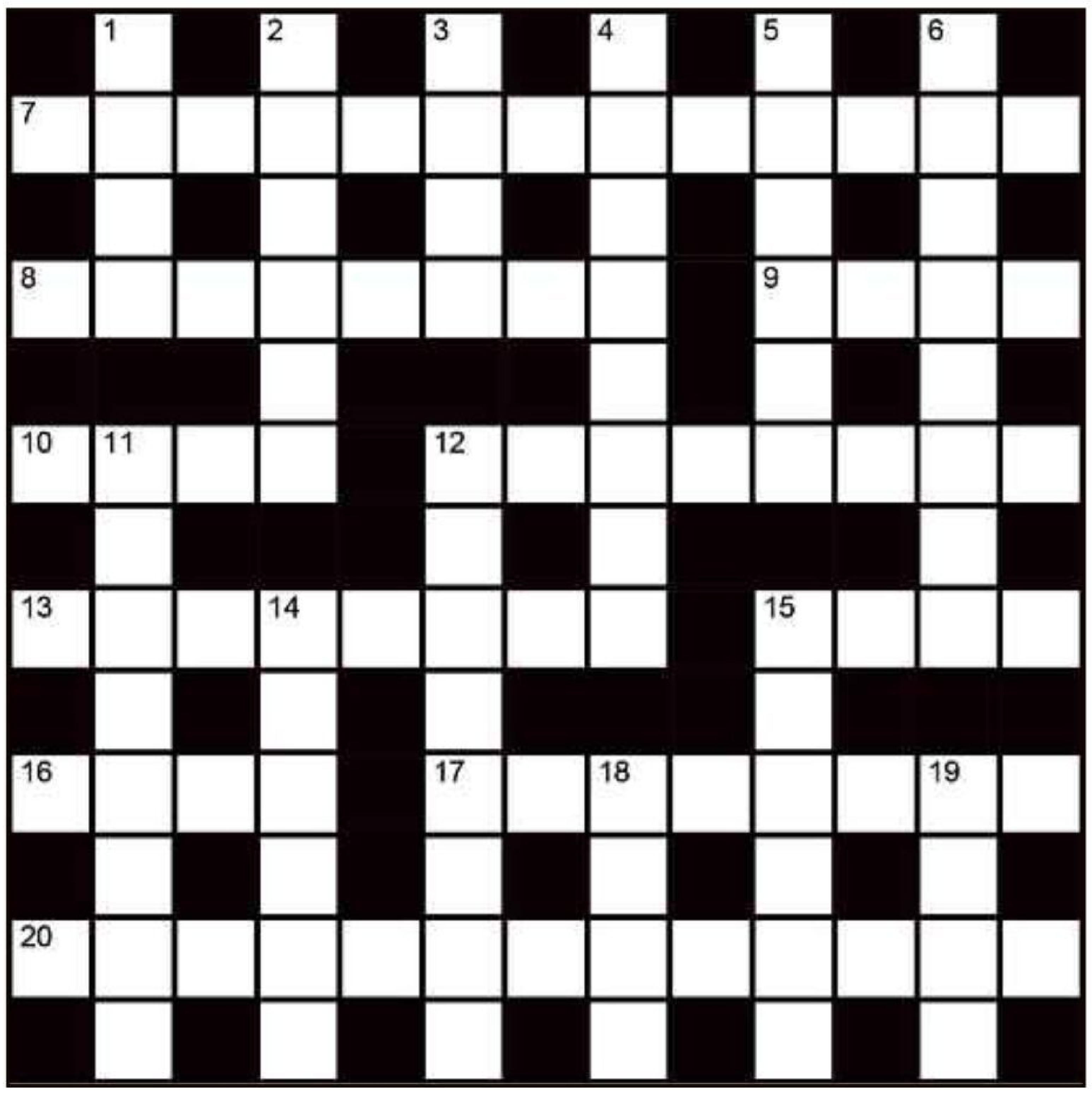
However, West made no mistake, winning the first Club with the Ace (key play) and playing a second Heart. This removed dummy's Ace of Hearts while declarer still held the blocking King of Clubs. How he wished he could eat the card – but the rules of Bridge do not allow for such measures (although I do remember the Hideous Hog trying such a ploy in one of Victor Mollo's classic fictional works).

With a resigned air, declarer crossed to his King of Clubs and led a Diamond. West naturally grabbed his Ace and ran four winning Hearts. Down two.

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

Tim Moorey's Quick Crossword No. 1033

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 18 Jan 2021. Answers to MoneyWeek's Quick Crossword No. 1033, 31-32 Alfred Place, London, WC1E 7DP.



Across clues are mildly cryptic; down clues are straight

ACROSS

7 Cruel sergeant reformed to become senior US officer (7, 6)
8 One coming from Scottish river after time when news is on (8)
9 Stylish young girl getting bottom pinched (4)
10 Frozen in nice drawing-room (4)
12 Public relations is a right con (8)
13 Covering Republican in part of east London (8)
15 Did state in Sweden initially help? (4)
16 Electrical component following custom (4)
17 Booze coming from cold baskets (8)
20 Musician engaged for a bash? (13)

DOWN

1 Cried (4)
2 Traditional story (6)
3 Touch down (4)
4 Consenting (to) (8)
5 A Hitchcock classic (6)
6 Tropical disease, mainly Asian (8)
11 Luggage conveyor (8)
12 Royal lady (8)
14 Puncture (6)
15 Lying on the back (6)
18 Operatic solo (4)
19 Ill-considered (4)

Name

Address

Solutions to 1030

Across 1 Briefs *double definition* 4 Dim + sum *additive* 8 Good reception *deceptive definition* 10 Masks *M + asks* 11 Entente *hidden* 13 Dress down *double definition* 17 Husband *double definition* 19 Drone *double definition* 20 Double-parking *two Ps* 22 Scents *homophone* 23 Adages *ad ages.*
Down: 1 Bigamy 2 Ironsides 3 Foresee 5 Input 6 Ski 7 Manner 9 Cheese dip 12 Non-voting 14 Ordered 15 Rhodes 16 Neighs 18 Allot 21 Uke.

The winner of MoneyWeek Quick Crossword No. 1030 is: Jo Valley of East Sussex

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

Taylor's, a family firm for 325 years, is 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.

Sudoku 1033

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

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

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

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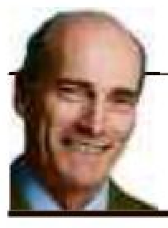
The way to get rich

Over the long haul, it's time that will deliver the goods



Bill Bonner
Columnist

Blowing it all now might be fun, but it's no way to build wealth

©Getty Images

What separates the rich from the rest of us? Ernest Hemingway claimed it was the fact that they had more money. But what accounts for the fact that some have it and others don't? How come some families stay rich generation after generation, while others never have a nickel?

"Culture," you will say. "Education," perhaps. You won't be wrong. But what, specifically, about culture and education is it that makes such a big difference in outcomes? The secret is simply this: the rich take the long view.

Consider: if you thought you'd live forever, would you do anything differently? Wouldn't your attitude toward your money change a little? Wouldn't you slow down, realising that you're not in such a hurry to make money? And wouldn't you reduce your spending, too, knowing that your money would have to last you a long, long time?

If you look carefully, almost all Old Money secrets can be traced to a single source: a longer-term outlook. The truly wealthy are careful to spend their money on things that hold their values over time. It's why they do not trade in and out of investments. Instead, they find a few positions and stick with them – for decades. (We have a friend, for example, who credits a single stock, Coca-Cola, for lifting his family out of near-poverty.) It's also why they prepare their families over the years so they will be ready for the challenges of managing and enlarging the family wealth. It's why they try to guide their children to suitable spouses. It's why they spend time and money on lawyers and accountants, too, making sure that the structures are in place to pass along wealth and protect it.

"A friend credits a single stock for lifting his family out of near-poverty"

It's why they prefer deep-value assets over momentum investing. (Over time, value rises to the top. Momentum slows.) It's why they will wait a long time – many, many years – for the right investment at the right price. It's why they like investments with long-term payoffs, such as timber, mining, and infrastructure. And it's how they are able to benefit from compound growth, letting relatively modest gains grow over several generations. It's why they are almost fanatical about eliminating costs: taxes, investment charges, and unrewarding living expenses.

It is all a matter of time. Over the long haul, it's time – the most immutable, inflexible, unforgiving resource under the heavens – that separates the rich from the poor. It would probably be so much more fun to spend your money now, wouldn't it? But the main point is worth keeping in mind: building wealth is not about getting something. It is about giving up something. It is for the planter. For the roofer. For the builder. For the saver. It is for the person who wishes to make a sacrifice – even if it is a relatively agreeable sacrifice – so that others may benefit from it.

The bottom line

£16.5m The combined value of the first five Aston Martin Goldfinger DB5 continuation models, replicas of the car driven by James Bond, that were delivered to customers just in time for Christmas. The £3.3m cars sport revolving number plates and fake machine guns.

4.7m The estimated number of households in Britain that have struggled to pay their telecoms (including internet) bills in September, representing 19% of the roughly 1,000 households surveyed for a report by the regulator, Ofcom.

£183.6m The total value of fines issued by the Financial Conduct Authority (FCA) last year, compared with £392m in 2019, and nearly £1.5bn in 2014. Just ten wrongdoers were fined, far fewer than the 21 in 2019 and the record 48 set in 2013. The yearly average is 29.

£750,000 How much Oxford University's wildlife unit received in donations related to the death of Cecil the lion in 2015. Scientists had been studying the beast in Zimbabwe when it was hunted by a dentist from Minnesota, sparking global outrage.

10,000 The monthly salary in Pakistani rupees (£47) that workers at two clothing factories in Pakistan claim they were paid to make garments for online fashion retailer Boohoo, according to an investigation by The Guardian. The legal minimum is 17,500 rupees.

©Alamy

$38.5m **How much superhero sequel *Wonder Woman 1984*, starring Gal Gadot (pictured), made at the box office on its opening weekend last month in 39 countries (not including the United States, where it opened later). China accounted for almost half of the sales, but the sum raised was less than half the amount the first film made three years ago.**

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