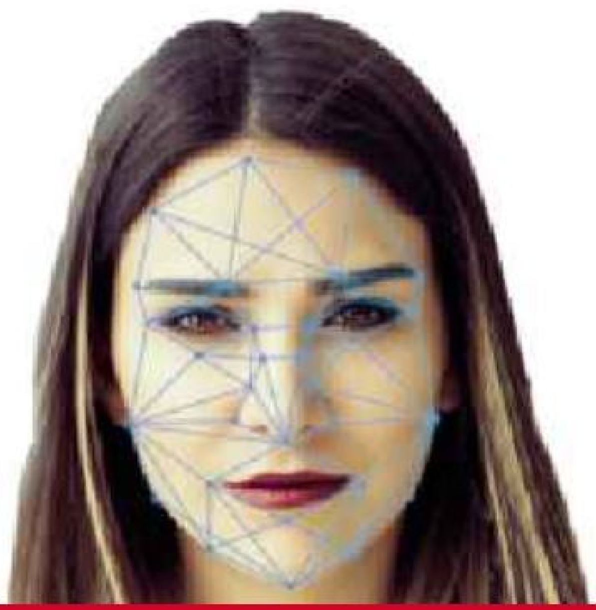
ANALYSIS *P20*

Big Brother is watching your face



PROFILE *P29*

The "Czech sphinx" buying up Europe

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Glamping at Glastonbury

BLOWING IT *P36*

MoneyWeek

MAKE IT, KEEP IT, SPEND IT

5 JULY 2019 | ISSUE 954 | £4.25

Good morning, Vietnam

Asia's other communist dynamo

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MoneyWeek

5 July 2019 | Issue 954

Britain's best-selling financial magazine

From the editor-in-chief...

One of the joys of reading all the papers every week is that you pick up the little stories created by the big stories. My favourite this week is that of Guy Warren of Evergreen Homes. He is irritated. Very. Why? The (biggish) story about the super-keen Remainers who apparently recorded a row between Boris Johnson and his girlfriend through the wall of her flat offends him. Not because he is anti-nosy parkering, or even because he disapproves of the making of the private public (the neighbours gave the recording to the papers). It is because he worked on the flat in question and knows "that the level of insulation and the quality of materials we use would have made recording of this alleged argument impossible." To suggest otherwise suggests the quality of his workmanship is not what he wants it to be.

©Getty Images

Prince Charles: scourge of the dodgy housebuilder

"Builders should focus more on quality and less on selling rubbish to desperate buyers"

I have no idea how true this is. But it's still something of a relief to find that the UK has any builders even the tiniest bit interested in the quality of the houses they build, as opposed to the super profits they can make from flogging substandard rubbish to desperate buyers. The only other person in the papers who seems to feel the same is Prince Charles. He has just launched a report aimed at improving the "stain on the landscape" style of housebuilding the UK is subjected to. The report's 14 action points mostly sound sensible. Prince Charles wants better build quality; walkability built in to developments; more housebuilders; and more terraced housing (rather than detached houses or tower blocks). It is hard to disagree with any of this. A lot of those who have bought hugely overpriced luxury flats in the "energy guzzling glass box" towers that Prince Charles particularly hates over the last few years – the prices of which are falling fast – will surely be wishing they had bought a nice terraced cottage in Poundbury (where prices seem to only rise) instead. But the devil will be in the details. What, we wonder, will Prince Charles have in mind for his list of quality must-haves for new builds? He could perhaps start it with "soundproofing so good you can't hear politicians shouting." Those houses would sell like hot cakes.

For more on how the property market could do with a little more imagination, turn to Matthew's column on page 16. And for more on the housing market in general, turn to page 24. There Sarah looks at the ban on selling new-build houses as leaseholds, a sign perhaps that even before royalty started to get on its case, the government was beginning to take a firmer line with the big housebuilders. Finally.

Away from property, anyone not yet invested in Vietnam might look to page 4. GDP growth is good; exports are thriving; the middle class is fast growing; Vietnam could be the "biggest winner of the US-China war;" and there are excellent stocks to be found at reasonable valuations. And if you want to know how the Neil Woodford saga is unfolding, turn to page 15, then visit moneyweek.com where John has been wondering whether it is time to buy the Woodford-run Patient Capital Trust. One day the discount on the shares will be big enough to make the answer to this "maybe". But in the meantime John has a better idea for you.

Finally, exciting news – tickets for this year's MoneyWeek event are now on sale. We'd love to see you on November 22nd – go to moneyweekwealthsummit.co.uk to book your seat now.

Merryn Somerset Webb
editor@moneyweek.com

A very expensive loan

Arthur Scargill, the former leader of the National Union of Mineworkers (NUM), could be facing a £300,000 legal bill after a 30-year battle over the repayment of a loan. The judge ordered the International Energy and Miners Organisation (IEMO) – which was set up by Scargill around the time of the 1984-1985 miners' strike, when the NUM was subject to a sequestration order – to repay a £100,000 loan made by the NUM to cover the IEMO's legal costs in action it took against Scargill's former deputy. The IEMO – which, The Times says, "in effect consists of Mr Scargill and his French colleague, Alain Simon" – will also be liable for the NUM's legal costs, which could amount to as much as £200,000.

Cover illustration: **Howard McWilliam.** Photos: **Getty Images**

Good week for:

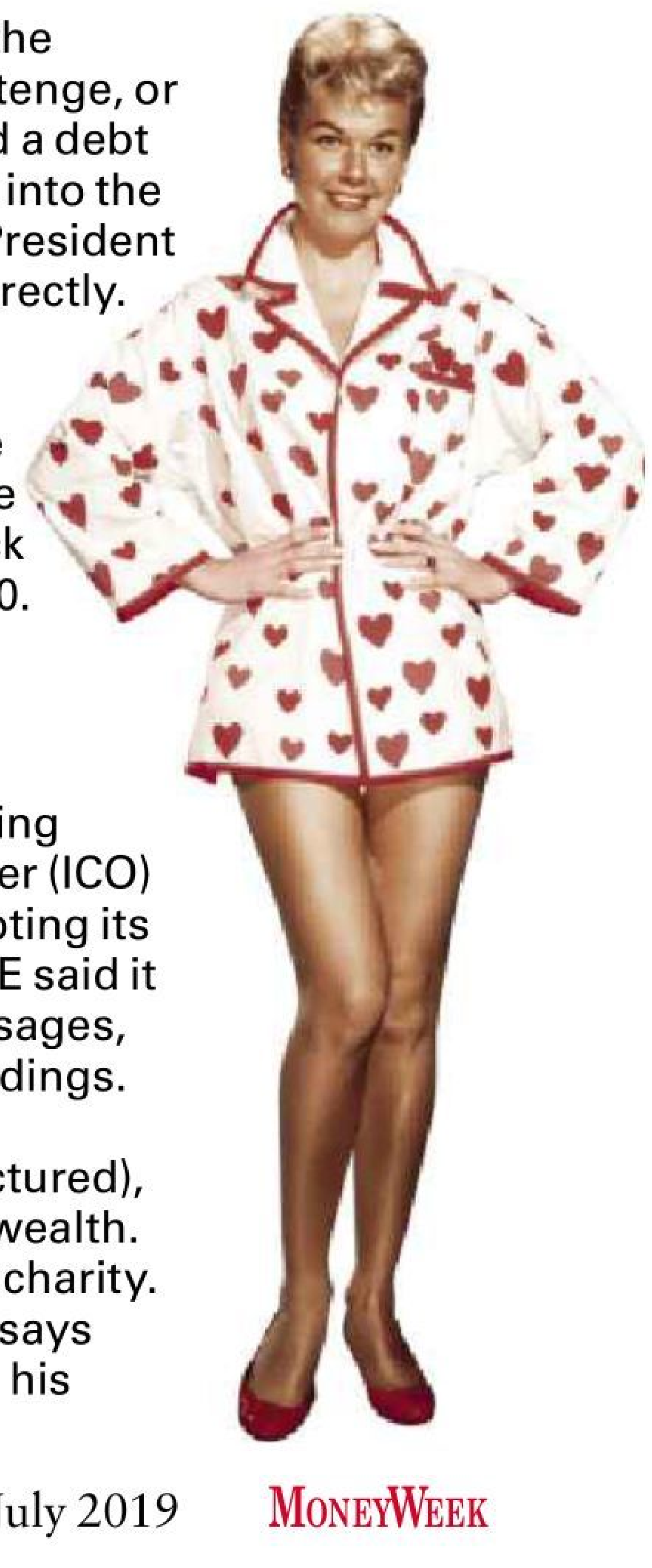
More than three million citizens of Kazakhstan – a sixth of the population – will have their debts (up to a value of 300,000 tenge, or around £620) cancelled after the new president announced a debt forgiveness programme. At least $18bn has been pumped into the nation's lenders in the last decade, says Al Jazeera – now President Kassym-Jomart Tokayev has decided to bail out citizens directly.

Schoolgirls at Roedean, a public school in Brighton, may have unearthed a painting by John Constable as they were tidying the headteacher's office, writes the Daily Mail. "The Chain Pier at Brighton in a Gale" had a bill of sale on its back which says it was bought from the artist's grandson in 1900. It was sold in 1909 by Christie's for £31 and ten shillings.

Bad week for:

Mobile phone network **EE** has been fined £100,000 for texting customers without consent. The Information Commissioner (ICO) said that EE sent more than 2.5 million texts in 2018, promoting its app and exhorting customers to upgrade their handsets. EE said it believed at the time that the texts were not marketing messages, but "service messages". It has since accepted the ICO's findings.

Ryan Melcher, the only grandchild of the late Doris Day (pictured), has learned he will not inherit any of the Hollywood star's wealth. Day, who died aged 97 last month, left £160m to an animal charity. Melcher, who is the child of Day's only son, Terry Melcher, says Day's business manager blocked him from all contact with his grandmother, and he hadn't spoken to her for 15 years.



©Getty Images

Invest in Asia's other communist dynamo

Alex Rankine
Markets editor

Vietnam's GDP-per-capita growth since 1990 has been second only to China's

©Alamy

The Trump-Xi rapprochement may have grabbed the headlines (see page 5) but last weekend also brought good trade news for Asia's other Communist dynamo. The European Union signed a trade deal with Hanoi on Sunday that looks set to eliminate 99% of tariffs on goods and services between the two sides. That means that Vietnam's exporters are enjoying new opportunities in both America, the world's largest economy, and the EU, the world's largest single market.

As for the dispute between the US and China, Vietnam "has emerged as the biggest winner", say Gareth Leather and Alex Holmes for Capital Economics. Exports to the US have jumped by 50% since last summer as Trump's tariffs on Beijing prompt American importers to look for other suppliers. Trans-Pacific trade tensions have boosted Vietnam's GDP by around 0.5% over the last year. Economic growth for 2019 as a whole is now likely to hit an impressive 7%.

Trump's next target?

The trade war has encouraged a growing number of businesses to relocate operations to China's southern neighbour, where factory wages are often 50% lower than in the Middle Kingdom, note Gwynn Guilford and Dan Kopf for Quartz. Apple-supplier Foxconn has made moves to shift production out of China to India and Vietnam in recent months. Shoe company Brooks Running announced in May that it is shutting operations in China to move to Vietnam. South Korean electronics giant Samsung also looks poised to close its last factory in China, says He Huifeng for The South China Morning Post, and increase production in Vietnam and India.

"Vietnam's 15 year-olds do as well in maths and science as their German peers"

But what Trump gives he can also take away, say Tom Miller and Chen Long for Gavekal Research. Unhappy with a growing trade imbalance with Vietnam, he lambasted it last week as "almost the single worst abuser" and refused to rule out turning his tariff guns on Hanoi.

Whatever the White House does next, however, the long-term outlook is bright. Pledges of foreign direct investment (FDI) nearly doubled to $10.8bn in the first quarter of this year. FDI climbed by 9.1% in 2018 to $19.1bn, according to official statistics, marking a sixth straight annual record as capital poured into one of the region's most dynamic economies.

A successful renovation

Until the 1980s, however, it was anything but. At that stage it was emerging from "decades of war" and was "as poor as Ethiopia", says The Economist. Yet in 1986 the country's Communist leaders initiated the "doi moi" – literally meaning "renovation" – that paired China-style internal market reforms with a flurry of trade deals. The results speak for themselves. Since 1990 the country has "notched up the world's second-fastest growth rate per person" after China. In common with other small emerging economies, Vietnam's leaders have prioritised an export-led path to growth. Relations with the US have improved tremendously since the Vietnam war and America is now the country's single biggest export market, with China in second place.

Plenty of room to grow

The economic renovation also brought an intense focus on education. International tests show that Vietnam's 15-year-olds now perform as well in maths and science as their peers in Germany. The country spends nearly 6% of GDP on education, says John Reed in the Financial Times. That's "high by global standards" and significantly more than neighbours or most other countries in a comparable income bracket. In conjunction with the expertise provided by FDI, that bodes well for productivity and long-term growth.

The large, young population, meanwhile, should underpin the development of the consumer economy. Two-thirds of the population of 94 million is under the age of 35 and the median age is 31. The Vietnamese have a reputation for being hard-working and entrepreneurial.

Rainer Michael Preiss notes on Forbes that Thai GDP per capita used to be 16 times higher than Vietnam's, but today the gap has narrowed to 2.5 times. Yet that still leaves Vietnam, where GDP per head sits at around $2,500 compared to more than $9,750 in China, according to World Bank figures, with plenty of room for rapid catch-up growth with its neighbours.

The Boston Consulting Group projects that the "middle and affluent class" – defined as those earning at least $714 per month – will hit one third of the population next year, making it Southeast Asia's fastest-growing middle class of recent years. Rising demand for new goods and services from these consumers underpins a bullish growth outlook for local businesses. A stable macroeconomy is another plus point. Inflation is under control (the World Bank expects it to head below 4% later this year) and public debt has declined over the past few years.

An overlooked market

Vietnam is still classified as a frontier market, which constrains how much fund managers can invest. Craig Mellow in Barron's says that local restrictions on foreign ownership have led global investors to crowd into "a few marquee names". Promotion to the main MSCI Emerging Markets index, expected as soon as this September or next year, will be a significant catalyst for the local stock market. Vietnam is still not "on the radar of most investors but the indications are that it will be in the future". The good news is that MoneyWeek's favourite Vietnam play, VinaCapital's **Vietnam Opportunity Fund (LSE: VOF)**, which invests in both listed and unlisted companies and debt, already looks appealing on a 15% discount to net asset value.

Trade-war ceasefire boosts stocks

©Getty Images

Read my lips: no new tariffs

"The great US-China trade war is all over," says Howard Gold on MarketWatch. The G20 summit in Japan brought a handshake between Donald Trump and Xi Jinping, with the former offering to shelve new threatened tariffs on Chinese imports and to lift some restrictions on tech giant Huawei. With the 2020 election looming, the president has shown that he "won't go to the wall" to win a fundamental change of American trade relations with Beijing.

Equity markets sighed with relief, with America's S&P 500 rising to a new record high just below 3,000 early this week. The index soared by more than 17% during the first six months of this year, its best first half since 1997.

Yet the road to a deal remains far from clear, say Alan Rappeport and Keith Bradsher for The New York Times. Top Trump advisers stress that there is "no timeline" to reach an agreement, and that the two sides remain "as far apart as they were when talks broke up in May". News that the US is considering imposing $4bn in extra tariffs on the EU amid a row about aircraft subsidies also suggests that a new era of trade harmony has not broken out between world leaders. In the meantime, "existing tariffs remain in place, meaning that the current drag on earnings and growth will continue", as Alec Young of Global markets research told CNN.

All shall have prizes

Still, stocks are looking on the bright side for now – as they have been for most of the first half. The FTSE All World index of equities is up 15.8%, notes Michael Mackenzie in the Financial Times. Commodities also had a good half; gold has rallied more than 8% since the start of the year in dollar terms. Interestingly, bonds have done well too. An index of long-dated US Treasury debt delivered a total return in excess of 11% during the first six months of 2019. The strong performance across so many asset classes is a puzzle, says Mackenzie. Usually stocks perform well when the economy is looking up, while investors turn to bonds and other safe havens when the storm clouds gather. Double-digit gains for both during the same six-month period is a "rare combination" that has not happened since 1995. "One of these markets must be wrong."

Riding the asset-price bubble

Strong performance at the two extreme ends of the risk spectrum is not a sign of normal times, agrees Mohamed El-Erian on Bloomberg.

There is no doubt that the "historic policy pivot" by major central banks towards monetary easing has driven this curious rally. The continuous liquidity injections risk decoupling asset prices "too far and too fast" from the economic fundamentals. That sets the stage for a "painful market correction".

The fundamentals are not looking great, agrees Jeff Cox on CNBC. The drag of trade tariffs has left analysts forecasting falls in S&P 500 corporate earnings for the second and third quarter. Yet investors have become so dependent on the Federal Reserve to deliver rate cuts that they "seem to care more about a dovish Fed" than the bad news that is making it dovish in the first place, says Spencer Jakab for The Wall Street Journal.

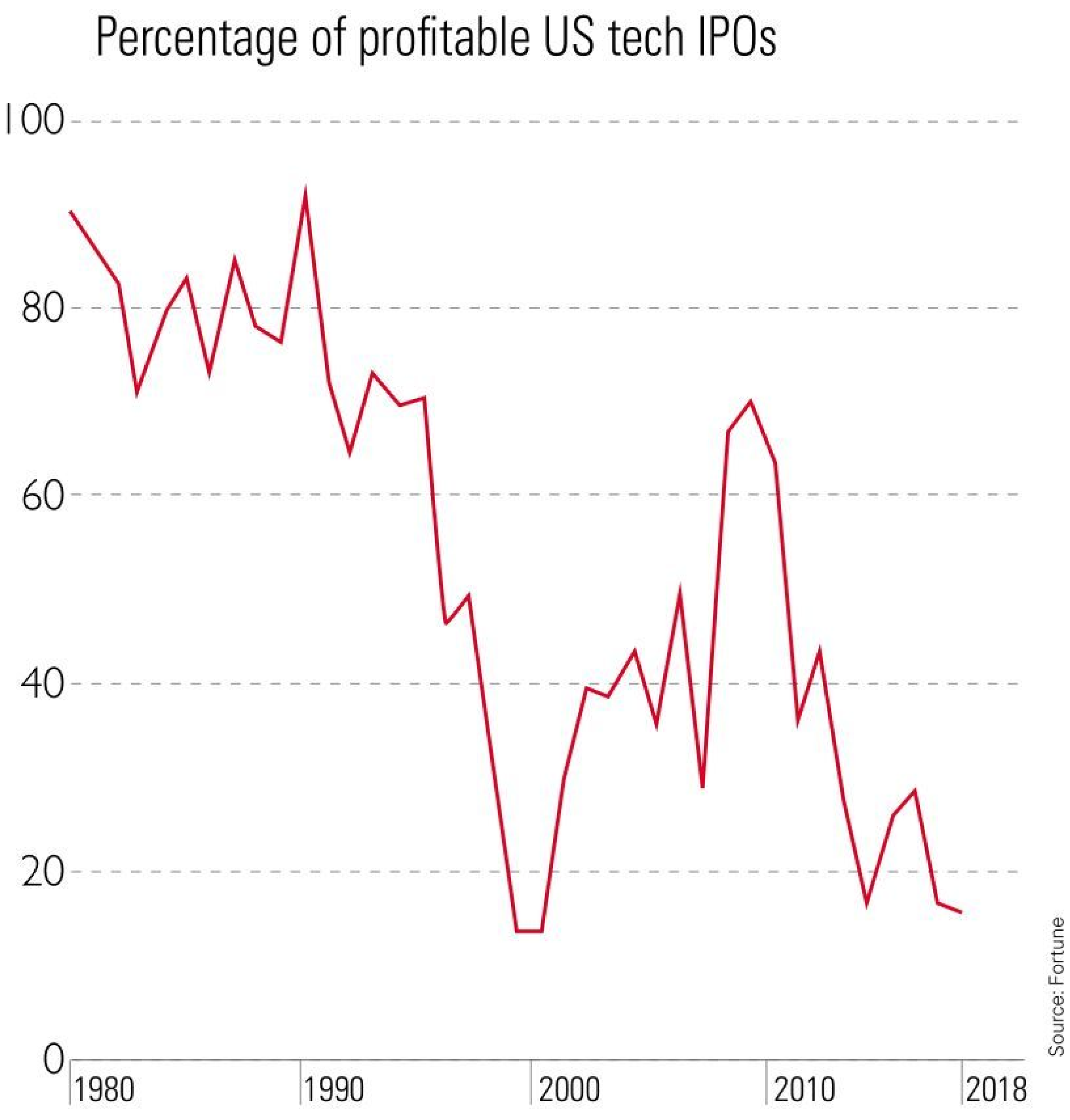
The chances are high that we have now entered the last innings of "this long bull market", says Tom Stevenson in The Daily Telegraph. The quandary is that past evidence shows that "the final push can give investors their best gains". Nevertheless, investors would be wise to consider switching into more high-quality and defensive stocks and – as MoneyWeek explored last week – look at topping up their gold holdings.

Viewpoint

"You would have thought that, given they are embroiled in the biggest investment scandal in recent years, fund managers would be prepared for scrutiny. Their fees, their holdings, their unquoted assets, their governance — everything has been under the spotlight... But no. 'Why do you want to know this?' was the response when we asked for confirmation of the unquoted assets held in one fund... we've had to show investment companies where their own fund accounts are published on their websites — and even point out errors in one firm's annual report... when we asked companies last week for the percentages of unquoted holdings in their funds, one told us that the numbers were difficult to get hold of because nobody ever asks about them... The Woodford scandal was all about unquoted stocks, but firms still don't have this information to hand."

James Coney, The Sunday Times

■ The US tech-cash bonfire



Only in the dotcom frenzy did we see a greater percentage of initial public offerings (IPOs) from unprofitable technology firms, as Shawn Tully points out in Fortune (the chart was compiled with profit or loss figures of the 12 months before flotation). But there is a stark difference between the early 2000s and today. Then, burning cash was associated with "failures" such as Webvan or eToys.com. Today's tech heroes Tesla, Uber, Lyft and Snap have jointly burnt $23.9bn, outspending Google, Amazon, Apple and Facebook's collective spending total by a factor of 20. And in contrast to the more established "Fab Four", today's big recent IPOs do not appear to be anywhere close to making sustained profits.

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

Three to buy

DWF Group
The Sunday Telegraph
DWF became the latest law firm to "brave the public markets" in March, one of a steady trickle opting to trade "the protections of partnership for the chance to grow". The largest division of the company is commercial services – the client list includes Barclays and Uber – while a "connected services arm" that offers legal software and consulting looks promising. A "people" business such as this always risks seeing key assets walk out of the door, but DWF has the scale and experience to prosper. It looks reasonably priced on 18 times forecast earnings. *119.75p*

Sirius Minerals
The Times
This FTSE-250 potash miner is developing a prospect deep under the North York Moors. In 2016 the group raised $1.2bn to fund the construction of the 1,500m-deep mine and a 23-mile transport tunnel. It is now finding a further $3.8bn as the project reaches a "pivotal stage". Potash is a vital component of agricultural fertilisers and growing global populations mean huge demand, although extraction is not scheduled to begin until the 2021. This is "a gamble" but the shares look very cheap. *14p*

Urban Logistics
The Mail on Sunday
Once considered dull, the logistics industry has been turned on its head by the rise of e-commerce. That has stoked demand for so-called "last mile" warehouses: smaller, local spaces that play a vital role in the supply chain. This real-estate business carefully chooses sites that are optimally located and screens tenants for financial strength. That strategy underpins a appealing 5.5% dividend yield. *123p*

Three to sell

Lloyds Banking Group
Shares
The next 18 months are expected to bring a significant recovery in profits and a large share-repurchase programme. Yet Lloyds is the most exposed of all high street banks to UK consumer and business sentiment and a small change in forecasts of non-performing loans could tank the share price. There are also significant headwinds for the core business as the "grim" housing market outlook and heightened regulatory scrutiny – the Bank of England is watching mortgage markets "like a hawk" – threaten profitability. Avoid. *57p*

Marks & Spencer
Investors Chronicle
This high-street stalwart has had a tough few years. Management has responded with store closures and cuts to investment levels. The strategy has driven down debt but failed to reverse falling like-for-like sales, a particular problem for a business whose estate of 1,487 stores means high fixed costs. The partial acquisition of Ocado's UK retail operation does not give M&S ownership of the online retailer's technology, which is where many think the real value lies. *210p*

Science Group
Money Observer
This science consultancy business offers international clients support with research and development, product development and regulation. The shares have soared over the past six years, while the fee-based model has been a good way to bet on innovation in an industry with a high failure rate. However, a strategic review means that it will now focus on acquiring struggling businesses and turning them around, a riskier bet. Sell. *201*p.

...and the rest

The Daily Telegraph
Brewer-to-pubs and hotel operator **Marston's** has a sensible plan to boost cash generation and on a forecast price/earnings (p/e) ratio of eight the potential downside for the stock looks limited *(114.75p).*

Investors Chronicle
Commercial property specialist **Helical** is trading on a 29% discount to forecast net asset value (NAV) despite solid rental growth and takeover interest – buy *(367p).* Vehicle tracking and data analysis business **Quartix** is signing up new clients, has high levels of recurring revenue and offers a 4.1% forward dividend yield *(286p).* A turnaround plan at outsourcer **Capita** has so far left the market unconvinced because of contract losses and high debt levels. Sell *(107p).*

Shares
Shares in **Royal Mail** have slumped 69% in the past year, but the growing UK parcels business and a 7.6% dividend yield make this a contrarian buy *(198p).* IT business **Kainos**'s role in advising companies and the government puts it at the forefront of the "digital transformation" *(648p).* Tough comparisons with last year have weighed on **Tesco**'s recent performance but grocery sales are still growing and it remains the "undisputed market leader" *(226p).*

The Times
A 75% rally has made the market take notice of Asia-Pacific-focused oil and gas producer **Jadestone Energy** and plans to double production have brokers tipping more upside to come (58p). Those willing to look past **Premier Oil**'s $2.3bn in net debts will find a business where rising production and a higher oil price make for an auspicious outlook *(74.5p).* Newly listed ticketing app **Trainline** is well-run but too expensive – steer clear *(410p).*

A Swiss view

Freedom Foods has nothing to do with the spat between America and France over freedom fries, says Finanz und Wirtschaft. The Australian company specialises in food that is free from preservatives and artificial ingredients. A health-food pioneer, it started off in the 1990s with soy and rice milk; it has gradually expanded its range to include gluten-free cereals and protein supplements. It has distribution contracts with major supermarkets and is growing rapidly in China. Investments in production capacity will help it make more of its own brands, which are higher-margin than the food it makes for others. Deutsche Bank expects sales to grow by 30% in three years.

IPO watch

Finally, a fast-growing company coming to market that isn't in the technology sector. Late last week shares in RealReal, the leader in online consignment sales of second-hand luxury goods, bounced by more than 40% as it made its debut in New York. The group's shares were priced at $20 and it raised $300m, implying a valuation of $1.65bn. RealReal's sales jumped by 49% to $69m in the year to April but it made a loss of $23.2m. The company's prospects look promising as it benefits not only from thrift but a growing feeling among Millennials and Generation Z that second-hand shopping is environmentally responsible, notes Marketwatch.

City talk

● Shares in Costain have plunged after a warning from the infrastructure group that several projects "would not start on time", says Elizabeth Burden in The Times. The contractor has suffered from the "tightening of purse strings" by local authorities and central government, while its struggling peers have also dented confidence. Carillion is no more; Interserve was seized by its creditors, and Kier has issued a "strong profit warning". But is the gloom overdone? Broker Peel Hunt says Costain's "strong balance sheet" makes it "sufficiently different" from its rivals.

● Over the past few years, Nike has won "a lot of credit" from its "youthful customer base", along with a "handsome dollar pay-off" for its attempts to position itself "as a champion of progressive social causes",

says James Moore in The Independent. But its decision to cancel a line of limited-edition shoes – after the studio controlled by their Japanese designer Jun Takahashi expressed support for the protests in Hong Kong – shows "that its brand values only go so far". When it comes to anything that could threaten the "holy yuan, and 18% growth" in China, the company will "kowtow" to the authorities in Beijing – "along with everyone else".

● It just keeps getting worse for Funding Circle investors. Shares in the peer-to-peer business lender have slipped by a fifth thanks to a sharp drop in demand for loans, says the Financial Times. Chief executive Samir Desai has blamed a "tough economy" for a drop in demand for small business investment. Meanwhile, the percentage of loans in default has increased to between 3.5% and 4.4%, leading Funding Circle to cut the amount of money it allocates to higher-risk business. The combined effects of both measures means Funding Circle has been forced to scale down its "ambitious growth target". The stock has now declined by 70% since last October's flotation.

Apple's design guru departs

The designer of the iMac and iPhone is leaving the tech giant.The news comes at a difficult time. Matthew Partridge reports

With the departure of design guru Jony Ive Apple is "getting a taste of luxury's less lustrous side", says Tom Buerkle on Breakingviews. Ive and his "sleek" designs have "defined the marriage of style and function" at Apple, starting with his iconic design for the Apple iMac in 1998, which was credited with helping turning around the company's fortunes. Ive then "repeated the trick" with the iPhone, which "ushered in the smartphone age and enabled Apple to charge ever-higher premium prices, much like a Paris fashion label". However, just as many fashion houses have struggled after losing their chief designer, replacing Ive might be a "painful process".

Apple's chief executive Tim Cook has only himself to blame for the loss of the company's main creative force, says Tripp Mickle in The Wall Street Journal. Despite running "what was arguably the most successful design operation in business history", Ive had been growing "frustrated" by the fact that Apple's board "became increasingly populated by directors with backgrounds in finance and operations rather than technology or other areas of the company's core business". This in turn prompted him to withdraw from day-to-day management of the design team "leaving it rudderless, increasingly inefficient, and ultimately weakened by a string of departures".

It's not fair to blame Cook, says Mark Gurman on Bloomberg. Ive's departure "has been a long time in the making" . Having been at Apple for more than 25 years, it was inevitable he would eventually choose to stand down from what has been a "really taxing job". The idea of doing "incremental upgrades" to a mature product line may have looked increasingly unattractive. In any case, Ive may not have been the best person to carry Apple forward, since any new products "will require fundamental technological innovation, not just the design genius of Ive and his team".

Is Ive's (left) exit Tim Cook's fault?

Is Apple past its sell-by date?

Whatever the causes of the rupture, Ive's decision to leave Apple comes at a "tricky moment" for the technology giant, says Julia Carrie Wong in The Guardian. It seems to have "faltered" ever since it passed the trillion-dollar market capitalisation mark: witness "increased competition", the "slowing demand for smartphones" and the "escalating trade war between the US and China".

It's true that Apple faces a "daunting" challenge says the Financial Times. Still, "fresh thinking and new blood can do a company good" – as Ive himself proved during the 1990s. Many experts have argued that Apple needs to end its "hardware addiction" and work on its services. There are signs of progress: with "the new Apple TV+ streaming service and a games subscription package called Apple Arcade", the company seems to be focusing on creating "an ecosystem including apps, virtual assistants and more".

Deutsche Bank's umpteenth turnaround

Deutsche Bank is planning a "global cull" of 20,000 staff, more than a fifth of those currently employed, reports Jim Armitage in the Evening Standard. Departments expected to bear the brunt of the cuts are investment banking and equities, including hundreds of workers in London. Chief executive Christian Sewing (pictured) also plans a major board shake-up. This "drastic" action has been prompted by the failure of merger talks with rival Commerzbank.

It might be hard to pay attention to these proposals since "public unveiling" of turnaround plans has become "an almost-annual rite for

Deutsche Bank", say David Enrich and Kate Kelly in The New York Times. Over the past seven years the bank "has cycled through five chief executives, with each taking at least one stab — and often more than one — at fixing its financial and cultural problems". So far, each of them has proven to be "underwhelming" or ended up "quietly shelved". Still, this time may be different. With the stock down 95% from its peak, "bosses will try anything".

Deutsche isn't alone, says Bloomberg. HSBC's boss John Flint recently announced that "at least 500 jobs could go within global banking and markets", while Normura has also axed jobs. This is partly due to "shaky markets, trade tensions and Brexit". But lower revenues at investment banks and increasing investment in automating jobs are creating a banking labour market "that may be the gloomiest since the financial crisis". Some bankers are "jumping before they are pushed".

Get set for a Tory spending spree

Both candidates could squander the fiscal restraint of the past few years. Emily Hohler reports

Now that the Tory leadership contest is entering a decisive phase, it is "turning into a battle over who can sound more macho", says James Blitz in the Financial Times. Boris Johnson says he will take Britain out of the EU – "do or die" – by 31 October. Jeremy Hunt is now trying to sound "even more Eurosceptic". A month ago, he was saying, sensibly, that he would aim for a revised deal by the deadline, but was open to extending it if necessary. He said no deal was "political suicide" because of the impossibility of getting it through the House of Commons.

This week, however, he no longer appears to view no deal as a "last resort" and has "come up with a ten-point plan to implement no deal as successfully as possible". He has also said that he is willing, albeit with a "heavy heart", to tell business owners they should be "prepared to go bust to ensure a no-deal Brexit".

Jeremy Hunt: sounding macho

©Rex Features

No majority for no deal

All this is, allegedly, in the name of democracy, says Rachel Sylvester in The Times. However, both he and Johnson are thinking only of the 160,000 Tory party members who will choose the new party leader over the next three weeks, not the majority of voters or MPs. According to the latest YouGov poll, just 28% of voters favour a no-deal Brexit. Nor was no deal what people voted for. In the run-up to the 2016 referendum, the official Vote Leave campaign "ruled out a no-deal Brexit", with one leaflet stating, "taking back control is a careful change, not a sudden stop". Another briefing paper stressed that, in the event of a Leave result, there would be a "new UK-EU treaty based on free trade and friendly co-operation". At the 2017 general election, the Tory manifesto promised a "smooth, orderly Brexit". And, of course, Parliament has "rejected a no-deal departure and would do so again". It is "extraordinary" that the Eurosceptics, who "once waxed lyrical about Parliamentary sovereignty, are now seriously discussing suspending the House of Commons to overcome MPs' opposition to leaving the EU on 31 October".

As the chancellor, Philip Hammond, "looks on aghast", Hunt and Johnson are also spraying money at us, says Polly Toynbee in The Guardian. Hunt has proposed £6bn to compensate farmers and fisherman for no-deal tariffs – "needless costs when the Brexiters promised frictionless trade". He has also pledged to cut corporation tax to 12.5% at a estimated cost of £13bn, to boost defence spending by £15bn a year and to cut the interest on student debt.

Johnson, meanwhile, would scrap public-sector pay freezes, lift the National Insurance and higher-rate income-tax thresholds as well as increase spending on the police, social care and roads. The Institute for Fiscal Studies has estimated that Johnson's plans could cost £25bn-£30bn a year; Hunt's up to £46bn. If delivered, such commitments would put him on a par with Labour, which said in its 2017 election manifesto that it would increase spending by £48.6bn to reverse austerity, says Jess Shankleman on Bloomberg.

Labour "made hay with the growing criticism" of the pair's spending promises, accusing them of "reckless spending commitments," says Rob Merrick in The Independent. Fiscal rules require that the structural budget deficit is no more than 2% of GDP in 2020-2021. It is forecast to come in £26.6bn below the ceiling, but a no-deal Brexit could "wipe out" that margin and Hammond fears that the sacrifices of years of austerity could now be squandered. Speaking this week, he cautioned that after all the hard work to rebuild our public finances, it's "very important that we don't throw that away".

Trump: first US president to visit North Korea

©Getty Images

Will Trump's visit lead to a nuclear deal?

North Korean state media have hailed President Donald Trump's "impromptu visit" to the country on Sunday as an "amazing event", reports the BBC. Trump, who became the first sitting US president to set foot in the country, travelled to South Korea following the G20 summit in Japan, and on Saturday tweeted a message to North Korean leader Kim Jong-un, suggesting a meeting at the border. Kim accepted.

As Trump "revelled" in his "historic" stroll, administration officials were "at odds" over what demands to make of Kim Jong-un as they prepared to restart negotiations on a nuclear deal, says Edward Wong in The New York Times. National security adviser, John Bolton, a "prominent hawk", "reacted angrily" to a report about the possibility of an incremental approach, which would initially just ask for a freeze on nuclear activity.

However, negotiations stalled after a failed February summit at which Trump insisted that Kim give up his entire nuclear programme in exchange for sanctions relief. Trump has given Secretary of State Mike Pompeo responsibility for restarting negotiations and officials are considering allowing "more robust humanitarian aid" or some "limited economic exchanges between the North and South" in return for a freeze on Kim's nuclear programme. Note, however, that South Korean president Moon Jae-in has been struggling to hold the North to its "most basic commitments" since his meeting with Kim in April 2018, says Andrew Jeong in The Wall Street Journal. This doesn't bode well for "loftier promises".

Trump's methods are "unorthodox", but since he remains "subject to the checks and balances of the US system", he is able to make "big gestures that might engineer a diplomatic breakthrough", says The Daily Telegraph. Sometimes, "force of personality and a willingness to take a risk pays off."

Betting on politics

Despite the various controversies surrounding Boris Johnson, his status as the presumptive leader of the Conservative party seems undimmed.

With a total of £12.7m wagered on Betfair alone, his odds have tightened to 1.14 (87.7%) while those of Jeremy Hunt have drifted out to 8.6 (11.6%).

Interestingly, given that betting exchanges are generally more generous than the bookies, the best odds you can get on Boris anywhere come from Ladbrokes, which is offering 1/6 (85.7%) on him being the next prime minister.

Ladbrokes are also offering odds on the next Chancellor. Sajid Javid (pictured) is the favourite, with odds of 4/5 (55.5%). Tied for second place are Liz Truss and Matt Hancock, who are each on 4/1

(20%). Jacob Rees-Mogg and Andrea Leadsom are also in contention at 8/1 (11.1%) and 16/1 (5.9%) respectively. Since I made lots of recommendations a year ago, at markedly different odds, I won't offer any more suggestions.

Ladbrokes is also offering bets on the outcome of Jeremy Corbyn's constituency of Islington North and Johnson's seat of Uxbridge and South Ruislip at the next general election.

While I prefer not to make bets where the odds are very short, I think the 1/10 (90.9%) on Labour to win Islington North is worth taking because Corbyn's majority was 33,215 at the last election. Indeed, the last time Labour got less than 50% of the vote in that constituency was in 1983.

Iran ditches the nuclear deal

Why did it happen and how should we respond? Matthew Partridge reports

Iran's "escalating confrontation" with the United States seems to be getting worse, says David E. Sanger in The New York Times. The Islamic republic has "violated a key provision of the 2015 international accord to restrict its nuclear programme" .

International inspectors have confirmed that Iran has exceeded a critical limit on how much nuclear fuel it may possess under the agreement. (The US abandoned the deal last year and reimposed sanctions but Europe is sticking with it.) Iran also henceforth intends to enrich its nuclear fuel to a purer level, a "provocative" move that gets it closer to developing a nuclear weapon.This marks "a sharp shift in strategy for Iran". Until this week it had continued to respect the terms of the agreement.

President Hassan Rouhani: a sharp shift in strategy

Is it America's fault?

Iran's actions are easy to understand, says Doyle McManus in the Los Angeles Times. Its economy has been "pummelled" by the Trump administration's economic sanctions. In parcticular, oil exports, the country's main source of income, have "plummeted by an estimated 80%". Given that the US "holds most of the cards" when it comes to the economy, it's not surprising that Tehran has "struck back" in this way.

It's wrong to blame the West for Iran's latest actions, says The Wall Street Journal.The regime has always "viewed the deal as a pause, not an end, to its nuclear ambitions". Even Iran's top nuclear official has acknowledged that "the regime had long been preparing to break out from the deal and pursue nuclear weapons". We shouldn't overlook Iran's other crimes, which include "maintaining a destabilising presence in Syria, plotting terrorist attacks in Europe, and calling for the destruction of Israel". Recent attacks on Middle Eastern oil pipelines are also "part of a pattern that long preceded the U.S. maximum-pressure policy".

Iran's actions present Europe with a dilemma, says Andrew England in the Financial Times. On the one hand it "must condemn the Iranian breach" but at the same time it wants "to prevent the accord's total collapse". One possible solution would be to step up support for Instex, the special purpose vehicle that Europe has established in order to facilitate trade with Iran, provided Iran cuts back on pursuing nuclear fuel. At present Instex, "holds just a few million euros in initial capital", and so "does not come close" to meeting the republic's needs, especially as "its economy has plunged into recession".

What nonsense, says Alan Mendoza for City AM. It would be a mistake for the UK, France and Germany "to surrender to Iranian demands and allow Tehran to play fast and loose with the terms of a treaty that we have fought hard to keep alive, but which is now fundamentally breached". Instead, we need to "remind Iran that if it has peaceful intentions, it should welcome the opportunity to end sanctions in exchange for a permanent dimming of its nuclear weapons potential". If it ignores this offer, we "should stand firm with our US ally" and "snap back our own sanctions to show Iran that our commitment to non-proliferation is an enduring one".

Hong Kong's roar of rage

An act of desperation

Hong Kong's chief executive, Carrie Lam, may have suspended implementation of the territory's unpopular extradition law. But she has not withdrawn it and "did not even meet representatives of those who marched" says Louisa Lim in The New York Times. So it is no wonder that "in an act of desperation" protestors stormed the legislative assembly, spray-painting over symbols of Chinese authority. It was "a collective roar of rage" against the government.

The Chinese government is likely to use the latest incidents "to portray the whole movement as one of thugs and hooligans", says Richard Lloyd Parry in the Times. While "it will not succeed", it doesn't really matter. This is because having "shrugged their shoulders and turned away", the international community has effectively given the Chinese a green light to crack down further. The sad fact is that the "power of principled dissent" matters less to Western politicians than Chinese money and technology.

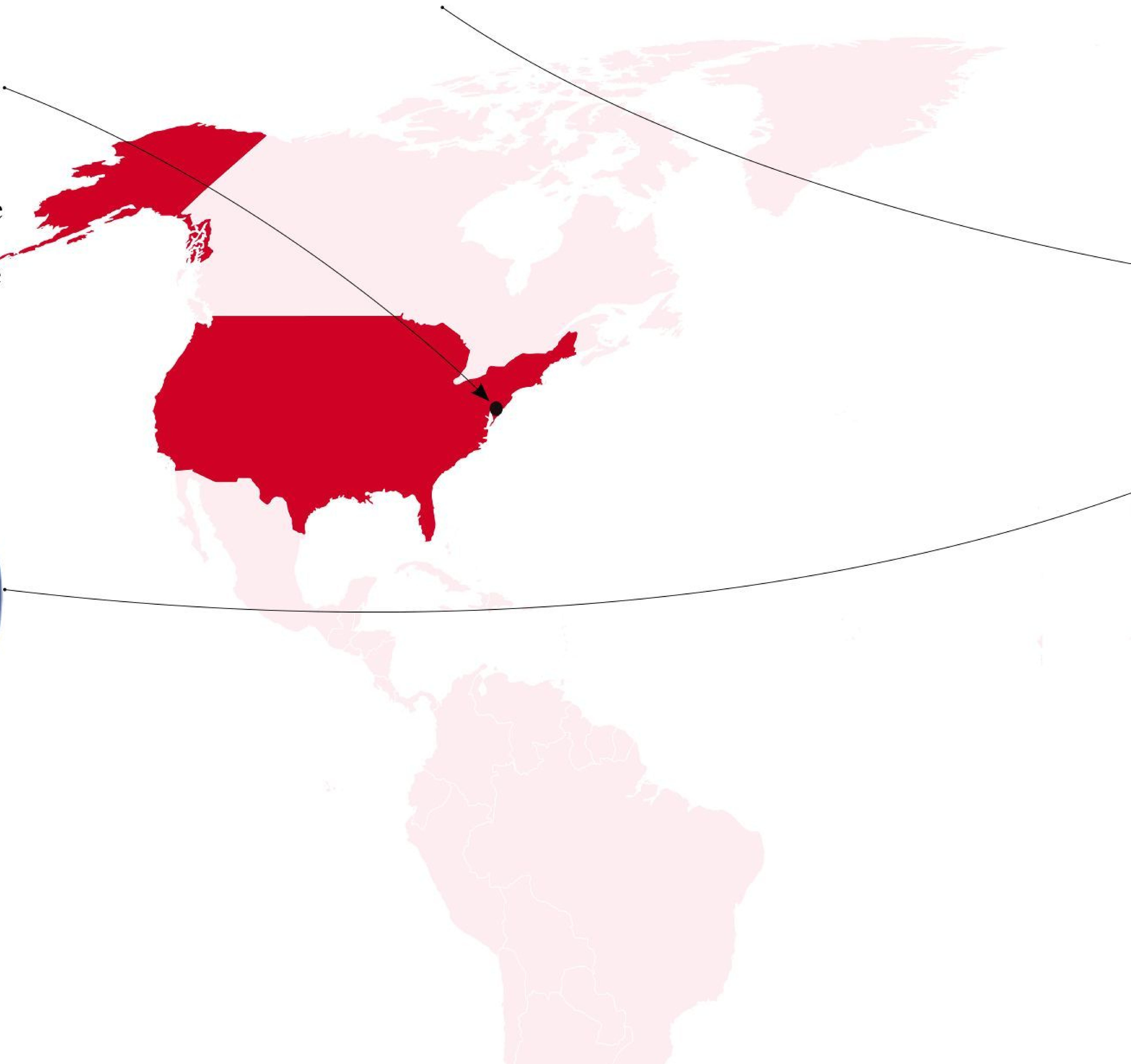
"No-one pretends the outside world can stop Beijing doing what it wants", says Philip Johnston in the Daily Telegraph. However, China is in "danger of killing the golden goose" if it continues this crackdown. After all, without confidence in the rule of law, Hong Kong "has no future as a financial centre". Already "fewer Hongkongers than ever now identify as Chinese" while "the wealthy have been moving their assets abroad". What's more, if it breaks the agreement with the British about Hong Kong's future, "why would countries that have entered agreements under China's Belt and Road initiative trust them to abide by the terms?"

London

Global manufacturing downturn worsens: Activity in Britain's manufacturing sector has slipped to a six-year low. The IHS Markit/CIPS manufacturing purchasing managers' index fell to 48 in June from 49.4 the month before. A reading below 50 represents a contraction. The only sector showing any growth was the consumer products industry. It's a similar story in the eurozone, with Germany a major contributor to the gloom – manufacturing output there has been shrinking since the beginning of the year. The only eurozone country to register an expansion was France. The malaise is not confined to Europe: global manufacturing activity fell to its lowest level since 2012 last month, with a majority of firms reporting a fall in output. In the US, the trade spat between Washington and Beijing has driven activity to a 30-month low, says City AM, although the sector is not yet shrinking. And in China, the Caixin-Markit manufacturing purchasing managers' index has dipped below 50 after three months of growth. "The impact of trade tensions on business confidence is becoming more pronounced," Chetan Ahya of Morgan Stanley told the Financial Times.

Washington DC

America's record economic expansion: July marks the 121st month since the US economy emerged from recession in June 2009, according to the National Bureau of Economic Research; this is now America's longest unbroken run of economic growth in history. The previous record had been set from March 1991 to March 2001, and the current upturn is now twice as long as the average expansion in the post-World War II era. Having hit such a low base during the financial crisis helped. "The early months were battling out of the deepest recession since the Great Depression," says Eshe Nelson on Quartz. "Since then much of the growth has been sustained by rock-bottom interest rates and a massive asset-buying spree by the central bank." The current expansion has also lacked vigour, says Jon Hilsenrath in The Wall Street Journal. Growth has been "the most anaemic on record, and the jobless rate took years to recede. There are also plenty of hazards that could derail the present run – and hence President Trump's re-election campaign – notably the trade war and the central bank being caught out by a surge in inflation.



Rome

Italian bonds bounce: Italian government debt rallied this week, reflecting growing confidence among investors that Italy would escape punishment by the EU after Rome's populist government revised its spending plans, says Philip Georgiadis in the Financial Times. Yields on its two-year bonds fell by nine basis points to a low of -0.003%, the first time they have dropped below zero since May 2018. The Italian government has been on a "collision course" with Brussels over its fiscal policies, "sparking anxiety" about the country's growing debt burden. At 132% of GDP, it is the second-highest in the eurozone and in breach of EU budgetary rules, putting it at risk of "becoming the first country to incur financial penalties", say Hannah Roberts and Mehreen Khan in the same paper. On Monday evening ministers agreed to adjust finance minister Giovanni Tria's (pictured) spending plans to avoid this fate, and the cabinet also approved a draft law to freeze around €1.5bn in savings on welfare and pensions reforms.

The way we live now: extreme marriage proposals

Masked Russian special forces officers swarmed around the vehicle and forced the couple out of the car at gunpoint, says Marc Bennetts in The Times. Passers-by thought the officers were criminals or terrorists. With one forcing the couple to spread their arms over the bonnet, the other rifled through the car and found a black bag. "What's this?" he shouted at the male driver. Shortly afterwards the man on the bonnet is released. With a grin on his face and an engagement ring in his hand, he asks his female passenger to marry him. Still shaking and speechless after the mock "arrest", she lets out a cry of joy, and a "special forces officer", played by an actor, hands her a bunch of flowers. For around 25,000 roubles (£320), the St Petersburg-based Spetsnaz Show company (named after Russian special forces) organises "creative marriage proposals", using actors, including former state-security service officers.

These staged arrests or abductions are becoming increasingly common. To the best of owner Sergei Rodkin's knowledge, no woman has ever declined a proposal after being "arrested" by gun-toting officers, he tells the paper. "If everything is done professionally, then everyone is happy."

Relax, he's probably carrying a wedding ring

Ursula von der Leyen: the compromise candidate

Brussels

EU picks new leaders: Ursula von der Leyen has emerged as the compromise choice for the European Union's top position of president of the European Commission. As Germany's defence minister she raised military spending, although not to Nato's target of 2% of GDP. "This suggests she is no ideological fiscal hardliner," says Gavekal Research's Cedric Gemehl. Under her, the Commission is likely to" adopt a looser interpretation of the EU's fiscal rules in the pursuit of growth, even if no massive fiscal easing is on the cards". Belgium's Liberal prime minister Charles Michel looks set to replace Donald Tusk as European Council president. At the European Central Bank (ECB), the current head of the International Monetary Fund and France's former finance minister, Christine Lagarde, will become president. She's an ex-politician and so is her deputy Luis de Guindos, says Michael Hewson of CMC Markets."So much for political independence for the ECB".

Tokyo

Japan revives commercial whaling: Japan restarted its commercial whaling industry this week after a 31-year moratorium imposed by the International Whaling Commission. In that time, however, Japan killed hundreds of whales a year under the guise of "research" – 637 last year alone, reports The Wall Street Journal. Japanese whalers will now be able to kill up to 383 animals a year within a 200-mile zone off the country's coast. But appetites are changing, says The New York Times. In 1962 Japan consumed 233,000 tons of whale meat. By 2017 the figure had fallen to 3,000 tons. Despite only employing 300 people, the industry swallows up $46m a year in subsidies, which the Japanese government is hoping to withdraw within three years. "The whaling industry has been ingesting a lot of taxpayers' money," said Hisayo Takada, a spokeswoman for Greenpeace Japan. "It may survive on a small scale, but it's hard to believe whale will ever be a daily meal for Japanese people again."

Hong Kong

Anheuser-Busch InBev heads for the biggest IPO of the year: AB Inbev, the Belgium-based brewer and owner of Budweiser, wants to raise up to $9.8bn from listing a minority stake in its Asian business in Hong Kong. With a likely offer price of at least $8.3bn, the initial public offering (IPO) of Budweiser Brewing Co. APAC on 19 July would be a bigger stockmarket debut than Uber's $8.1bn listing in New York three months ago. Budweiser APAC would be valued at between $54.2bn and $63.7bn. AB InBev is expected to use some of the money to pay down its hefty debt burden, which stood at $102.5bn at the end of last year following its $100bn takeover of London-listed rival SABMiller in 2016. Chief executive Carlos Brito also has his eye on potential acquisitions in Asia. While two-thirds of Budweiser APAC's profits come from Australia and Korea, China is set to become the world's biggest beer market in terms of sales by 2021. Even so, at $64bn, "the brewer's valuation of the operation will certainly test investors' thirst for a taste of the Chinese brewing market," says Bloomberg's Chris Hughes.

Darwin

Australia seeks to jump-start growth: Australia's central bank has decided to cut interest rates for the second time in two months. It is the first back-to-back rate cut since 2012, say Shane Wright and Eryk Bagshaw in The Sydney Morning Herald. The new rate of 1%, down from 1.25%, is also the lowest in the country's history. Household consumption has become "weighed down by a protracted period of low income growth and declining housing prices", according to central bank governor Philip Lowe. Consumers' debt burden is also among the highest in the Western world. The bank is trying to boost inflation towards a 2%-3% target. As a leading commodities exporter, Australia has also faced headwinds from America's escalating trade war with China. "The uncertainty generated by the trade and technology disputes is affecting investment and means that the risks to the global economy are tilted to the downside," said Lowe. Given the daunting backdrop, this cut probably won't do the trick: analysts expect more later this year.

Can we eliminate emissions by 2050?

The government wants to cut our greenhouse gas output to "net zero" by the middle of the century. Is this realistic – or a staggeringly expensive waste of time? Simon Wilson reports

Transport, notably cars, is responsible for 28% of our greenhouse gas emissions

©Alamy

What's happened?

The government has made a legally binding commitment, in the form of a statutory amendment to the Climate Change Act 2008, to cut this country's emissions of carbon dioxide and other greenhouse gases to "net zero" by 2050. The commitment is based on the recommendations of the Committee on Climate Change (CCC), a government-appointed advisory panel – chaired by the ex-Tory environment minister John Gummer – which published a comprehensive book-length report on the issue, "Net Zero", in May. Net zero doesn't mean no emissions at all. The idea is that any emissions after 2050 must be offset by removing a corresponding amount of carbon from the atmosphere, either by planting trees, for example, or by carbon capture and storage. It's a massive commitment for a country to make – and the UK is the first to do so.

Can it actually be done?

The authors of the report (a group of academics including climatologists and economists) think so. John Gummer argues that it is the logical culmination of a path the UK has been on for years. Carbon-dioxide emissions peaked in the UK in the 1970s and have been trending downwards since, as we moved away from burning coal. Since 2000, emissions have fallen sharply to the lowest levels since 1890. In 2003, the UK adopted a long-term target of cutting CO_2 emissions by 60% from 1990 levels, on the basis that it would cost between 0.5% and 2% of GDP annually by 2050. In 2008, that target was increased to 80% by 2050, with the costs estimated at between 1% and 2% of GDP. Now the government reckons it will be possible to cut emissions by 96%, leaving 4% to deal with by offsetting and carbon capture (options it concedes are currently "speculative", and depend on unproven, emerging technologies).

> *"Since 2000, UK CO_2 emissions have fallen to the lowest levels since the 1890s"*

What would it actually involve?

Completely giving up fossil fuels, including the natural gas we use to heat our homes, as well as petrol and diesel. The biggest slice of UK emissions (28%) comes from transport, mostly cars: net zero means a swifter transition to electric vehicles and investment in charging infrastructure. Heating buildings accounts for 19%. Weaning us off gas boilers will be difficult, and it will be expensive to replace them with either hydrogen or heat pumps run on electricity. Power generation accounts for 16% of emissions: electricity will need to continue getting cleaner (renewables) and more abundant (which, some believe, will mean nuclear). Industry accounts for 23% of emissions. A big chunk of this can be cut by the shift in power generation, but some industries (eg, steel, petrochemicals and cement) will still produce a lot of CO_2 (so carbon capture, utilisation and storage will be required). In addition to all this, radically improved energy storage will be necessary. And we would need to eat much less carbon-intensive food, such as red meat and dairy. Contrary to the CCC's recommendation, the government has not included aviation and shipping in its target.

How much would it cost?

Between £20bn and £70bn a year. The CCC believes that rapid improvements in renewable energy and green technologies mean that net zero can be achieved for the same cost "envelope" (between 1% and 2% of GDP) as the previous 2008 target of 80%. The UK's GDP is currently around £2trn, so that implies a cost of between £20bn and £40bn a year. Chancellor Philip Hammond, however, reckons that estimate is too low. He cites Treasury estimates of up to £70bn a year. That equates to an HS2 every year for 30 years, suggesting a total cost well above £1trn (and maybe more than £2trn).

What do sceptics say?

That it's a hubristic, pointless waste of money. They say that transitioning to net zero is a mirage, since it's based on unproven technologies (heat pumps, hydrogen, carbon capture) and that pursuing it while other countries don't would render key industries uncompetitive. Moreover, the UK generates barely 1% of global CO2 emissions, as Dominic Lawson points out in The Sunday Times. So if we were to become carbon zero tomorrow, it would cut temperatures globally by just 0.005% by 2040, he calculates. "Someone would need to tell the planet, as neither Gaia, nor indeed any of her inhabitants, would notice the difference."

He's right, isn't he?

The UK achieving net-zero emissions would certainly have a minuscule effect on warming. But other countries are likely to commit themselves to similar targets in the coming years (the UK's target includes a review in 2024, assessing the extent to which others are following suit and, if need be, adjusting our plan accordingly). And it also ignores the fact, reckons Ed Conway in The Times, that "in the long run, investing billions in green energy may prove an enormous economic boost" to the UK that more than pays for itself, and makes this country a global leader in a massive, epoch-defining industrial sector. Clearly, it's a mammoth challenge, and there will be epic political battles in the years ahead over who will be paying for it and how. But it's also an opportunity.

Not a threat?

London is already a world leader in green finance and insurance; four out of five electric engines are made in the UK; and the low-carbon sector in Britain has been growing at a faster rate than the rest of the economy (according to government figures). All of these indicators mean that Britain should "not fear getting out in front" in terms of setting bold, decisive, challenging targets when it comes to greenhouse gases, says Camilla Cavendish in the Financial Times. "We are in a global race to decarbonise, and it is only going in one direction."

Avoiding future Woodfords

Worried that your manager might "do a Woodford"? Here's what to look out for when investing in active funds

John Stepek
Executive editor

Investors in the Woodford Equity Income Fund learned this week that they're going to be stuck with the fund for a while longer. It was gated (closed to investors withdrawing – or depositing – money) a little more than a month ago, as concerns over poor performance and breaches of rules on the level of illiquid assets the portfolio can hold threatened to turn into a run on the fund. Manager Neil Woodford updated the market this week – long story short, the fund is still shut.

Woodford's plan is to sell his illiquid holdings and invest in more liquid (ie, easier to buy and sell) FTSE 100 and FTSE 250 stocks. He knows that his only hope of retaining any money at all in the fund when he reopens it is for investors to feel confident that it won't be gated again, and also that he's returning to the value-oriented, income-focused style that made his name. Given that his big success trade – long tobacco, avoid dotcoms – is now in the distant past, we're not sure we'd give him the benefit of the doubt, and we suspect that lots of the investors still trapped in his fund, and still paying his fees, feel the same way.

The pity of it all is that, on paper, Woodford Investment Management offered many things we want to see from a "boutique" fund manager. For example, you could never mistake Woodford funds for "closet trackers" – this was truly active management (sure, his investors would have been better off in a tracker, but that's another issue). So how can you avoid future Woodfords when you're looking for a good active manager?

Invest with asset nurturers, not asset gatherers: one of the biggest warning flags was Woodford's willingness to take as much money as the market

Refocusing on income may not restore his investors' confidence

would throw at him. Given his plan to invest in small stocks, it should have been clear that there would be a limit to the amount of money the fund could usefully deploy. Yet investors were buying the Woodford brand rather than his underlying thesis, and Woodford took full advantage.

"Investors in Woodford's fund are stuck there for now"

Look for clarity of purpose: despite Woodford's vaunted transparency, there was one big problem with his equity income fund – it was a real stretch to call it an "income" fund. That's before we even get to the confusing choice of unlisted assets. The best managers have a very clear investment strategy and are good at communicating it – whether you agree with them or not, the philosophy driving managers such as James Anderson at Scottish Mortgage or Nick Train at Lindsell Train is obvious. This matters – it helps you to spot "style drift".

Use the right vehicle: if a manager plans to invest in illiquid assets, then they should be using a closed-ended vehicle like an investment trust. Don't invest with someone who promises daily liquidity while snapping up hard-to-sell assets.

I wish I knew what EV/Ebitda was, but I'm too embarrassed to ask

Earnings before interest, tax, depreciation and amortisation (Ebitda) is a way of measuring profit that can make it easier to compare the valuation of two companies. Ebitda may be helpful when it is difficult to compare firms using other profit measures – such as earnings per share (EPS) – because they have very different levels of debt, different tax rates, or different accounting policies on, for example, the depreciation of fixed assets. Ebitda measures a firm's profitability before these factors are taken into account.

The two businesses can then be compared on a like-for-like basis by taking their enterprise values (EV – the market value of all their shares in issue, plus net borrowing or less net cash) and comparing this with Ebitda. The lower the EV/Ebitda ratio, the cheaper the company – essentially it's like a price/earnings (p/e) ratio, but using a different measure of earnings and taking account of debt.

Ebitda first came into common use in the US in the 1980s during the boom in leveraged buyouts (LBOs), as a measure of the ability of a company to service a higher level of debt. This had a major impact on what a prospective buyer would be willing to pay. Over time it became popular in industries with expensive assets that had to be written down over longer periods of time. Today it is commonly quoted by many companies.

Ebitda can be useful when combined with other tools for analysis, but it has become an overused and abused measure of value. Its strength – that it represents profit before various costs – is also its weakness, because it doesn't represent profit that can be paid to investors (as opposed to helping private-equity buyers to gauge how much debt a firm could be loaded up with).

EPS isn't perfect, but at least it allows for replacing assets, depreciation, paying interest on borrowings, and paying tax – all of which reduce how much profit ends up in investors' hands.

Guru watch

Nouriel Roubini, professor of economics, New York University Stern School of Business

Nouriel Roubini, described by Bloomberg as a "renowned doomsayer", is concerned that we are heading for a global recession next year. The New York University economics professor is perhaps best known for his warnings about the precarious state of the US housing market prior to the financial crisis of 2008.

Now he is worried that the trade war between the US and China, combined with a potential spike in oil prices (due to geopolitical tensions between the US and Iran), is set to derail the bull market. In short, "it's a scary time for the global economy", he tells Bloomberg TV. While there has been a temporary truce in the trade war, the underlying tensions

between China and the US mean it's only a matter of time before the problem arises again. "This divorce is going to get ugly compared to the divorce between the US and the Soviet Union."

Central banks will, of course, react, which is one factor helping to prop up markets – investors already expect the Federal Reserve to cut interest rates later this month. Yet as Roubini points out, during the 2008 crisis the Fed was cutting interest rates from a much higher level, and still couldn't prevent the recession. With key interest rates still at or near record lows around the world, and levels of debt very high, monetary policy alone cannot keep the party going. Throw in the risk of an oil-price shock, and we could end up with 1970s-style stagflation, with rising prices combined with slower growth.

Reinventing retail property

Ailing shopping centres should be repurposed, benefiting the economy and investors

Matthew Lynn
City columnist

It is hard to think of a worse time for Britain's battered retailers. Whole chains are closing down, and even where they remain alive branches are getting pruned. Rents are being forced down with threats of bankruptcy if the chains are not allowed to pay less. Philip Green's Arcadia empire, which includes Topshop, is the latest case in point. With every week that passes, the outlook gets bleaker for anyone who runs a shop, and understandably investors are getting very nervous about the fate of the companies that own all that space. After all, a lot of high streets are already virtually dead, and out-of-town shopping centres are increasingly heading in the same direction.

Take Intu Group, which owns shopping centres in Manchester, Lakeside in Essex, as well as in Spain. Earlier this year it had to write down the value of its portfolio by £1.4bn, which more than wiped out its profits for the year. Hammerson, which owns shopping centres such as Brent Cross in north London, swung into losses this year.

But hold on. A lot of retail space is prime real estate. The landlords just need to start reinventing it – and thinking about all the ways it can be used for something other than traditional retailing. Once they do, it will quickly become clear that it is more valuable than anyone realises right now, and might even prove a bargain.

The property industry needs imagination

True, the immediate outlook is very challenging. A big shopping centre is an expensive asset to maintain. It has to be cleaned, lit, staffed, and constantly refurbished. If it isn't full, then very quickly

Amazon will need more distribution centres

©Alamy

you are going to be in serious trouble. And yet, it may not be completely hopeless. In fact, all the property industry has to do is to start showing some imagination. In the United States, Amazon has started buying up half-dead malls and using them as distribution centres. There are a couple in Ohio alone, where old retail premises have been demolished and instead the internet giant is using the space to ship out its merchandise. Others are being turned into depots for logistics and delivery companies, and even more are being converted into industrial units. There will be some conversion costs. But it is a lot better than simply leaving an old shopping centre to turn into a ruin.

How to revamp shopping centres

There is plenty of potential to try something similar in this country. Distribution centres for internet retailers are the most obvious conversion that can be made. Amazon and its rivals need lots of space to deliver all the stuff we order online. That has the potential to keep on growing.

Likewise, supermarkets have been building "dark stores" for their home-delivery units. Instead of building new ones, however, they can convert old retail sheds inside the traditional shopping centres. The booming home-delivery food industry has been setting up "dark kitchens", where meals are cooked for home delivery, but without an actual restaurant attached. It might be easier to use an abandoned restaurant site at a shopping centre rather than build one.

There are other uses too. Shared office companies such as WeWork, which are providing space for rapidly expanding small companies, could easily take over a department store and convert it. A lot of shopping centres could be turned into housing, along with schools and doctors' surgeries, and of course if only half the space was rezoned as residential space, then there would be lots of new, local customers for the half that remained devoted to retailing and leisure.

Over the next couple of years, the big property companies are likely to be very cheap. But it shouldn't be all that long before the shopping-centre industry becomes a buy. Most of the out-of-town shopping centres are still fundamentally excellent real estate. They have good access to roads on the edge of cities in a country with a growing population and a shortage of land. All it takes is the creativity to adapt to the way the economy has changed.

Who's getting what

● **Gary Lineker** (pictured) continues to top the list of earners at the BBC. In 2018-2019 the *Match of the Day* presenter was paid around £1.75m. Graham Norton earned £610,000 for a "range of programmes", including *Eurovision*, but not his BBC One chat show. The top-earning female star was Claudia Winkleman who got £370,000 for her Radio 2 show and "various TV programmes".

©BBC

● Canadian lobbying group **Dickens & Madson** is toasting a $6m deal to promote the interests of a "feared militia commander in Sudan", reports the Financial Times. The Montreal-based firm will represent Lieutenant General Mohamed Hamdan Dagalo, who, with his fellow officers, seized power in April. Hamdan rose to prominence as head of a paramilitary group known as the Rapid Support Forces, whose members have been accused of "widespread human rights abuses".

● The best-paid female footballer in the world is Norwegian **Ada Hegerberg**, who plays for Lyon, the current holders of the Champions League. She is paid around £343,000, says FourFourTwo magazine. But that pales in comparison with the top-paid male, Argentina's Lionel Messi, who gets £112m a year playing for Barcelona – 326 times Hederberg's salary. England's women footballers, were in line to become the world's first female football millionaires if they had won the World Cup in France, says The Sun. Sadly, their defeat by USA means they must wait.

Nice work if you can get it

The Ministry of Defence spent £222m on travel and hotels for its top brass in 2014-2015, says The Times, after a Freedom of Information Act enquiry. The biggest bill was £8,880 for 20 nights on board a five-star "yacht hotel" in Gibraltar. A total of £35,600 was spent on hotels in London, where "there are a number of military barracks". Four nights in five-star suites at The Taj 51 Buckingham Gate, with its Michelin-starred restaurant and butler service, came to £3,200. Yet the Taj is "a one-minute walk from the army's Wellington barracks". A total of £1,696 went to the Royal Horseguards Hotel directly opposite the Ministry of Defence building in Whitehall. And a night for one member of staff at the Park Lane Hotel in Mayfair cost £312, despite being "less than a mile" from Hyde Park Barracks. The Ministry of Defence said that military accommodation is "in short supply" in London.

US gobbles up our top techies

Lionel Laurent
Bloomberg

A group of Britain's best-known quantum computing scientists have moved quietly to Silicon Valley to found a startup called PsiQ, having received funding from American VC firm Playground, says Lionel Laurent. Given that two of Playground's successes were sold to Amazon, it's quite possible that PsiQ may end up in "Big Tech's trophy collection". This is part of a worrying trend. Britain's DeepMind, France's Moodstocks and Germany's Fayteq were all bought by Google. Between 2012 and 2016, some 562 European startups were bought by US firms – 44% of the total. A big motivation for this is the ability to "poach" all of a firm's engineers in one go. The international talent pool for artificial intelligence (AI) – the "defining technology of our times" according to Microsoft's boss – is "alarmingly shallow at around 205,000 people". It's becoming a "bitter struggle to keep such highly prized workers at home". This is about power; "it's about who controls the huge and politically sensitive data sets on which AI relies". Europe's policymakers "seem complacent". Unless they "wake up soon" and do all they can to support the sector, the exodus will continue and the race will be lost.

Why a wealth tax won't work

Editorial
The Washington Post

As an open letter published last week in The New York Times showed, the idea of taxing the rich has become so popular that even the rich – or some of them – are for it, says the Washington Post. We, too, agree that the most financially fortunate should pay more. However, a wealth tax, as proposed by various Democratic presidential hopefuls is not the solution. It could well trigger a "constitutional challenge", and would also be hard to implement. It is tricky to achieve consistent valuation of assets from land to rare art, as European countries which have toyed with wealth taxes can attest. The wealthy can also afford the best accountants to reduce their bills. Lastly, a wealth tax doesn't differentiate between wealth accumulated through hard work and wealth gained through inheritance or rent-seeking. It would be better to repeal the provisions of President Donald Trump's 2017 tax law that "restored favoured treatment to large estates; to reduce the favourable treatment of capital gains; and to eliminate the huge break for profits on the sale of stock by people who inherit it". These measures are all "clearly constitutional, all readily administrable… and would raise substantial amounts from the top 1%.

The twin threats to the City

Editorial
The Economist

The most important elements of the City's "magic formula" are Britain's "stable politics and regulation, close ties to America and seamless ones to Europe", says The Economist. Brexit and a possible Corbyn premiership threaten all this. Brexit spells the end of passporting, which allows City firms to operate across the continent, and the remaining EU members could "adopt an industrial policy that uses regulation to compel financial firms to move to the eurozone". A Corbyn government may introduce a financial transactions tax and even capital controls. So far, there is no sign of a deal. "It is as if New York and Wall Street were divorcing America without any agreement". The EU is loath to offer a "bespoke deal" on financial services to a departing member and is greedily eyeing the City's jobs and tax revenue. It is likely to be a "pyrrhic victory". Fragmented activity spread across the EU cities is no substitute for the Square Mile. The City has a chance of prospering if it increases its non-EU business, but the biggest risk is hostility at home, where many resent its post-crisis bailout. They shouldn't. For a country that is "losing friends fast", a sector that contributes 3% of GDP annually is a "blessing, not a curse".

A Marshall Plan for Palestine

Glenn Hubbard
The Wall Street Journal

The Trump administration's Peace to Prosperity plan for the West Bank and Gaza "offers the best hope for building sustainable economies in the region", says Glenn Hubbard. It "may not be politically feasible": the Palestinian authority boycotted the unveiling of the plan, but it's a "promising approach". It is based partly on the Marshall Plan, which helped revive Europe after World War II, and rests on two key observations: that private business, not charity, "drives prosperity" and that Palestinian businesses need access to capital. The idea is to raise $50bn in investment over ten years in the governments and economies of the Palestinian territories and neighbouring Arab countries. Governments need to be involved to avoid other influences creeping in, and foreign aid needs to support both government agencies and non-government organisations in making the right choices. Importantly, it creates a fund to channel capital directly to Palestinian business. The goal echoes that of the Marshall Plan: to create a "healthy economy independent of extraordinary outside assistance". Some 70 years on, "that message is as timely as ever".

Money talks

"*Suddenly I See* has generated more than 50% of my income. The 30 minutes I spent writing it was the best half an hour of my life."
Singer/songwriter KT Tunstall (pictured) on the long-term impact of her song being used in the hit 2006 film *The Devil Wears Prada*, quoted in The Sunday Telegraph

"Silicon Valley is a bit like the Vatican: slightly insular, massively wealthy… and mostly run by men."
Lawyer Miriam Gonzalez Durante on life in California, where her husband Nick Clegg now works for Facebook, quoted in The Sunday Times

"Get yourselves another history."
A Western economist in the 1990s telling Russians how they could become a thriving market economy, quoted in The Economist

"If you want to know what God thinks about money, just look at the people He gives it to."
Dorothy Parker, quoted on wisebread.com

"Being good in business is the most fascinating kind of art."
Andy Warhol, quoted in The Times

"He sent me half a bottle of champagne. Half a bottle! He's got two vineyards."
DJ Tony Blackburn on pop star Cliff Richard, quoted in The Mail on Sunday

"I don't believe tightness has much to do with wealth. It's more about an individual's generosity of spirit. I've met high net worth individuals who are very smart and driven but have little interest in personal possessions. That can give the impression of tightness, but it's actually that spending lavishly is not in their make-up."
Gillian De Bono, former editor of the Financial Times' How to Spend It magazine, quoted in the FT

The rise of women's footie


The quality of play in women's football has improved drastically

©Getty Images

economist.com/game-theory

Women's football is "on the verge of going mainstream", says The Economist. The opening match at this summer's World Cup in France attracted nearly ten million viewers. Some six million Britons tuned in to watch England beat Scotland.

The money begins to flow

The unprecedented popularity of this World Cup reflects two trends. First, "the quality of play has improved drastically". This can be measured by the number of passes that occur in an average game – high-quality teams retain possession by passing; low-quality ones "spend most of the time hoofing the ball in the air". The average game at this World Cup featured 825 passes, up from 750 in 2015, according to Opta, a sports data firm. That exceeds the rise in any major men's game over the same period.

The second trend is that the money is starting to flow. Rights to a women's team or tournament had tended to be bundled as part of a package with the men's equivalent. But in 2017 football's governing body in Europe, Uefa, offered rights to the women's competitions separately. Around 60% of women's football teams in major leagues around the world now have front-of-shirt sponsors that are different to those for the men's equivalent at the same club, says Deloitte. That figure could approach 100% by the next World Cup.

These new, multi-million-pound sponsorship deals have been transformative. Visa is now spending as much promoting the women's World Cup as it did on the men's competition. The total amount of prize money on offer has soared to $30m, twice as much as last time. Female-focused brands have been clamouring to get involved.

This growth in funding has allowed European leagues to flourish. The number of professional and semi-professional female players in Europe almost doubled to 3,600 between 2013 and 2017. Manchester United launched a women's team in 2018, making it one of the last big clubs to do so. In 2017 Norway's football association announced that it would become the first to pay the men's and women's international teams the same amount (though international fees make up only a tiny proportion of most players' earnings).

The day when women's football becomes "regular, worldwide, mass entertainment is fast approaching". In April, Argentina got its first ever professional women's club. "Who would bet against the country that raised Diego Maradona and Lionel Messi producing a worldwide superstar in women's football?"

The robots will spare the CEO

stumblingandmumbling.typepad.com

In a famous paper claiming that half of American jobs could be replaced by computers, economists Carl Frey and Michael Osborne said that chief executives and line managers would be spared the cull. From the perspective of neoclassical economics, that is a weird claim, says Chris Dillow. From that point of view, the job of a boss, given a production function and prices of inputs, is to maximise profits. This is a "constrained optimisation problem" which could easily be done by a computer. If you believe policy making is essentially technocratic, politicians should be able to be easily replaced too.

The fact that bosses and politicians are not about to lose their jobs tells us something about their real role. First, it is to exercise power. Resistance to technological change does not just come from workers fearful of their jobs but from conservative elites who fear disruption to existing hierarchies. Second, it is to shake things up. Computers follow rules, but humans operate with "unknown knowns" – tacit knowledge that allows us to bring about incremental improvements based on hunches. Finally, computers will never make good managers or politicians because they will never provide the human touch – "the arm round the shoulder, the jolly-up, or the understanding that we're having an off day".

A way out of the Brexit mess

econlib.org

"With my perfect political betting record hanging in the balance, I follow Brexit to the point of obsession," says Bryan Caplan. (The economist makes publicly declared bets with political opponents as a test of his judgement. He has so far won 19 bets with zero losses. In 2008, he bet that no current EU member with a population of more than ten million would officially withdraw from the EU before 1 January 2020.)

Yet for all the twists in the plot, I have yet to hear anyone point to the simplest path to Brexit: let Britain buy its way out! If this were any normal business deal, this would be


Making deals is easier in business

©iStockphotos

on the tip of every Brexiteer's tongue. It's the logic of any familiar property deal: "You won't buy unless the roof is fixed? OK, let's add that to the price. Ready to sign now?"

Similarly, for Britain the backstop is proving a deal-breaker. So why not just ask the EU how much money it will take to make the issue go away? The answer, of course, is that politics doesn't work in the same way as business. I understand that. But if it did, I would be prepared to bet that many intractable political problems would disappear pretty quickly.

There's too much maths in economics

fee.org

Since the end of the 19th century, there has been a push to try to turn economics into a science like physics, says Luka Nikolic. It turned away from philosophy, law and history, which "are far more important for our understanding of how the world works", and towards "quantifying phenomena and explaining it through graphs".

The trouble is, it is impossible to quantify human action. Economists try to capture it in various ways, but there can be no catch-all formula. The pretence that there is leads to a belief that governments should manage what has been measured, rather than "ensure the property rights of that good are clearly defined". Monetary policy suffers the worst. Today, central banks manipulate interest rates to stimulate the economy due to a false belief in purely theoretical mathematical models. Their efforts would be welcome if the result were a genuinely impressive record of success. All they have done in reality is blow up bubbles. Maths has its place of course—but mathematically driven economics has put us on the wrong path.

Big Brother is watching you

Facial recognition technology is no longer dystopian fiction. It's a rapidly growing technology subsector covering a wide range of applications. Ben Judge explains what they are and highlights the key players

Facial recognition technology, you might think, belongs in a dystopian nightmare. Imagine cameras tracking your every move, knowing exactly who you are, everything you've done, what you like and who you meet. But it's fiction no longer. Married with artificial intelligence (AI), the swarm of cameras perched on buildings and lamp posts the world over can now do all that and much, much more. And it won't be long before the technology is everywhere.

Of course, there are non-Orwellian uses of the technology. Your phone's camera can automatically pick out the faces of people you want to capture and make sure they're in focus. You can unlock your phone just by looking at it. Your face can open doors, with many companies now using security systems that check faces and unlock restricted areas to authorised employees. But with technology this powerful, it's inevitable that some of the biggest users are governments and security forces. If you've crossed a border recently, you may well have been obliged to stare into a camera comparing your visage to the face on the passport. That sounds reasonable. But state use goes much further than that.

Keeping an eye on you

UK police forces have started using facial recognition systems in the last four years, notes The Guardian. South Wales Police has trialled the technology to scan faces in crowds at major sporting events and check them against a "watch list" drawn from the 12.5 million faces on the police national database.

In Malaysia, police are using facial recognition software built by Chinese startup Yitu Technology on their body cameras to scan and identify faces. And in Singapore, the government is aiming to install cameras on more than 100,000 lamp posts which may, it says, "be used for performing crowd analytics and supporting follow-up investigation in the event of a terror incident."

But nowhere has adopted the technology more enthusiastically than China. The Chinese government plans to be able to identify "anyone, anytime, anywhere in China within three seconds", says the South China Morning Post. Its spending on video surveillance makes up 46% of the $17.3bn global market, according to Radio Free Asia, a US-government backed broadcaster.

The most extreme case is in Xinjiang province, where the government has set up a network of cameras to monitor the minority Uighur population. Individuals who have come to the state's attention are watched around the clock. If they stray more than 300 metres from "safe areas" – their home or place of work, for example – the police are alerted. The Uighurs' homeland "has become an open-air prison", says lshat Hasan, president of the US-based Uyghur American Association exile group.

"In Thailand 7-Eleven wants to use the technology to gauge customers' moods and suggest products to them"

A boon for consumers?

But it's not all about re-education camps and oppressive surveillance. The potential consumer applications are endless. There is no need for a key – ever, anywhere. Your car, house, work and hotel room can all be unlocked by just walking up to it; your face can be instantly and silently scanned. If you've opened a bank account with one of the new challenger banks you may have been asked to take a selfie and upload some photo identification (ID). Want to pay at a shop? Just look this way, and off you go, purchases in hand.

JetBlue Airways in the US is using facial recognition as part of its boarding process. Royal Caribbean is doing the same for cruises. Liverpool-based Human Recognition Systems sells a suite of software designed specifically for this purpose. One Chinese insurer, Ping An Insurance Group, is using the technology to screen customers for loans.

It is mainly used to verify identities, but it also serves as a high-tech lie detector to "analyse the faces of loan applicants in real time, searching for 'micro-expressions' that reveal their emotional and psychological state", says The Wall Street Journal. China's Tencent is trialling the technology to detect the faces of minors playing its video games: Beijing is concerned that children's excessive gaming is damaging their health.

Shops are signing up

Retailers are embracing the technology too. In Thailand, convenience store chain 7-Eleven is to use the technology in its 11,000 shops to spot loyalty scheme members, gauge customers' emotions and suggest products to them. In China, both Tencent and Ant Financial Services are installing screens at points of sale to process cashless transactions, says The Wall Street Journal. Wedome, a bakery chain, says using them has greatly increased efficiency, and that 70% of its customers choose to pay this way.

A few years ago, US retail behemoth Walmart tested the technology to spot shoplifters, says Fortune. It scanned the faces of everyone entering its shops and compared them against a database of offenders. Similar technology is now sold by California's FaceFirst to retail clients. Chief executive Peter Trepp says 40% of its business now comes from the retail sector, and he recently demonstrated at an industry conference how his company could profile customers, with details of the time they'd spent in the shop on past visits, how they moved through the store, and what they'd bought.

Germany's Cognitec makes systems for ID verification, border security and "VIP recognition" for high-end retailers and casinos so they can spot the big spenders and give them special treatment. It's also in the business of targeted advertising. As you pass a billboard your face is scanned, matched against your profiles, and an ad is displayed just for you. You may have an adblocker on your web browser, but how do you install one for the real world?

The backlash is building

One problem the technology has is public perception. We may have no objection to taking a selfie to open a bank account or to unlock our phones. But coupled with AI and so-called "big data" – data sets whose size or type is beyond the ability of traditional relational databases to capture, manage and process – many commercial applications verge on the sinister. Retail executives are salivating at the idea of scanning everyone who enters the shop, matching their faces to their public social media profiles or their browsing habits, or even measuring their mood to evaluate their

The facial recognition software market is growing by 20% a year

satisfaction with their shopping experience; Walmart has submitted patents for such technology, says Business Insider. We may not object to shops matching faces to known shoplifters, but how many customers would really be totally comfortable with such an intrusive (or "optimised") shopping experience?

A backlash is already building. South Wales Police and the Met have been criticised by the UK's biometrics commissioner, reports The Guardian. San Francisco recently became the first major American city to ban the police and other public authorities from using facial recognition technology. And Chinese police had to apologise to a high-profile businesswoman after its AI system, which identifies jaywalkers and displays their identities on big public screens to shame them, picked out her face from an advert on the side of a bus.

The companies to look out for

Investing in the sector is tricky. There are plenty of startups involved, although none are yet listed on stockmarkets. In Silicon Valley alone, venture capitalists made an average total investment of $78.7m in the last three years, says Forbes. Names to keep on a watchlist include FaceFirst and Cognitech, while the UK is home to Human Recognition Systems. Sightcorp is a Dutch company spun out from the University of Amsterdam; keep in mind also France's Idemia.

The minnows are chasing a global facial recognition software market expanding by 20% a year and likely to be worth $9bn a year by 2022, estimates market research Future, a consultancy. It's no surprise, then, that Big Tech is dabbling in the sector, too. Facebook launched its DeepFace facial recognition system in 2014. Google's FaceNet programme came along a year later. These two companies have some of the biggest datasets of faces in the world, while Microsoft and Amazon both have huge databases of their own. Apple bought Israeli company RealFace in 2017. But many are struggling to exploit their products while staying on the right side of the ethical divide.

Amazon's product, for instance, is called Rekognition. But investors are concerned that its use in state surveillance could damage the company's reputation and its profits, reports The New York Times. Shareholders recently tabled motions at Amazon's annual meeting to prohibit sales to government agencies and to commission an independent report into whether the technology could threaten human rights and thus dent Amazon's profits.

China's big players

It's a similar story in China. Two of the biggest players there are SenseTime and Megvii, also known as Face++, of Beijing. Megvii recently secured $750m in funding, bringing the total raised since it was founded in 2011 to $1.4bn. SenseTime has raised $2.6bn since founding in 2014. Both are reported to be considering floating on the stockmarket later this year, reports the Financial Times.

Megvii's technology is being used by the Chinese authorities, while SenseTime recently sold out of a "smart policing" joint venture there. With backers including Fidelity International and Qualcomm, it has been suggested that it was keen to avoid putting off foreign backers. But that doesn't seem to have deterred the likes of Australian investment bank Macquarie, reported to have bought in to Megvii's latest funding round. Finally, other Chinese firms developing the technology include Anyvision, AliBaba and Tencent.

"Facebook launched its facial recogniton system, DeepFace, in 2014"

Buy into Baillie Gifford's success

Shares in the growth-focused Scottish Mortgage Trust are worth buying

Max King
Investment columnist

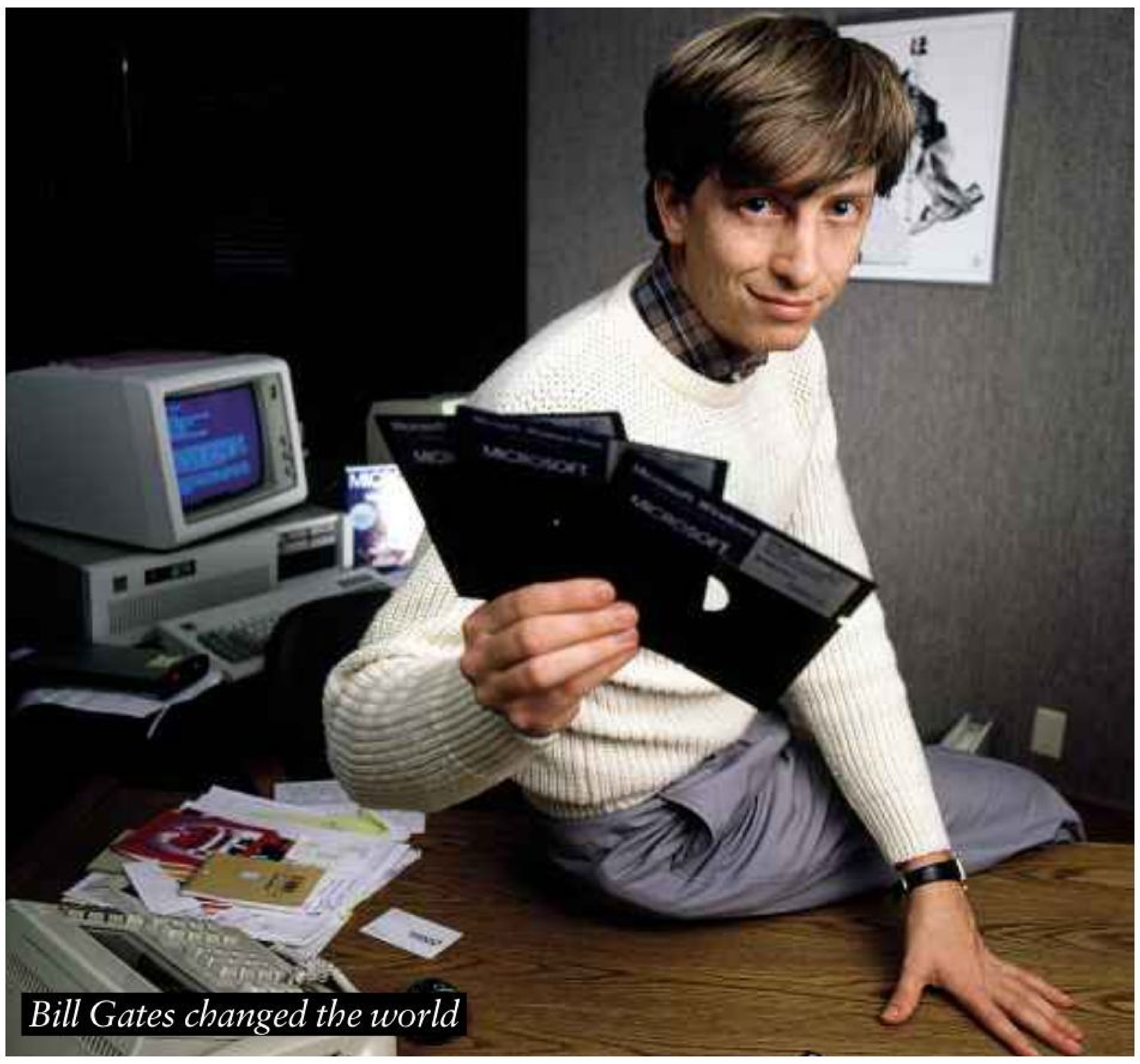
Baillie Gifford's (BG) extraordinary success has made many of its rivals envious, while those who have missed out on the stellar returns desperately want their scepticism vindicated.

No fund in the BG stable represents their growth-focused style better than their £7.5bn flagship investment trust, **Scottish Mortgage (LSE: SMT)**, and its supremely self-confident co-manager, James Anderson.

SMT is no Woodford

The last year has given BG's critics some ammunition. The technology stocks that dominate the SMT portfolio faltered, resulting in last autumn's share-price drop of more than 15%, and it has not fully recovered. The one-year performance has modestly lagged global indices.

As exposure to unlisted equities has been built up to 17% of the portfolio, within sight of the 25% maximum, the initial public offering (IPO) market has disappointed, with Pinterest, Lyft and Uber all falling from their issue price. Has SMT been overpaying for its investments? And, of course, Neil Woodford, also an advocate of private equity (PE) investment, has hit a brick wall, illustrating the risks of investing in illiquid shares. Simon Gaunt, a director at BG, bristles at such analogies. The firm, he points out, invests in established businesses with scale, not the early stage start-ups favoured by Woodford. This does not mean "venture" investing is doomed, just that Woodford has been poor at it – unlike life-sciences investment trust Syncona, for example.



Bill Gates changed the world

©Getty Images

SMT is invested in Lyft, but not in Uber or Pinterest. The route to profitability for ride-hailing companies is not clear at present, but few doubt it will emerge and that ride-hailing is here to stay. In 2012, the share price of Facebook halved after an over-hyped IPO, but then soared after doubts about its potential on mobile platforms and the monetisation of its services were resolved.

The volatility of the tech sector has been masked by its long-term performance, but early investors in Netflix regularly saw their share price halve. Share prices, as last year, are prone to get ahead of events, but fast growth means that valuations soon catch up. In short, scepticism about prospects and valuations have been a regular feature of tech's long bull market.

Anderson argues that "growth investing is widely denigrated and value investing regarded as the one true faith". Yet, "the world changed in the late 1980s when Microsoft listed. The marginal cost of its software licences was zero, bringing in an era of increasing returns to scale and market opportunities unrestricted by production constraints". Investors have yet to adapt to a world in which business models are not built on the existing economic infrastructure but bypass them, making nothing safe. For example, Anderson thinks that progress in solar and battery technology, with efficiency improving 20% each year, could bankrupt the fossil fuel industry in ten years.

Don't cut yourself off

As for SMT's focus on PE, "more than half the potentially great companies we see are private. Investors who shun PE will cut themselves off from the dominant force for progress. More over, these are not small companies and will not go public till very late." As for the threat from government regulation, "there is no historic evidence that regulation helps smaller companies or is bad for investors.

"The future will be very different from how the average fund manager sees it," says Anderson. The implied message is to be wary of "cheap" shares that will not necessarily bounce back as the business cycle matures and invest in "reassuringly expensive" companies that are better positioned for change. SMT shares, at a small premium to net asset value, are worth buying.

Activist watch

Dan Loeb's Third Point will oppose United Technologies' (UT) plan to merge its aerospace business with defence contractor Raytheon, says Al Root in Barron's. Loeb said he would prefer the conglomerate to focus on commercial aerospace instead of moving into defence as well. "Raytheon brings very little applicable technology to UT's aerospace offerings," said Loeb. "The benefits of Raytheon's cyber and data analysis capabilities are not quantifiable and could be replicated through commercial collaborations or supply agreements." Third Point's opposition is "noteworthy", says Root. "But on its own, it isn't enough to derail the transaction", as the fund owns less than 1% of UT's outstanding stock.

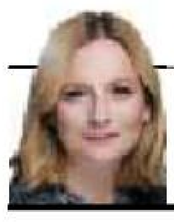
Short positions... bond ETFs storm on

■ **The amount of cash held in global bond exchange-traded funds (ETFs) surpassed $1trn last month, says Asjylyn Loder in The Wall Street Journal. Yet just 20 years ago these products, which allow you to buy and sell funds on an exchange, didn't even exist. The bond market was then a "largely sleepy enterprise that had long resisted the high-tech upheaval that transformed the way stocks are bought and sold". Nowadays, all types of investors, from pension funds to insurers to retirees, trade in bonds daily. The increasing popularity of ETFs has "added much-needed speed to the sluggish business of bond trading", say their proponents. However, sceptics suggest that bond ETFs are "a dangerous combination". Buying and selling in this way "could accelerate a sell-off if fleeing investors flood the debt market with more sell orders than it could handle". In June, investors put $33.7bn into fixed-income ETFs, making it their best month in history.**

■ By contrast, the amount of money held in Standard Life Aberdeen's Global Absolute Return Strategies Fund, once Europe's largest mutual fund, has fallen by more than 75% in three-and-a-half years, says Attracta Mooney in the Financial Times. Assets under management have decreased from a high of €60bn to €13.2bn "on the back of disappointing performance and concern over whether absolute-return funds could deliver on their promise" (to protect investors' money during periods of volatility). The UK fund returned 2.9% in the year to May, following a 6% loss last year.

Duck higher stamp duty

The higher rate on second properties comes with several exceptions



Sarah Moore
Investment editor

Prime ministerial hopeful Boris Johnson wants to overhaul stamp duty. He has proposed axing it on properties worth less than £500,000 and lowering the rate on properties worth more than £925,000. Whether or not he sticks to this pledge, it's worth knowing the stamp-duty exemptions that currently exist.

One aspect of stamp duty that comes with several exemptions is the higher rate due on the purchase of second homes. This applies if, at the end of the day on which the transaction takes place, you own more than one property.

Importantly, however, it doesn't apply if you own more than one property but the property you are buying is replacing your main residence, if that is being sold. Moreover, if you buy a new home, but still own your previous main residence, you can claim a refund of the higher rate if you sell it within the next three years. Just note that you need to claim your refund within 12 months of the sale of the previous residence or within 12 months of when you file your stamp-duty tax return, whichever is later.

Somewhat confusingly, there is another loophole that applies where someone is buying a new main residence, but not actually replacing a current main residence that they own. Normally in this situation, you would have to pay the higher rate if you happen to own other properties.

However, if, within the previous three years you have sold a main residence, you are also entitled to avoid the surcharge. This particular loophole could be helpful for buy-to-let landlords who are currently living in rented accommodation, for instance.

"Some transactions incur commercial stamp duty rates"

A slightly less complicated exception may be of use if you have recently inherited property. The additional stamp-duty levy will also not apply if you are buying a second home but the interest you have in another property is a less-than 50% share of a property that you inherited within the previous 36 months.

Finally, it's useful to know the types of transaction that attract commercial, rather than residential, stamp-duty rates. Commercial rates range from 0% for the value of a property between £0 and £150,000, 2% for £150,001 to £250,000 and 5% on a value above £250,000. This compares to residential rates, which can go up to 15% for value more than £1.5m. Examples of non-residential transactions include the purchase of mixed-use properties (so if you bought a building made up of a flat above a shop), and the purchase of six or more residential properties in one go.

Johnson wants to axe stamp duty on houses worth less than £500,000

©Rex Features

Leasehold ban lives

After dancing around the subject for a few years, the government has now confirmed that it will ban the sale of new houses on a leasehold basis. This is an attempt to prevent future homeowners from ending up "trapped in exploitative arrangements" demanding unscrupulous charges from homeowners, says Communities Secretary James Brokenshire.

The government has instructed Homes England (the body that funds new affordable housing in England) to renegotiate Help to Buy contracts to "explicitly rule out the selling of new leasehold houses". And where buyers are incorrectly sold a leasehold home, they should be able to acquire their freehold outright at no extra cost. The government will also go ahead with its original plan to reduce ground rents on future leases to zero, as opposed to a previously suggested cap of £10 per year. Although these announcements are a step in the right direction, concrete progress will still depend on actual laws being passed.

For the time being, existing leasehold homeowners have to make do with a voluntary pledge. The pledge, signed by several big housebuilders, commits signatories to renegotiating leases where the ground rent doubles more frequently than once every 20 years, linking it to the retail price index. However, last month, the Competition and Markets Authority launched an investigation into whether people were mis-sold leasehold homes, and whether their contract terms breached consumer-protection laws.

Guess the price... Vecchia Cartiera, Vivo d'Orcia, Tuscany

Set in the wooded hills below the Castle of Vivo d'Orcia, this property offers the opportunity to create a family home with wide-ranging views across the surrounding countryside. The property comprises a collection of stone buildings that were once part of the Grand Duke of Tuscany's paper mill. It comes with a 250sq m stone house, an intact granary, and the ruins of the paper mill. Both buildings need complete renovation, with power and water available on the 2.47 acre site. But can you guess the asking price? Answer on the side of this box.

€200,000 Knight Frank 020-7629 8171.

A fake fortress in Torquay

A fortress with turrets, an orangery and a portcullis is on sale for £1.5m. Lincombe Keep, which is found on the Torquay coast in Devon, has been designed to look like a medieval castle, but was, in fact, finished in 1992. That may be off-putting to history buffs, but on the other hand the gardens and castle walls at the property date from the 1920s and are Grade-II listed. The half-acre grounds feature private terraces, a canal-style pond and a waterfall fountain. The property boasts a "commanding position above Ilsham Valley and Meadfoot Beach" and is in one of Torquay's "most exclusive residential areas", says estate agent Absolute. (For sale via OnTheMarket.)

Not as old as it looks

Beware of the ghost brokers

A round-up of the latest personal finance news

Sarah Moore
Investment editor

■ Some of the victims of collapsed investment group London Capital & Finance (LCF) may be due compensation, says Philip Georgiadis in the Financial Times. LCF sold unregulated "mini-bonds" to investors, marketing its products as "fixed-rate Isas" and promising interest rates of up to 8%. Around 115,000 people lost their money when the company went bust in January 2019.

Although LCF was authorised by the City regulator, the Financial Conduct Authority, the "mini-bonds" it sold were not. So investors were previously told that they would have no recourse to the Financial Services Compensation Scheme (FSCS). But the FSCS has now said that it believes a company called Surge Financial, which acted on behalf of LCF, provided a number of the latter's clients with misleading advice. "As this is a regulated activity, this means FSCS protection would be triggered... there may... be customers with eligible claims for compensation." The scheme has published a questionnaire (fscs.org.uk/failed-firms/lcf-questionnaire/) for those who have been affected.

If he is a victim of ghost broking, he won't be covered

©iStockphotos

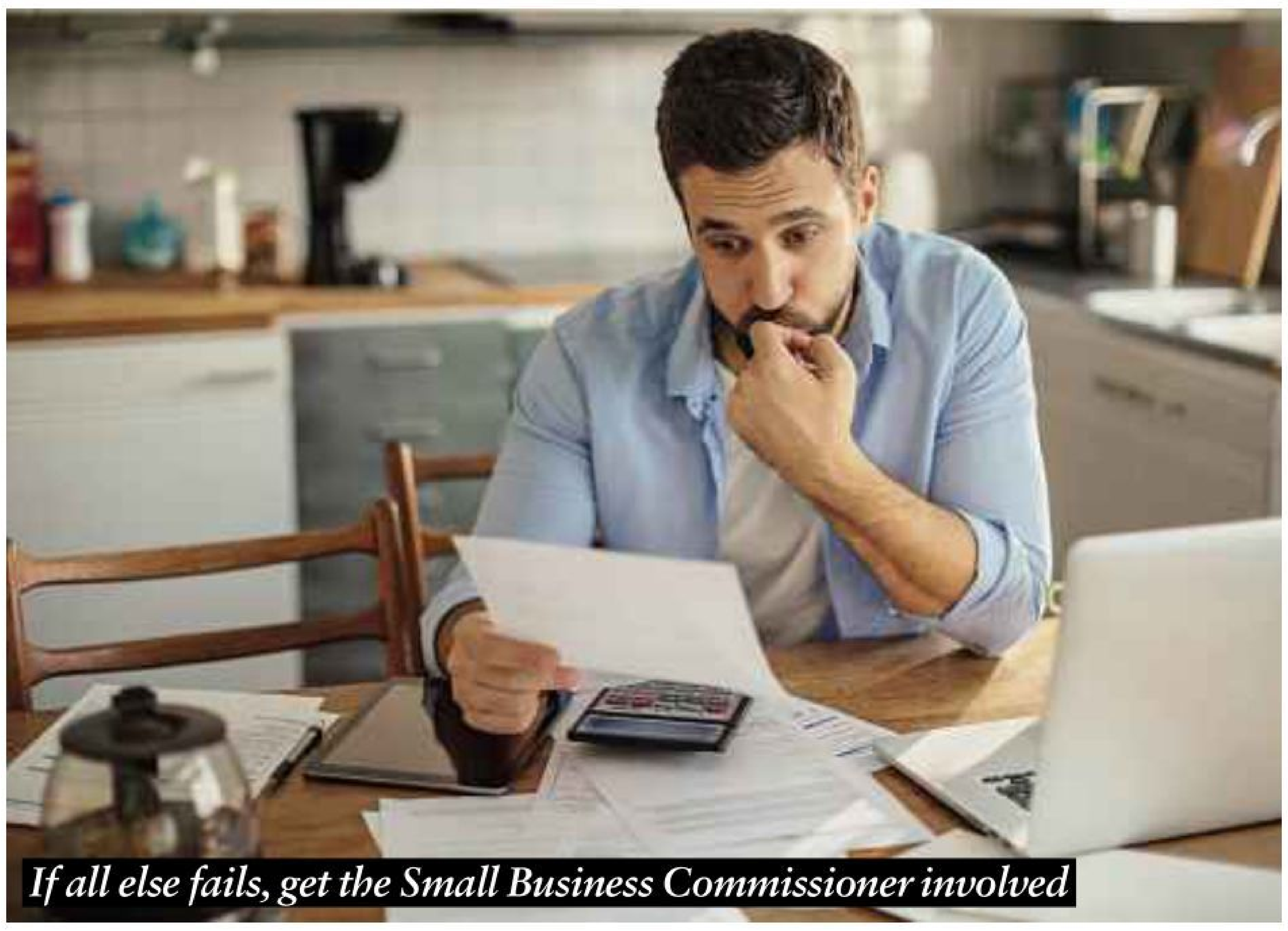
■ "Ghost broking" is the fastest-growing type of insurance fraud, says Ali Hussain in The Sunday Times. Drivers who want cheap car-insurance cover are offered a deal by a fake insurance broker. The driver pays for the cover and receives documents showing their car and address details. But they've actually been sold cover tied to an address in a cheaper area, such as Westhill in Aberdeenshire, which has some of the lowest premiums in the UK. The fraud is possible because insurers don't always check a driver's personal details until after a new policy is signed, or a claim is made. Yet if the person is in a crash, their insurance will be invalid, and the insurance firm will decide whether a payout is made. They risk having their car seized and a fixed penalty notice of £300 for driving without valid insurance, as well as the cost of buying genuine insurance, and potentially the cost of covering a claim against them. When buying insurance, check the company is registered with the British Insurance Brokers' Association; if buying directly from an insurer, be sure it belongs to the Motor Insurers' Bureau.

■ The amount of cash held in accounts that pay 0% interest has risen to £170bn, says Sam Barker in The Daily Telegraph. This is the equivalent to £1.10 in every £10 held in accounts, and is 70% up from December 2010, says the Centre for Economics and Business Research. Many savers may have tracked down a good interest rate that proved short-lived. First Direct's Saver account pays 5% in year one, but only a variable 0.15% in year two. Always check if your cash can earn more elsewhere.

How to chase payments

Customers in arrears are a big headache for small firms. Know your rights

David Prosser
Business columnist



If all else fails, get the Small Business Commissioner involved

Late-paying big businesses could be fined for persistently failing to settle small contractors' invoices on time. But while the government says it is determined to beef up the powers of the Small Business Commissioner, which can intervene in late-payment disputes, small businesses are also being urged to take a tougher line themselves.

In particular, small businesses have a legal right to charge penalties when customers pay their bills late. While that may feel uncomfortably confrontational, and certainly shouldn't be a default option, hitting late payers in the pocket can be a powerful way to concentrate minds.

The law is very clear on small businesses' rights. You can claim both interest charges and debt recovery costs if a firm is late settling your bill. "Late" is defined by the payment terms you agreed when you made the sale. However, if you didn't explicitly set a timetable, the law provides a fall-back position. In this case, your payment will be late if your customer does not pay it within 30 days of receiving your invoice, or within 30 days of you delivering the goods or providing the service, if later.

The law also defines what you can charge. "Statutory interest" is the prevailing Bank of England base rate plus eight percentage points, so it currently stands at 8.75%. This is an annual rate, but you have to charge it daily. On a £10,000 debt, for example, the annual interest bill would be £875, which works out at about £2.40 a day. You multiply this sum by the number of days late.

"You have the right to charge penalties when a customer is late"

You are also entitled to charge a fixed sum to cover the costs you incur while chasing the payment, not least the cost of your time. This sum varies according to the size of the debt, from £40 for late payments worth less than £1,000, to £100 for bills of £10,000 or more.

To claim these interest charges and costs you'll need to issue a new invoice to your customer detailing what is owed. The customer may choose to accept this invoice, but if not, you may need to take legal action to force it to pay. This sounds daunting, but for claims of less than £100,000 you can use the streamlined County Court system. You can even make your claim online at gov.uk/make-money-claim.

Whether or not you choose to go down this road is a judgement call: you know your customer best. And another option is to ask the Small Business Commissioner to get involved; it has an increasingly strong record of forcing late-paying big businesses to pay up.

Open up to cards

The UK's smallest businesses are missing out on valuable business or wasting time chasing customers for payment because they don't accept debit- or credit-card payments.

New research from payments company Square suggests 40% of micro businesses – firms with fewer than ten employees – don't have the facilities they need to accept card payments.

Thankfully, fierce competition in the payments sector means there is plenty of affordable choice. In practice, the right option for your business will depend on several factors. You typically pay an upfront charge for the equipment you need, such as a card reader, plus a transaction charge, which could be a fixed cost or a percentage.

This means the cheapest deal will depend on how many transactions you process and how much they are for. In addition, think about whether you need a card payments service just for face-to-face transactions, or to take payments by phone or online as well. Not every provider caters for each of these needs.

For a face-to-face card reader, iZettle currently charges £29 for one of its terminals with capped transaction charges of 1.75%. Sumup's device also costs £29 and charges an uncapped 1.69% transaction charge; it can be used for payments by phone. Square charges £29 for its device and offers e-commerce options as well as phone-based payments and face-to-face transactions, with a varying range of transaction charges.

Five questions for... Charles Gillespie, CEO, Gambling.com

What does your business do?
What hotels.com does for hotels we do for online gambling. We operate around 50 different comparison sites to help online gambling consumers find the best websites to play casino games or bet on sports.

What's been your greatest achievement?
In a mature sector where we have a lot of talented competitors we have managed to grow faster than all of them over the past couple of years. This culminated in winning the most prestigious award for what we do last year, the Affiliate of the Year award presented by eGamingReview.

What has been your biggest challenge?
We struggled out of the gate, as my business partner and I were just out of university with no practical experience. After five years, we had little to show for our efforts and it took about ten years for us to really develop the business. We were always confident in our abilities, knowledge and the potential for growth, but it was a challenge to keep going when we were not seeing results in the numbers.

Gambling.com offers an array of casino games

What are your plans for hitting your targets?
We have adopted the Objectives and Key Results (OKRs) methodology. When you are required to spell out your goals in objective terms and share those with the rest of the organisation, it forces you to seriously think about what it is that you are trying to achieve.

What's the one piece of advice you'd give to fellow entrepreneurs?
Entrepreneurship, and business in general, is simply about getting the best people involved. Most start-ups these days are making software or doing something technologically enabled that wouldn't have been possible a few years ago. These businesses need the best people even more than the businesses of the past. The most important thing you do is hire, train and manage people.

Investors are ignoring these Japanese gems

A professional investor tells us where he'd put his money. This week: Joe Bauernfreund of the AVI Japan Opportunity Trust selects three cheap shares

We seek out companies that are overlooked, unloved or ignored by mainstream investors. These stocks have been marked down as a result of particular circumstances that we think are unlikely to persist. Asset Value Investors (AVI) has a global focus but we have a very strong belief in Japan. Last year we launched a dedicated Japan fund, AVI Japan Opportunity Trust (AJOT).

Japanese companies have an abundance of cash, driven by strong profit growth and historically low payout ratios. However, the culture of locking cash away and ignoring shareholders has been changing since the introduction of the Corporate Governance Code in 2015. Companies are unwinding cross-shareholdings, buying back record numbers of shares and raising dividends. Yet, despite the clear progress, valuations are still depressed. There are many opportunities in high-quality, cash-rich, small Japanese companies that the market is unfairly neglecting. Here are three examples.

> *"Lift maintenance contracts last for decades, producing steady profits"*

Painting a pretty picture

SK Kaken (Tokyo: 4628) produces highly specialised construction paints with the majority of sales coming from refurbishment works. Despite anaemically low inflation and the perception that Japanese companies do not grow, SK Kaken has increased profits at an annual rate of 7% for the past 20 years. It now has a 52% market share in the domestic construction paints market. Despite SK Kaken's impressive record, the market values the company at just 4.7 times EV/EBIT (see page 15 for a full explanation of this valuation measure), with net cash covering 64% of the market cap. While the dividend payout ratio is low (11% income for a 0.7% yield) the company generates 6% of its market cap in cash each year. We are being paid to wait.

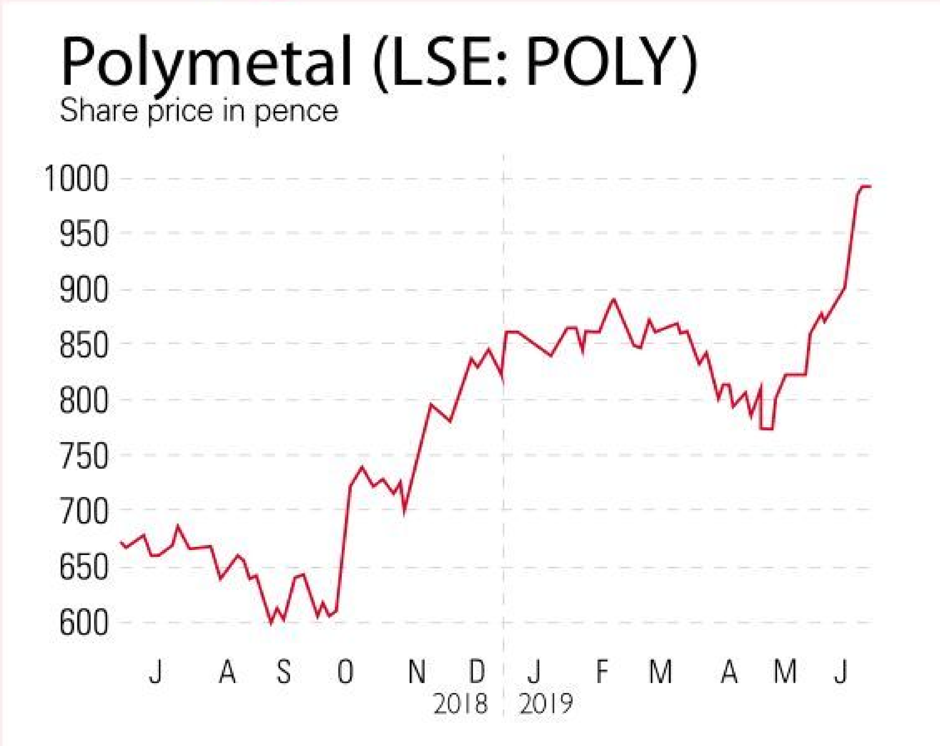
Alarmingly cheap

Secom Joshinetsu (Tokyo: 4342) is a subsidiary of the global security and alarms company Secom, which owns 51% of it. It has the exclusive right to operate Secom's business across three prefectures in Japan. The business is stable, charging recurring service fees to its customers to guard and monitor their buildings. It boasts a renewal rate of close to 100% and during the recession revenues only fell 6%. Secom Joshinetsu's 1.4 times EV/EBIT valuation compared to its parent's ten times leaves 76% upside. The investment case is all the more compelling considering Secom Joshinetsu's 7% free cash flow yield, while 80% of the market value is covered by cash.

Lift maker in bargain basement

Fujitec (Tokyo: 6406) is a global lift manufacturer with sales in Japan, China, Southeast Asia, North America and Europe. The most appealing aspect of the business is lift maintenance contracts. These last for decades, producing steady, recurring profits, which explains why Fujitec's global peers trade on EV/EBIT multiples approaching 18 times. However, Fujitec, which operates the same business model, is on a multiple of just seven. Fujitec's balance sheet is hugely overcapitalised, which means we are, in effect, investing 53% of our capital in cash and listed securities and gaining exposure to a high-quality, profitable operating business at a low valuation – all the while receiving a 3% dividend yield.

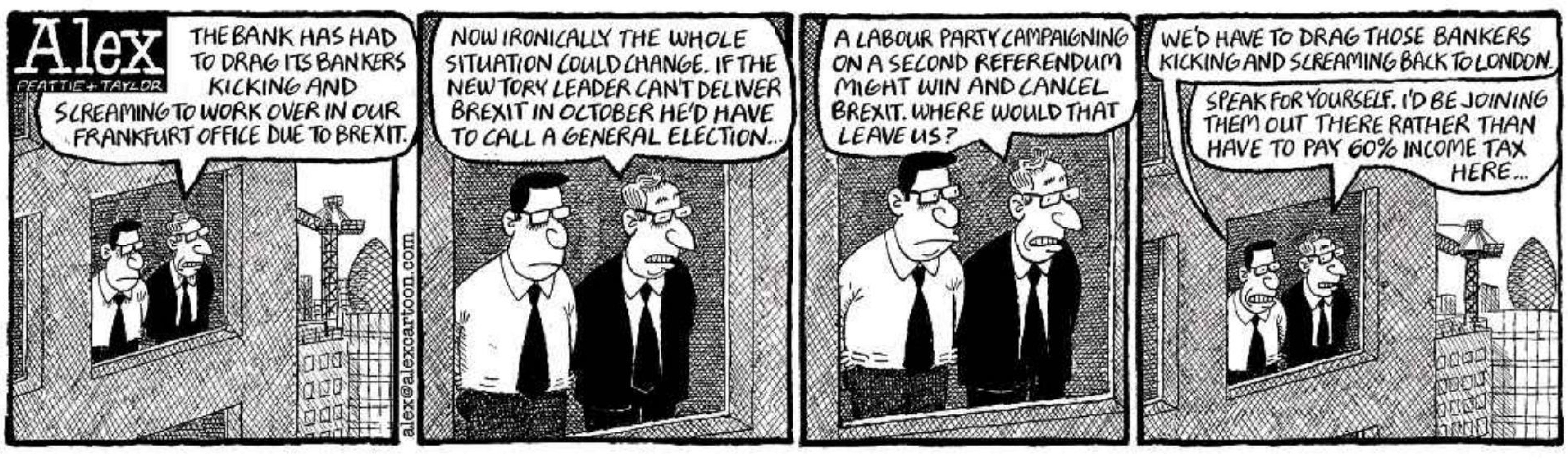
If only you'd invested in...



Polymetal International (LSE: POLY) is a precious metal miner that operates in Russia, Kazakhstan and Armenia. Bringing its new Kyzyl mine in Kazakhstan onstream lifted the company's total gold production to a record 1,562,000 ounces in 2018, 9% up on the previous year. Revenue rose by 4% to $1.88bn, and earnings climbed by 5% to $780m. Polymetal hopes that shifting to higher-grade and lower-cost mines will produce savings, while the recent rise in the price of gold should bolster earnings too. The stock has gained 52% in the past year.

Be glad you didn't buy...

AO World (LSE: AO) is an online seller of home appliances, with 6.5 million customers in the UK and almost 800,000 in Germany and The Netherlands. UK performance in the year to 31 March was encouraging: sales rose by 10% to £749.3m and operating profit climbed to £14.9m despite what founder and chief executive John Roberts called a "tough trading environment". But it was a different story in Europe, where lower margins and tougher regulations on German delivery drivers' hours increased losses to €31.3m. The shares have fallen by more than 50% in 12 months.



The "Czech sphinx" buying up Europe

Few people outside central Europe had heard of Daniel Kretinsky a decade ago. Now he is one of the continent's top dealmakers with an eye for helpful connections and cheap assets. Jane Lewis reports

When rumours surfaced last autumn that a Czech billionaire named Daniel Kretinsky had taken a stake in Le Monde, "the news sent a tremor through the newsroom of that august national publication", says The New York Times. Journalists noted that he'd built his fortune on power plants and coal mines, while he also owns part of a pipeline bringing Russian gas to the West. Why, they wondered, "would an international energy magnate be interested in an anti-Kremlin newspaper that had invested heavily in covering climate change?"

By muscling in on such "a pillar of the French establishment", Kretinsky became an object of suspicion, says the Financial Times. Concerns about links to Russian president Vladimir Putin – apparently ungrounded – forced one of his friends to deny that he was "a Moscow agent". Kretinsky's motive for buying into the prestigious French daily was simply that he loves France – thanks to the French films he saw on Czech TV as a child – and is "dedicated to "strengthening a professional press in Europe".

A buying spree

Dubbed the "Czech sphinx" by one Polish magazine for his inscrutability, Kretinsky, 43, was little known a decade ago. But over the past ten years a buying spree – stretching from UK power plants to the football club Sparta Prague – has turned him "into one of Europe's most prominent dealmakers".

His latest gambit is his biggest yet. Last month, EP Global Commerce, the investment vehicle he controls with his Slovak business partner Patrik Tkac,

"He learnt from two of the most successful privatisation barons in post-communist Europe"

tabled an €5.8bn takeover offer for German retail behemoth Metro.

Born in Brno in 1975, the son of an informatics professor and a constitutional court judge, Kretinsky studied law, eventually joining J&T, a bank founded by Tkac, in 1999 where he began moving among a "small circle of powerful businessmen". In 2009, when J&T spun off its energy assets into a new group, EPH, Kretinsky bought out his partners to take full control of the group. He initially got rich "buying unloved power plants that few wanted amid the drive for renewable energy", says the FT. He built a local media empire – an almost compulsory exercise in the Czech Republic where nearly all newspapers are in the hands of local billionaires, notes The New York Times. Then he started pushing west.

Why Metro?

What does he want with a struggling Teutonic shopping conglomerate, asks The Economist. The answer lies in Kretinsky's opportunistic soul. "He's a transactions guy primarily. He buys cheap with external finance, that's the nature of his game," observes Jozef Kotrba, chairman of Deloitte in the Czech Republic. He wants to diversify his investments and, in Metro, he has spotted an opportunity to grab an international retailer "in the process of transformation" on the cheap (Metro is shedding businesses to concentrate on food wholesale). Hence his initial "stingy bid".

Kretinsky's emollient personality may help him win the day. And he has an eye for connections: he is currently dating the daughter of the country's richest man, Petr Kellner – another longstanding business partner. Indeed, it might be argued that Kretinsky owes much of his "rapid rise" to his early mentors Kellner and Tkac, says The New York Times. In his game, you couldn't ask for a better education. He learned his craft "under the tutelage of two of the most successful privatisation barons" in post-communist eastern Europe.

Great Frauds in History... *George Hudson*

Born in March 1800 in the Yorkshire village of Howsham, Hudson was forced to move to York after fathering a child out of wedlock. Apprenticed to a draper, he took over the shop after marrying his employer's daughter. An inheritance of £30,000 (£2.5m in today's money) from a great-uncle allowed him to help set up what would become the York and North Midland Railway as well as the York Union Banking Company. By 1848 "The Railway King" ran several railways accounting for a third of the rail network.

How did the scam work?

Hudson's frauds can be divided into two categories. Firstly, he embezzled an estimated £750,000 (£74m in 2018) from the companies that he was involved in. He pocketed money meant to repay landowners, sold land and raw materials to them at vastly inflated prices and persuaded the companies to buy shares from him at above-market prices. The second ploy was to falsify the accounts of his companies by classifying expenses as investment, omitting some spending entirely and generating fictitious revenue. In the case of the Eastern Counties Railway alone, profits were overstated by at least £353,000 (£34.8m).

What happened next?

The end of the railway bubble prompted shareholders to start asking questions. At a meeting of the York, Newcastle and Berwick railway in February 1849 Hudson was confronted with evidence of suspicious share transactions, prompting multiple inquiries, which revealed his fraudulent behaviour. Hudson resigned his directorships and was forced to sell his country estate and houses. However, this wasn't enough to cover his debts, and in 1859 he fled to the continent to avoid his creditors. He was eventually imprisoned for non-payment of his debt.

Lessons for investors

Hudson's railways would eventually become part of British Rail a century later. However, investors who put money into them based on his promises of high dividends sustained by growing profits would lose out heavily, as these dividends were slashed or suspended. Even before Hudson resigned shares in the Eastern Counties railways were down more than half from their peak in 1846. When stocks offer high yields of 10%, check whether the dividends have a realistic chance of being paid.

MoneyWeek
WINE CLUB

Best served chilled – your wines for summer

Swig manages to find delicious wines you'd never come across in your normal walk of life, and it is this ability to sniff out hidden gems that makes them such an important fixture in the elite UK wine landscape. The wines I've chosen for July are no exception. Each bottle seems to have a few familiar traits, but then there is a little twist or turn which makes each wine unique and Swig-style. Chosen for top level summer dining, all six of these wines should be drunk chilled. The trick with the reds is to take them out of the fridge 20 minutes before serving them, so that the acidity is slightly heightened and the fruit is trim. These wines can then blossom in the glass as they breathe and unravel.

Enjoy!
Matthew Jukes

Matthew

FROM UNDER £10 PER BOTTLE

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Prices shown below are per case of 12 bottles. Wines are also available in a mixed case, giving you two bottles of each for **just £150** – it's a chance for you to try them all, and is the most popular choice with *MoneyWeek* readers!

~~£13.50~~ £9.95

TOP PICK

2017 La Valse des Mansengs, Domaine Horgelus, Gascony, France

Unlike any other white wine that has graced these pages, this is a curio which celebrates the two quirky Manseng grapes, Gros and Petit, which together make the famous white wines of Jurançon. Horgelus grows these two magically perfumed white grapes, too, and they cleverly tighten up the finish of this white with the addition of 10% Sauvignon Blanc. The result is a floral, exotically perfumed wine with hints of violets and stone fruit, a sleek, plush palate and a long, dry, mineral finish. It's luxurious and tastes like no other wine on earth!

CASE PRICE: £119.40 – Saving £42.60

~~£12.50~~ £9.95

2018 Ardina 300, Loureiro, Vinho Verde, Guapos, Portugal

Vinho Verde is one of my (many) vinous guilty pleasures. This inexpensive essence of summer is Portugal's answer to Muscadet, Txakoli, Verdicchio and every other bright, crisp, seafood-friendly white. Drunk ice cold and very young (be sure to finish your bottles by the end of the year), this is an awesome aperitif style, with a devastatingly refreshing character. Loureiro is a delicious white grape with sea-spray notes and I cannot think of a better wine to start a feast than this palate-primping wine.

CASE PRICE: £119.40 – Saving £30.60

~~£18.95~~ £15.95

2014 Rosso No1, Tenuta Tobia, Seggiano, Tuscany, Italy

Made by Brit Toby Owen, this is a spectacular wine, putting many Brunello di Montalcinos to shame with its lush, power-packed palate and insultingly low price. Made from Merlot, Cabernet Sauvignon and Sangiovese, this is such an impressive wine I drank the whole bottle rather than just tasting it and moving on. The depth of fruit and volume of flavour conjures up images of expensive Super Tuscan-style reds, and yet wines with this degree of sophistication cost somewhere between £50 - £100. If I could have one wish this month it would be for every MoneyWeek reader to order this wine – then you could all see what I see in this incredible creation.

CASE PRICE: £191.40 – Saving £36

~~£14.95~~ £12.50

2016 Paisajes, Viñedos Ruiz Jiménez, Rioja, Spain

This is a wonderful wine and it uses the Garnacha grape exclusively in its makeup. In terms of shape and size, it is a blast from the past - medium-weight, silky and honed. There is none of the woodwork or massive inky notes found in new wave Rioja and, if anything, tastes more Burgundian than it does Rioja. The aromatics are arresting and the red fruit is soothing and satisfying with herbal accents and a lovely long finish. This is yet another classic Swig wine – unusual, unexpected and unerringly rewarding.

CASE PRICE: £150 – Saving £29.40

~~£17.50~~ £14.50

2018 Little Beauty, Sauvignon Blanc, Marlborough, New Zealand

This wine's name also acts as a perfect two word tasting note! Made by former Cloudy Bay winemaker Eveline Fraser, this is a fantastic Kiwi Sauvignon. It is stripped back to its raw ingredients, showing little tropical fruit or unnecessary ripeness. It's dry, smooth, citrus-themed and discreet. It is as euro-style as you can get in New Zealand and this makes it a desperately attractive style of wine. I love the wet pebble freshness and keen acid edge - this is not only a racy wine but also a crisp and energetic number, too. Notice I haven't sloppily mentioned the expression little beauty in my notes either…

CASE PRICE: £174 – Saving £36

~~£17.50~~ £15.95

2018 Bourgogne, Les Truffières, Domaine de Mauperthuis, France

This is a very unusual find: not in terms of taste, but where it comes from geographically. Made by a Chablis producer, but coming from a vineyard west of the region in the greater Auxerre environs, this wine tastes a little like a cross between a classy Premier Cru Chablis and a silky Mâcon Blanc. The Chardonnay grape is on fine form here with little oak intervention. This is a succulent style tailor-made for early drinking. Give Chablis a break and try this wine this summer. It will not let you down.

CASE PRICE: £191.40 – Saving £18.60

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A step up from the Premier Inn

Most hotel rooms look the same. These ones will provide a memorable stay

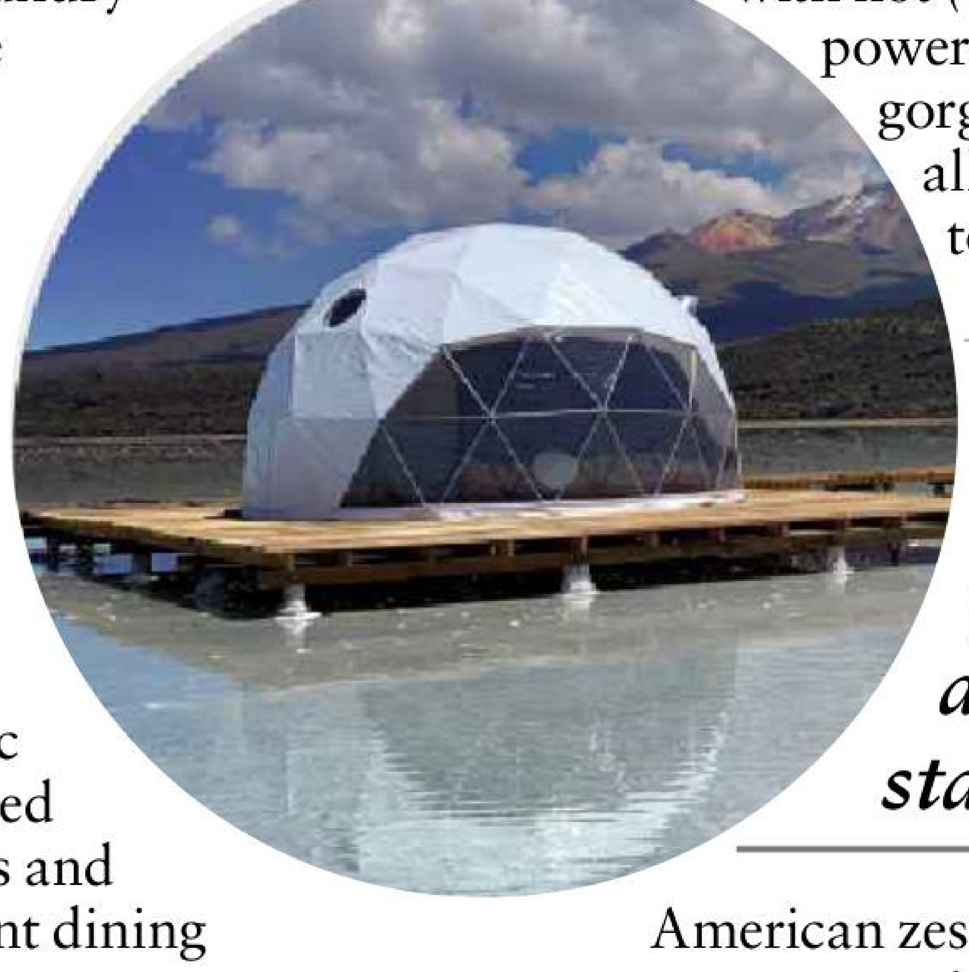
A cosy container: but beware the horned crabs on the beach

Eco shipping containers

Getting to Cosmoledo Eco Camp isn't easy, says Teresa Levonian Cole in the Financial Times. A ten-hour flight takes you from London to Mahé, the largest island in the Seychelles. Then I caught two further domestic flights and embarked on a two-hour boat journey "racing over waters of transparent blue, turquoise and jade, before, finally, the white and green of Cosmoledo began to coalesce on the horizon". Such a feeling of distance is rare these days. Guests stay in "lavish" lodges and villas – or "eco pods" ("which are, unmistakably, shipping containers). These are no ordinary shipping containers: each of the eight is "cleverly designed with wood flooring, framed maps, good lighting, excellent bathrooms, aircon and comfortable twin beds". A retractable glass wall opens onto wooden decking and the beach, "alive with horned ghost crabs". The pods can even be moved without leaving a trace. ($1,900 for two, bluesafari.com.)

Out of this world

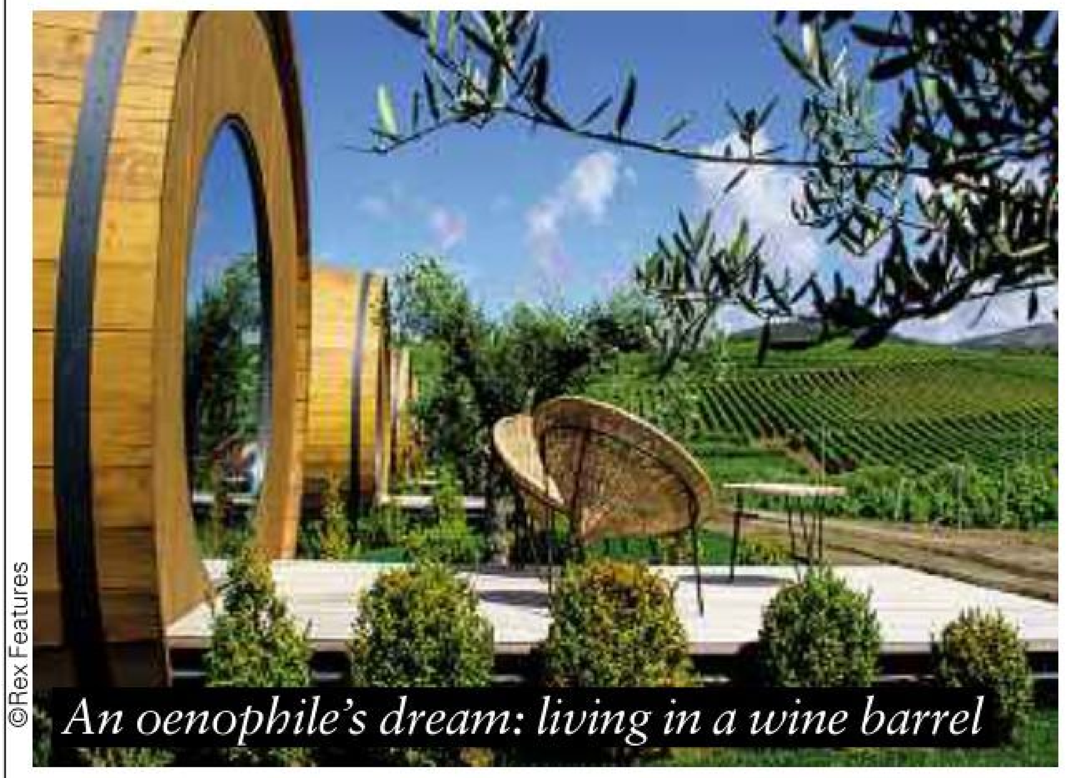
Kachi Lodge is a new luxury accommodation on the "heart-stoppingly beautiful" Salar de Uyuni salt flats in Bolivia, says Gemma Bowes in The Times. With the towering red Tunupa volcano as a backdrop, the lodge resembles "a lunar space station, with six Nasa-designed geodesic bedroom tents connected by wooden boardwalks and a huge, semi-transparent dining dome". And just like in space, oxygen is limited due to the high altitude. "We're at 3,600 metres and out of breath from the slightest exertion," says Bowes. The interiors are "homely and cool, with wood-burners, designer lighting, proper bathrooms built in Amazonian hardwood with hot (well, warm) solar-powered showers, and heaps of gorgeous Bolivian textiles, all stripes and pompoms, to lend some funky Latin American zest." Chefs from Nativa, a new restaurant in Bolivia's capital, Sucre, provided the food. It consisted of sensational reworkings of street-food staples with a touch of European fusion, and was perfectly suited to the harsh conditions outside. (Two nights from $1,980, kachilodge.com.)



"Kachi Lodge on Bolivia's salt flats resembles a lunar space station"

A barrel of laughs

Wine-loving travellers can now fully indulge in their passion by staying in a converted wine barrel at Quinta da Pacheca, says Almara Abgarian in Metro. The barrel suites are exact replicas (at least on the outside) of the pine-wood barrels used at the working 280-year-old estate, located in the Douro wine region of Portugal. Owners Paulo Pereira and Maria do Céu Gonçalves modified the barrels to include a circular double bed, a bathroom with a walk-in shower, skylight windows and a private terrace. They also have Wi-Fi and air conditioning.



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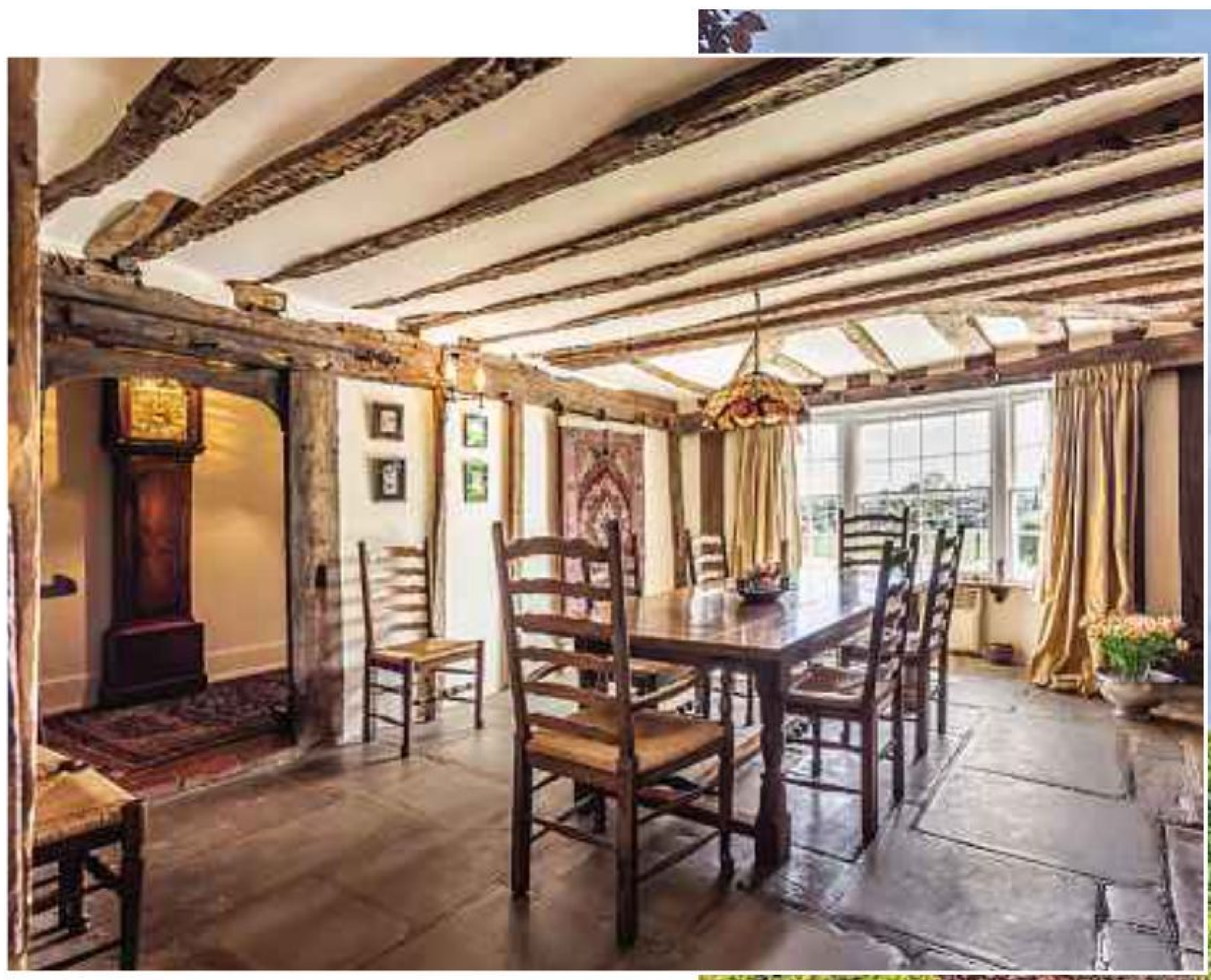
An oenophile's dream: living in a wine barrel

The estate has 140 acres of vineyards to explore, and a restaurant. Then there are, of course, the wines to try – red, white, rosé and port. The bottles are kept in a nearby 18th-century house. Guests can also sample the locally made olive oil and jam as part of the experience. The barrels don't come cheap. But "then again, you get to realise every wine lover's dream, so it might just be worth it." (From €190, quintadapacheca.com.)

This week: houses for around £2.5m – from a 15th-century timber-framed house overlooking the village green in

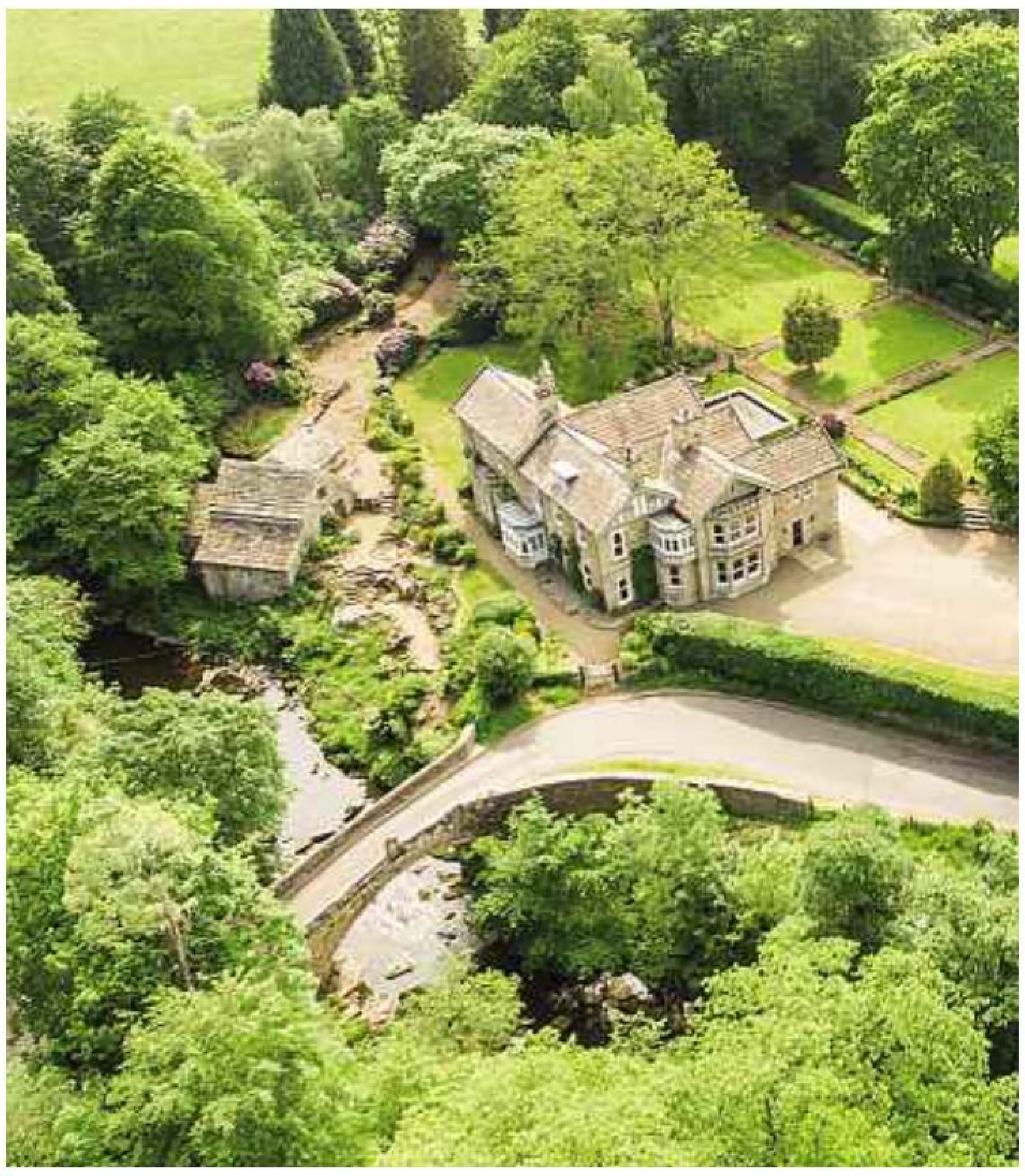
▲ **Century House, St Andrews, Fife.** A restored, Grade C-listed Arts & Crafts house dating from 1908 with a tower overlooking the landscaped gardens. It has a large kitchen and living area with bifold doors leading onto a decked area with a covered outdoor kitchen. 7 beds, 6 baths, gym, 0.86 acres. £2.5m+ Savills 0131-247 3738.

► **Shurland Hall, Eastchurch, Sheerness, Kent.** This renovated, Grade-II listed, 16th-century gatehouse has leaded-light windows, oak and tiled floors and a kitchen leading onto a terrace. 5 beds, 3 baths, great hall, 2 receps, orangery, barn, outbuildings, formal walled garden, lake, orchard, 7 acres. £2.5m Fine & Country 01732-222272.



► **Henden Place, The Green, Woodchurch, Kent.** A Grade II-listed, 15th-century timber-framed house overlooking the village green. It has exposed wall and ceiling beams, inglenook fireplaces and a country kitchen with an Aga. The gardens include a walled garden, a kitchen garden, a greenhouse and a pond. 5 beds, 4 baths, 3 receps, garden room, outbuildings, summerhouse, 1.7 acres. £2.2m Phillips & Stubbs 01797-227338.

Woodchurch, Kent, to a third-floor apartment in a renovated period building on London's Oxford Street



The Linnels, Hexham, Northumberland. A former coaching inn dating from 1897 with a separate, three-bedroomed coach house and a Grade II-listed, 17th-century former mill in the grounds. The house has Victorian fireplaces, high ceilings with detailed moulding, stained-glass windows, and a large kitchen with an Aga. 5 beds, 3 baths, 3 receps, garden room, orangery, study, original stables, workshops, 12 acres. £2.25m Finest Properties 01434-622234.

The Mill House, Chicksgrove, Tisbury, Wiltshire. A renovated mill house with a drawing room with a vaulted ceiling and three sets of French doors leading onto a terrace overlooking the mill leat. 7 beds, 5 baths, 3 receps, stables, gardens, fishing rights, mooring, 3.3 acres. £2.25m Savills 01722-426820.

Old Riffhams, Little Baddow, Chelmsford, Essex. A Grade II-listed, 16th-century house in mature, landscaped gardens that include a heated swimming pool, a woodland area, and two spring-fed ponds that provide a haven for wildlife.The house has an open fireplace, beamed ceilings, and a large country kitchen with an Aga. 7 beds, 4 baths, 4 receps, conservatory, wine cellar, outbuildings, tennis court, 18 acres. £2.5m Jackson-Stops 01245-806101.

Beaver Building, Oxford Street, London W1D. A third-floor apartment in a renovated, 19th-century former hat factory on Oxford Street. The apartment has a large, open-plan living and reception area with floor-to-ceiling windows, two Carrara marble bathrooms, and a contemporary kitchen with integrated appliances that opens onto a spacious, private balcony. 3 beds, 2 baths. £2.15m Knight Frank 020-7647 6615.

Bunloit Estate, Drumnadrochit, Inverness-shire. A small estate with panoramic views of Loch Ness and the Monadhliath Mountains. It comes with a three-bedroomed main house, a converted tower house with an attached greenhouse, two holiday cottages, farmland, moorland and commercial woodland. 3 bed, 2 baths, 2 receps, office, sporting rights, fishing rights on Loch Ness, wind turbine, 1,264.33 acres. Available in 2 lots. £2.4m+ Strutt & Parker 01463-719171.

A one-stop shop for all your hi-fi needs

Mick Sharp explains how to get the joys of a live music concert in the comfort of your own home

Q Acoustics 3050i 2-way speakers, accept stereo amplifier input 25-100w; frequency 30-44kHz. Price: £645 See hifix.co.uk

Naim's Uniti Atom is more sci-fi than hi-fi. It's a beautiful black box that acts as a one-stop solution that will satisfy pretty much all of your musical desires. All you need to add is a pair of speakers – I chose a pair of Q Acoustics 3050i floorstanders, introduced one to the other with a set of QED Reference XT40 cables, stood back and listened…

The sound that emerged from the Q's precision drivers left me speechless. If you're looking for a set-up that has the "wow" factor, look no further. "A compact multi-source music player that will seduce you with its amazing quality and outstanding feature set," is how Naim puts it. Rob Boffard on themasterswitch.com calls it a "wonder box" that "far surpasses streamers that cost more. Nothing can match the dynamism and electricity of the Uniti Atom." I concur.

What Hi-Fi gave it a five-star review, praising its class-leading sound clarity. The Atom has a coaster-sized volume control on top and a full-colour LCD front panel that displays the album art work as it plays. Even the remote is unhappy to accept a mere bit part: it has a proximity-sensitive control and springs to life as your hand approaches the controls. "The Atom is a little like that annoyingly good-looking friend who commands all the attention," says What Hi-Fi.

Naim Uniti Atom: 95mm x 245mm x 265mm; Airplay, Spotify and Tidal in-built; 40w RMS. Price: £2,249 sevenoakssoundandvision.co.uk

Punching above their weight

Q Acoustics' 3050i speakers are not the shy and retiring type. They have a commanding presence, and a sense of depth and dynamics that is as good as any you can get this side of a live concert. "The music instantly sprang to life," says Mark Sparrow on forbes.com. "These speakers punch way above their weight and should be auditioned alongside speakers costing twice the price."

"They never get flustered," says Jay Garrett on stereonet.co.uk, keeping dynamic signatures in check and "shepherding overlapping instruments into a spacious soundstage". Visually, they play nicely with your furniture, being available in arctic white, carbon black, graphite grey and English walnut.

This set-up makes for an aural marriage made in musical heaven and it may be the only system you will ever need.

"This set-up makes for an aural marriage made in musical heaven and it may be the only system you'll ever need"

Wine of the week: a low-brow but delicious Beaujolais

Matthew Jukes
Wine columnist

I have a number of guilty pleasures to admit to – wines that are supposedly a little low-brow, often rather too affordable, usually early-drinking, but, to me, utterly delicious and unique. Don't laugh at my vinous confessional. Perhaps by standing up and being honest, others might feel free to express their deepest, everyday-drinking wine desires out loud. Asti, Vinho Verde, Beaujolais, Muscadet, Picpoul, Verdicchio, Soave and so on – these are wines I adore and, I must be honest, buy and drink by the gallon.

They are wines that my friends also enjoy and if you find tiptop examples they only cost a few quid more than the dreary, run-of-the-mill versions that made these styles rather unfashionable in the first place. With this in mind, I cannot think of a young Beaujolais I have enjoyed more than my featured wine this week.

Burgaud's Beaujolais-Lantignié is made from his oldest vines, which are mainly planted on the fabled blue granite soils that bring class and depth of flavour to wines like Morgon Côte du Py. There are ten villages in Beaujolais that qualify for Cru status (Fleurie, Morgon, Moulin-à-Vent, Brouilly et al) – and if this wine is anything to go by then Lantignié is in the running for accreditation. I would rather it wasn't recognised so the price stays fair and we can drink celestial wines like this one while cocking a snook at wine snobs everywhere.

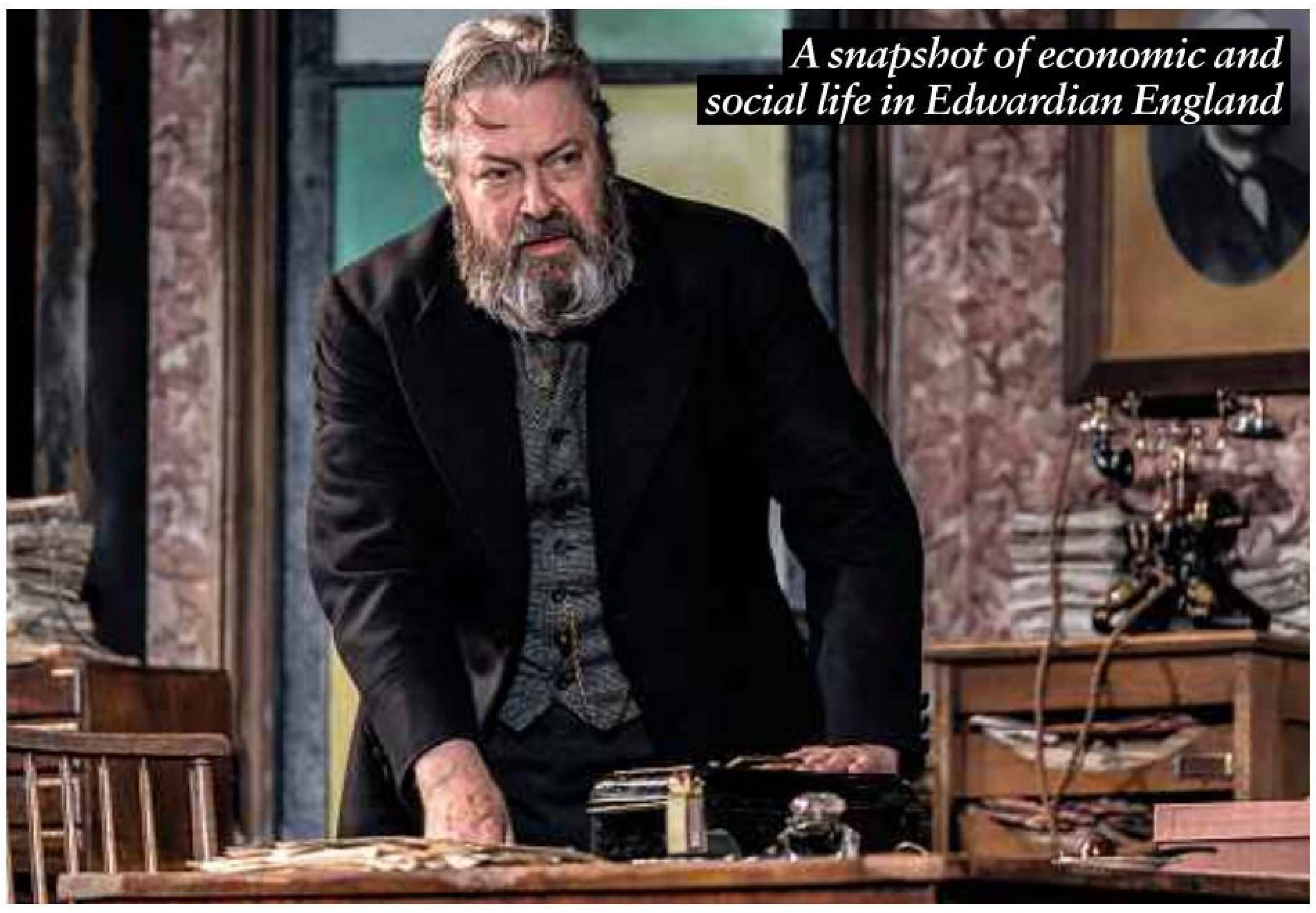
Matthew Jukes is a winner of the International Wine & Spirit Competition's Communicator of the Year (matthewjukes.com)

2018 Beaujolais-Lantignié, Alexandre Burgaud, France
£14.50, bbr.com

A portrait of a family business

Rutherford and Son

By Githa Sowerby
Directed by Polly Findlay
Running at the National Theatre until 3 August



A snapshot of economic and social life in Edwardian England

Industrial chemist John Rutherford Jnr (Sam Troughton), estranged from his father as the result of a marriage to a working-class woman, Mary (Anjana Vasan), is forced by necessity to return home. He has developed an invention that could potentially revolutionise the way glass is made. John Snr (Roger Allam) wants him to use the invention to save the family firm. John Jnr believes he is entitled to patent it and sell the secret to the highest bidder. Meanwhile, John Jnr's siblings, curate Richard (Harry Hepple) and spinster Janet (Justine Mitchell), have their own plans for the future.

The main theme of the play is the impact that the burly patriarch, who is clearly a manipulative bully who will accept nothing less than blind obedience, has on his children and employees. But the victims of his bullying are not entirely sympathetic either. His elder son is petulant and self-centred, the foreman Martin (Joe Armstrong) is dog-like in his devotion to his "master". Predictably, this subservience only acts to make John Snr even more of a monster. Tellingly, the only character to win his respect is the one who treats him in the same way he has treated others.

The play was written in 1912, a time when Britain was still considered an economic superpower, but there is a pervading sense that, like the firm, the country's best days are now behind it. As John Snr admits, the formerly prosperous glass factory now makes a loss and faces the very real prospect of either going out of business, or being sold to a rival. While he is able to marshall various excuses for that – unfair foreign competition, unsympathetic bankers and shareholders only concerned with short-term profits – but one gets the impression that the real reason for the factory's troubles lies with its owner, particularly in his feudal style of management and resistance to change.

> *"The real reasons for the factory's troubles are the owner's feudal style of management and resistance to change"*

The play is marked by some strong, compelling performances, especially from Roger Allam. Justine Mitchell also delivers a strong performance as the daughter who has been ruined by her father's desire to keep her tied to him. At the same time, the play's atmosphere is enhanced by a wonderful set, which perfectly evokes a gloomy soot-stained drawing room in a mansion in the north of England. Some of the stronger accents could have been toned down a little, but it's easy enough to understand what is going on. This play is definitely worth catching, and one that works equally well as a piece of drama and as a snapshot of economic and social life in the Edwardian period.

Reviewed by Matthew Partridge

Almost Perfekt

How Sweden Works and What We Can Learn From It

By David Crouch
Published by Blink Publishing (£14.99) on 8 August

Departing prime minister Theresa May recently made headlines with leaked plans to expand paid paternity leave. She may have been inspired by the example of Sweden, where three months of parental leave are explicitly reserved for fathers. Journalist David Crouch argues that we can learn a lot from how Sweden does things.

He claims its success is based on a system where firms agree to pay generous (and rising) wages in exchange for wage restraint in certain areas, high productivity and an acceptance of painful changes, buttressed by a generous welfare state. A system of dual-class share ownership also ensures that companies focus on the long-term rather than being overly influenced by the short-term whims of the stockmarket.

Crouch makes an energetic case for Scandinavian social democracy, but it has its flaws. The lack of unskilled starter jobs has left many immigrants unable to find work, as Crouch admits. He could also have pointed out that, despite repeated attempts to reduce the size of the state, taxes (at 43% of GDP) are some of the highest in the developed world. Those interested in how Britain and the US could reduce inequality without damaging economic growth will find much to ponder in Crouch's engaging and personable account. But it would be naïve to think that Sweden has all the answers, or that its policies come without their own set of trade offs.

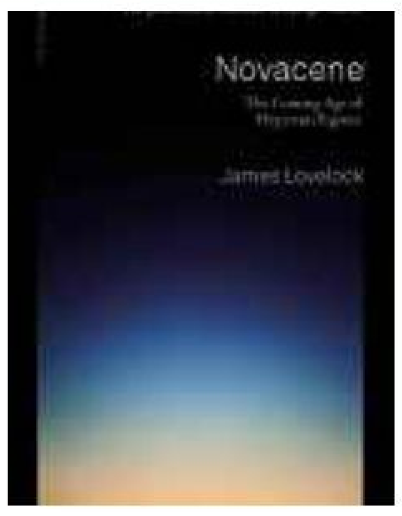
Book in the news... maverick scientist welcomes our robot overlords

Novacene

The Coming Age of Hyperintelligence

By James Lovelock
Allen Lane (£14.99)

Scientist James Lovelock is best known for his Gaia hypothesis, which controversially claims that the global ecosystem functions "in the manner of a vast self-regulating organism", says Tim Radford in Nature. Lovelock's latest book, *Novacene: The Coming Age of Hyperintelligence*, deals with the likely impact of artificial intelligence on society and on nature. Lovelock follows many experts in believing that this "rise of the robots" is inevitable, but he sees this as a good thing, at least for the planet, since "increasingly self-engineering cyborgs with massive intellectual prowess and a telepathically shared consciousness will recognise that they, like organisms", are as much prey to climate change as we are. If that sounds mad to you, "perhaps it shouldn't", says Martha Gill in The Times. Despite "some off-puttingly New Age language", Lovelock's "captivating" book manages to make all this sound "entirely plausible" when he outlines the steps "that will take robots from servant to master". A robot takeover may seem a long way off, but then "it was a long way from the steam pump to the motor car" too. Perhaps the most unconvincing part is Lovelock's belief that our new overlords will want to keep at least a few of us around.



Even readers unsettled by that prospect will enjoy the book's "beautiful clarity" and "mischievous wit", says Steven Poole in The Guardian. Indeed, the "maverick scientist" is at his best when "trolling the more misanthropic green thinkers who suppose that the proper response to climatic catastrophe is to dismantle industrial civilisation, rather than to intensify our engineering efforts in alternative energy sources and mitigation". Not all technological advance is to be welcomed of course – Lovelock condemns research into AI-piloted armed drones that take their own decisions about which people to kill, for example, as "exceptionally stupid" – but his optimism is a "bracing corrective" to green hand-wringing. "My last word on the Anthropocene," the 100-year-old author writes, "is a shout of joy, joy at the colossal expansion of our knowledge of the world and the cosmos that this age has produced."

Glamping at Glastonbury

People tired of rolling around in mud are opting for luxury festival experiences

©Picture Credit

I've always preferred the idea of a rock n' roll lifestyle to the actual music, so I struggle to see the appeal of music festivals such as Glastonbury. "Cheap tents, grim portaloos and muddy wellies" are "par for the course at Glasto", as Megan C. Hills notes in the Evening Standard – and the mere thought leaves me in a cold sweat.

I'm not the only one. Some people are opting for the "ultimate luxury festival experience" by choosing one of the "luxury concierge services" that are becoming "the first port of call for the super-rich".

One agency, Velocity Black, charges up to £16,170 for "the ultimate glamping and VIP package". This includes "a luxury yurt (with an en-suite bathroom, king-size bed and carpeted floor) as well as a secret shortcut to the Pyramid Stage and VIP cocktail and champagne bar". A rival service offers tents or Winnebegos with "furnished bedrooms, luxury linens and duvets, towels and toiletries". Clients also get access to a pop-up spa.

Perhaps the "last word" in festival luxury is Camp Kerala, which "offers VVIP treatment that verges on parody", says Harry Shukman in the Times. Guests there enjoy "24-hour service, chauffeuring around the campsite by golf buggy and the use of a hairdresser and spa". If they get thirsty or peckish they "can also sample the extensive list of wines, featuring Dom Pérignon Rosé 2003 at £575 a bottle, while enjoying... 35-day aged organic steak and a 'power salad' of baby kale, wild garlic and caramelised lemon dressing".

Avoiding road rage

It's not just the accommodation that is moving upmarket. Thanks to "horror stories such as 12-hour traffic queues in 2016" an increasing number of people are chartering flights from helicopter services promising to "fly you over the traffic back to your car" so you can "drive home with some great pictures and not a hint of road rage". Costs range from £500 for a flight from nearby Gillingham to £10,000 for "a six-seater, round trip from London Battersea heliport". Naturally, the service is particularly popular with those clever enough to get someone else to pay for it, such as businessmen and bankers entertaining clients.

With all this lavish spending, you'd think that Glastonbury's organisers would be raking it in. But no: they only make a relatively small profit of £1.4m, says Sophie Smith in The Daily Telegraph. All the "costly outgoings" on "artists, staff, security, equipment hire and the rest" mean that music festivals often struggle to make money. To succeed, organisers need "to have the skills of a property developer as well as those of a local authority worker who has to deal with local residents and ensure basic services, such as power, sewerage, water and security".

"One agency's offerings include a luxury yurt and a VIP champagne and cocktail bar"

Quintus Slide

Tabloid money... £75,000 splurge on boxer's baby bash could have been better spent

©Getty Images

● **"It's hard not to feel sickened by the fact that Faryal Makhdoom and her boxer husband Amir Khan (pictured) spent £75,000 on their daughter's first birthday party," says Karren Brady in The Sun on Sunday. The parents held the Amazonian-themed bash earlier this month at the University of Bolton Stadium in Greater Manchester – the same place where the couple had their £150,000 engagement party and their eldest daughter's £100,000 second birthday party. "Where has their perspective gone?" Their daughter won't even remember the event. "Wouldn't it have been better... to have held just a small celebration and put all that money they spent... into a bank account so that their daughter could eventually put it toward her own flat, or setting up a business when older?"**

● Full weekend tickets to Glastonbury music festival cost £248, plus a £5 booking fee, says Virginia Blackburn in the Daily Express. "All power to the organisers for making a fortune from making people think they are hippies". There really is nothing more British than this self-indulgent "smugfest". The eco-conscious chattering classes were out in full, leaving mountains of waste for badly-paid workers to clear up. Vegans were "well-catered for". The organisers hadn't seemed to have noticed they were on a dairy farm. Then there was the "ear-splitting music". Still, better that than the "ear-splitting Labour leader" in 2017, when Glastonbury was "no doubt keen to emphasise its anti-capitalist element".

● Given the Queen's reputation for thrift, it's astonishing Harry and Meghan have been allowed to spend £2.4m of taxpayers' money renovating a five-bedroom cottage, says Sarah Vine in the Daily Mail. "Every grandparent wants to do their best to give the younger generation a leg-up, but this is something else." Worse still, the Duke and Duchess of Sussex have shown "little more than an ill-concealed contempt for the very institution that sustains them". Witness Meghan's "extravagant jewellery habit" and "Harry's peevish determination to ignore protocol and play hide-and-seek with son Archie's birth details". They must either take their privilege seriously or risk losing the goodwill of the people.

Bridge by Andrew Robson

Down with doubleton leads

West chose to lead the top-of-a-doubleton jack of clubs versus Four Hearts. I must say, I'd have preferred to lead a diamond – from my length. My experience is top of a doubleton often helps declarer and rarely leads to a ruff.

Dummy's king of clubs was taken by East's ace. A heart switch at trick two (best) saw declarer take the ace and lead a second club, East beating dummy's ten with the queen. A second heart prevented declarer from ruffing his low club in dummy (the nine was now a master), but he had another string to his bow. He won the heart and ran off all his four remaining hearts.

Dealer South | Neither-side vulnerable

North
♠ Q86432
♥ 95
♦ A84
♣ K10

West
♠ K105
♥ 832
♦ J9653
♣ J8

East
♠ J97
♥ 104
♦ K102
♣ AQ765

South
♠ A
♥ AKQJ76
♦ Q7
♣ 9432

The bidding

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

* Partner having guaranteed a good six-card suit and 16+ points, this is a normal choice.

East needed to keep two diamonds and two clubs (although a smooth baring of his king of diamonds would have been best), so was forced to come down to a singleton spade. Declarer cashed the ace of spades, removing that spade, before cashing the nine of clubs and exiting with the losing club. East won the club, but, at trick 12, was forced to exit with a diamond from his king-ten. Declarer rose with the queen, and took the last trick with dummy's ace. Ten tricks and game made.

I can't see a winning line on an opening diamond lead – followed by a (low) heart switch from East. Can you?

For all Andrew's books and flippers – including his new hardback The Next Level – see andrewrobson.co.uk.

Sudoku 954

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

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

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

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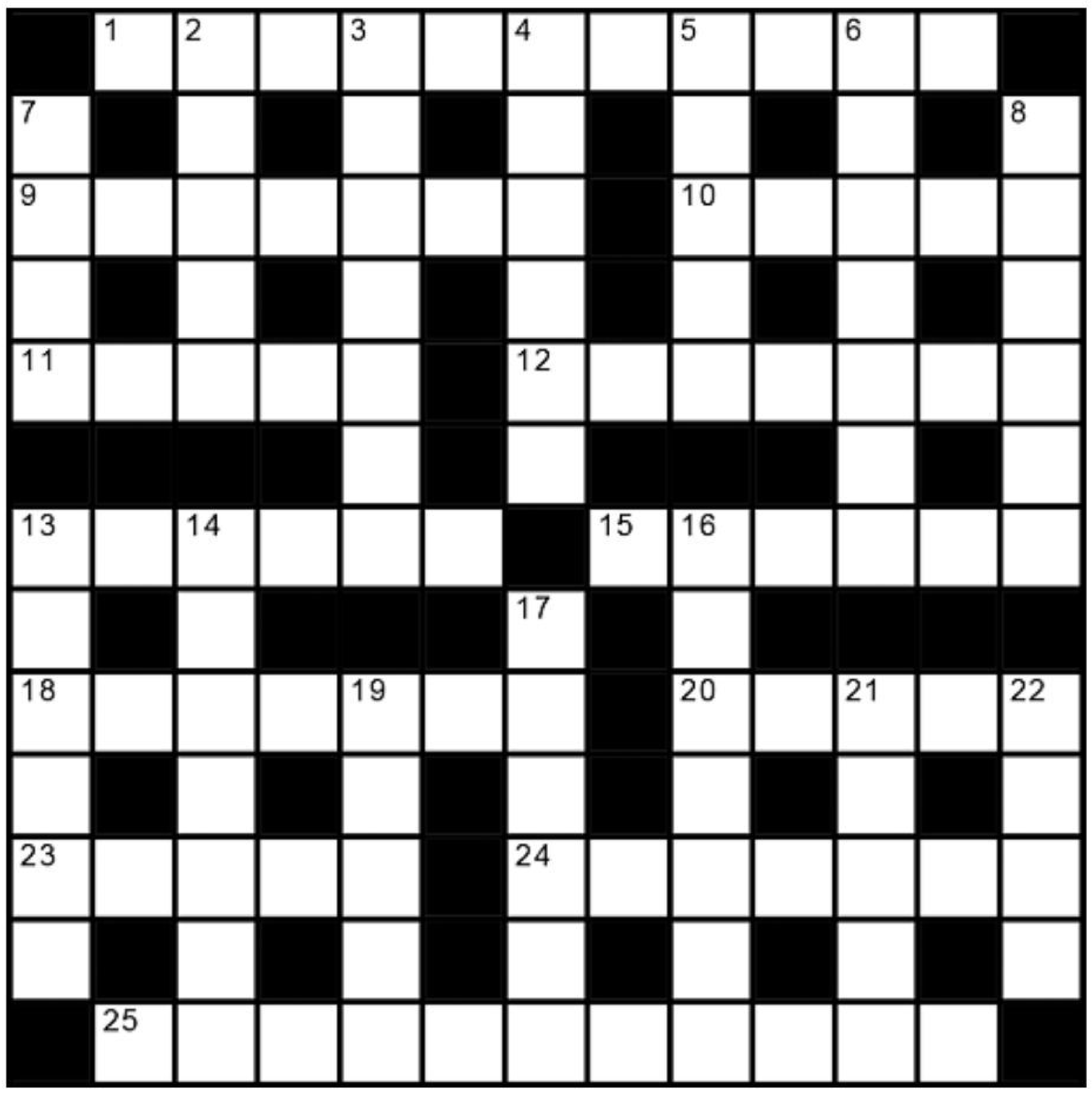
Tim Moorey's Quick Crossword No. 954

A bottle of Taylor's Late Bottled Vintage will be given to the sender of the first correct solution opened on 5 July 2019. Answers to MoneyWeek's Quick Crossword No. 954, 31-32 Alfred Place, London, WC1E 7DP.



Down clues are straightforward whereas across clues are mildly cryptic

ACROSS
1 A group aboard disembark hurriedly (7, 4)
9 Notice Spectator shortened (7)
10 Managed Church Farm in America (5)
11 Saucy Latin American dance? (5)
12 No rates put out – like a basic hotel (3-4)
13 A chest, alternatively a small bag (6)
15 Cheat with violin (6)
18 Rubbish scattered by a beggar? (7)
20 Just get the hell out of here! (3, 2)
23 A politician has one excuse (5)
24 Supervise poetry in Old English (7)
25 Pour bottles out in danger area (7, 4)

DOWN
2 Aromatic herb (5)
3 Tell a story (7)
4 North-western state (6)
5 Brief indulgence (5)
6 Fired (7)
7 Team leader (4)
8 Prime object of care (6)
13 Indicator for train drivers (6)
14 Large warship (7)
16 Malady (7)
17 Draw back in horror (6)
19 So long (5)
21 Gadget (5)
22 North England river (4)

Name ....

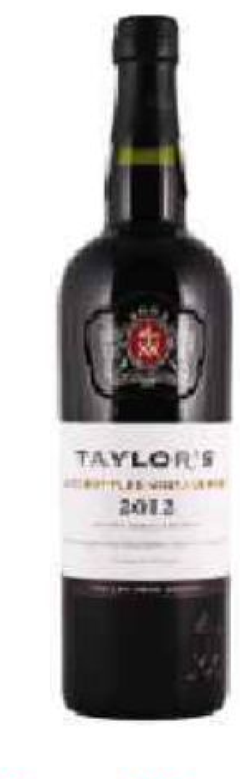
Address ....

Solutions to 952

Across 1 Constipation *anagram* **9** Tango *tang + O* **10** Arbiter bit *in rear anagram* **11** Rib *rib(ald)* **12** Therefore *three anagram + four/fore* **13** Sussex *suss + ex* **14** Wintry *win + try* **17** Newsprint *new sprint* **19** Ire *hidden twice* **21** Benares *anagram* **22** Opine *o + pine* **23** Guardianship *Guardians + hip*.
Down 2 Omnibus **3** Short-tempered **4** Images **5** Abbreviations **6** Intro **7** Nursery **8** Star **13** Sandbag **15** Tbilisi **16** Siesta **18** Wonga **20** Eden

The winner of MoneyWeek Quick Crossword No. 952 is Claudio Allodi, London EN5

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



Inflation creates chaos

The kind being stoked by the Fed is harder to see but no less dangerous

Bill Bonner
Columnist

Mario Draghi: the next Fed chief?

©Getty Images

President Donald Trump has said that the US should have Mario Draghi, president of the European Central Bank, at the helm of its monetary policy. He then had a dig at the current Fed chief Jerome Powell – "he's not doing a good job" – and criticised the Fed for raising rates last year and failing to cut them this. Policy makers "blew it" on 19 June when they kept the benchmark overnight rate unchanged, Trump tweeted.

Powell? Draghi? We say "inflation", you say "inflazione". Greenspan, Bernanke, Yellen, Powell, Draghi… The characters move on, the costumes change, the drama evolves, but it is the same clownish show – inflate or die.

When consumer prices rise, at first, businesses are happy with the extra income. Then they see their costs rising, too. Then, they are lost. They can make a widget. But they don't know if they'll make money or lose it by the time it is sold. Should they order new equipment? Hire new employees? With the most important signals – prices – in motion, it's impossible to know. The result is chaos.

The inflation being stoked in the capital markets by today's central banks leads to a similar process, but it is much harder to see. Rising asset prices on Wall Street should mean a healthy economy. Instead, they are a measure of how unhealthy the economy has become. The Fed lends overnight money. But you can't build a factory with overnight money. Or even buy a car or a house. The real economy needs long-term financing. And when the Fed lends short term at, near or below the cost of inflation, the financial world turns its eyes to fast money, quick fixes and financial tricks to take advantage of the free money.

> *"It's nutty. A firm that buys back its own stocks is a zombie"*

The action is fast. Speculators want a piece of it and get to work creating new financial contraptions. At the end of the process he will not have added a penny to the world's real wealth or hired a single new employee. But asset prices go up. He gets his bonus. Shareholders are happy.

One of the most popular contraptions since the crisis of 2008 is the share buyback. It's nutty. A firm that can't think of anything better to do with its capital other than buy its own stock is a zombie. What would oil be worth if the oil companies had to buy half of their output just to keep the price from collapsing? What would a house be worth if developers bought every other house they built, trying to goose up prices? What kind of capitalism is it when the capitalists spend capital driving up their share prices rather than producing goods and services they can sell at a profit?

Over the last ten years, firms spent $15trn buying themselves. Now, they owe $15trn – half the total value of their stocks. If the stockmarket falls in half – which we think it will – the value of America's entire publicly traded capital will be wiped out. *Attento*!

The bottom line

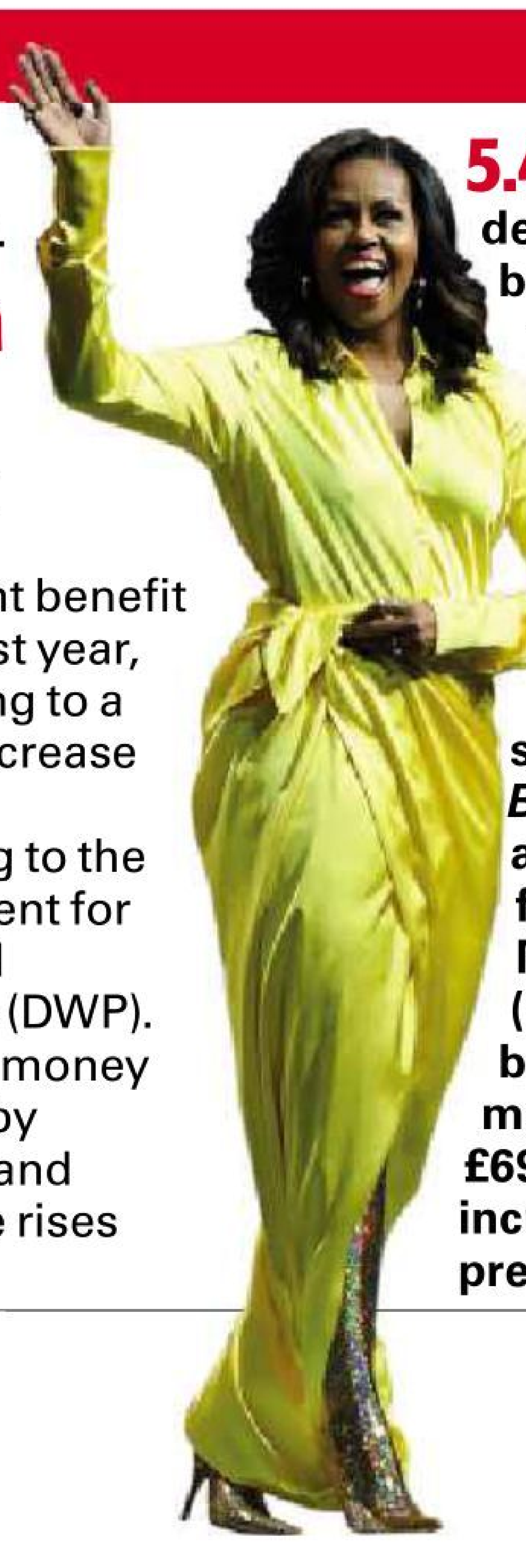
6 The percentage of prime London properties bought by Americans this year – double last year's figure, according to estate agent Knight Frank. The Chinese are still the most prolific buyers, however, snapping up one in every ten prime properties on the London market.

47p How much in every £1 of student debt incurred this year will end up being met by taxpayers. This is equaivalent to a £7.4bn subsidy to universities, and a 2p increase on 2018, the government-commissioned Augar review has found.

£50,000 How much, per minute, delays of car parts at the border resulting from a no-deal Brexit will cost British carmakers, according to the Society of Motor Manufacturers and Traders (SMMT). Car manufacturers rely on sourcing parts from abroad.

$1.1m How much two municipalities in Florida have agreed to pay hackers who took over their computer systems. Riviera Beach City Council voted to meet the $600,000 ransom demand, while the insurers of Lake City will pay 42 bitcoins, worth around $500,000.

£2.3bn The record-high total value of fraudulent benefit claims last year, amounting to a £100m increase on 2017, according to the Department for Work and Pensions (DWP). Throw in money paid out by mistake, and the figure rises to £4bn.



©Getty Images

5.4 **The percentage decline in physical book sales last year to £2.95bn, according to the Publishers Association. It is the first fall in five years, despite notable successes such as *Becoming*, the autobiography by former first lady, Michelle Obama (pictured). Audio book sales, meanwhile, surged to £69m in 2018 – a 43% increase on the previous year.**

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